

MAS NOTICE 645

28 June 2013

Last revised on 1 September 2016

NOTICE TO BANKS
BANKING ACT, CAP 19

COMPUTATION OF TOTAL DEBT SERVICING RATIO FOR PROPERTY LOANS

1. This Notice is issued pursuant to section 55 of the Banking Act (Cap. 19) (the “Act”) and applies to all banks in Singapore.

Definitions and Interpretation

2. In this Notice, unless the context otherwise requires -

- (a) “Borrower” means:

- (i) any natural person applying for a credit facility;
- (ii) any sole proprietorship applying for a credit facility, which is formed or established by a natural person, in or outside Singapore; or
- (iii) any vehicle set up solely for the purchase of Property, applying for a credit facility;

[MAS Notice 645 (Amendment) 2013]

- (b) “Bridging Loan” means a credit facility granted for the purchase of Residential Property by the Borrower, pending the receipt of proceeds from the sale of another Residential Property owned or co-owned by the Borrower, under which any balance outstanding shall be repaid within six months;
- (c) “business trust” has the same meaning as in section 2 of the Business Trusts Act (Cap. 31A);
- (d) “collective investment scheme” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);
- (e) “corporation” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);
- (f) “CPF” means the amount withdrawn from the Central Provident Fund account of the Borrower for payment towards the monthly repayment instalment of Property;
- (g) “CPF Board” means the Central Provident Fund Board, a body corporate established under the Central Provident Fund Act (Cap. 36);

(h) “debenture” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);

(haa) “Debt Reduction Plan” in relation to a Borrower, means an arrangement between the Borrower and a bank to reduce the balance outstanding under –

- (i) a credit facility for the purchase of Property;
 - (ii) a Re-financing Facility for the purchase of Property;
 - (iii) a credit facility otherwise secured by Property; or
 - (iv) a Re-financing Facility for a credit facility otherwise secured by Property,
- by at least 3% over a period of not more than 3 years;

[MAS Notice 645 (Amendment) 2016]

(ha) “EC” means housing accommodation provided under the executive condominium scheme as defined in section 2 of the Executive Condominium Housing Scheme Act (Chapter 99A);

[MAS Notice 645 (Amendment No. 2) 2013]

(i) “HDB” means the Housing and Development Board, a body corporate established under the Housing and Development Act (Cap. 129);

(j) “HDB Flat” means:

- (i) a flat, house or living accommodation sold by the HDB under the provisions of Part IV of the Housing and Development Act (Cap. 129); or
- (ii) a housing accommodation, as defined in section 65M of the Housing and Development Act (Cap. 129), sold by an approved developer (as defined in the same section of the same Act) under Part IVB of the same Act;

(ja) “hirer” means any person who takes or has taken a motor vehicle under a hire-purchase agreement;

[MAS Notice 645 (Amendment) 2014]

(jb) “hire-purchase agreement” means an agreement, under which –

- (i) a motor vehicle is bailed to the hirer in return for periodical payments; and
- (ii) the property in the motor vehicle will pass to the hirer if the terms of the agreement are complied with and one or more of the following occur:
 - (A) the exercise of an option to purchase by the hirer;
 - (B) the doing of any other specified act by any party to the agreement;
 - (C) the happening of any other specified event;

[MAS Notice 645 (Amendment) 2014]

- (k) “IRAS” means the Inland Revenue Authority of Singapore, a body corporate established under the Inland Revenue Authority of Singapore Act (Cap. 138A);
- (ka) “minimum occupation period” has the same meaning as in section 2(1) of the Executive Condominium Housing Scheme Act (Cap. 99A);

[MAS Notice 645 (Amendment No. 2) 2013]

- (l) “moneylender” has the same meaning as a moneylender as defined in section 2 of the Moneylenders Act (Cap. 188) but does not include an exempt moneylender as defined in the same section;
- (m) “monthly repayment instalment” means the sum of the monthly repayment of the principal amount (where applicable) and the monthly payment of interest under a credit facility, and for the avoidance of doubt, it includes any payment made using CPF;
- (ma) “motor vehicle” has the same meaning as defined in section 2 of the Road Traffic Act (Cap. 276);

[MAS Notice 645 (Amendment) 2014]

- (n) “Outstanding Relevant Credit Facility and Arrangement” means:
 - (i) a Relevant Credit Facility and Arrangement set out in any of the sub-paragraphs (i) to (vii) of paragraph 2(p) obtained from any person in the name of the Borrower or jointly with another Borrower where the funds under the Relevant Credit Facility and Arrangement have been disbursed but not fully repaid;
 - (ii) a Relevant Credit Facility and Arrangement set out in any of the sub-paragraphs (i) to (vii) of paragraph 2(p) obtained from any person in the name of the Borrower or jointly with another Borrower where the funds under the Relevant Credit Facility and Arrangement have not been disbursed;
 - (iii) a Relevant Credit Facility and Arrangement (in the name of the Borrower or jointly with another Borrower) that the Borrower is applying for or has applied for:
 - (A) in the case of a Relevant Credit Facility and Arrangement set out in any of the sub-paragraphs (i) to (vii) of paragraph 2(p), from any person; or
 - (B) in the case of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(viii), from any person by whom a motor vehicle is to be bailed to a hirer under a hire-purchase agreement,

in the six months prior to the time of applying for any credit facility or Re-financing Facility¹ referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d) and that has not been approved yet²;or

- (iv) a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(viii) that is obtained from any person by whom a motor vehicle is bailed to a hirer under a hire-purchase agreement in the name of the Borrower or jointly with another Borrower where:
 - (A) no periodic payments are required to be made under the hire-purchase agreement yet; or
 - (B) there is any outstanding periodic payments to be made under the hire-purchase agreement.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]
[MAS Notice 645 (Amendment) 2016]

(o) "Property" means:

- (i) a Residential Property; or
 - (ii) a non-Residential Property,
- that is located in or outside Singapore;

(oa) "Property Developer" means a person carrying on the business of property development;

[MAS Notice 645 (Amendment) 2013]

(ob) "Re-financing Facilities" means any Re-financing Facility for the purchase of Property and any Re-financing Facility for a credit facility otherwise secured by Property;

[MAS Notice 645 (Amendment) 2013]

(oc) "Re-financing Facility for a credit facility otherwise secured by Property" means in relation to a Property, a credit facility granted for the sole purpose of enabling a

¹ This footnote has been deleted.

[MAS Notice 645 (Amendment) 2013]

² In the case where the Borrower is of the opinion that the Relevant Credit Facility and Arrangement ("First Credit Facility") that he is applying for or has applied for in the six months prior to the time of applying for any credit facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d) ("Second Credit Facility") should not be included as part of the Borrower's total monthly debt obligations in paragraph 9, as the First Credit Facility is unlikely to materialise, the Borrower may accordingly notify the bank from which he is applying for the Second Credit Facility. The bank shall then make an independent assessment as to whether the First Credit Facility shall be included in the Borrower's total monthly debt obligations for the purpose of computing the Borrower's total debt servicing ratio in relation to the Second Credit Facility.

[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]

Borrower, or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay –

- (i) the balance outstanding under a credit facility obtained by the Borrower which is otherwise secured by that Property; or
- (ii) the balance outstanding under a credit facility obtained by the Borrower for the re-financing of any credit facility otherwise secured by that Property.

For the avoidance of doubt, a credit facility granted for the sole purpose of enabling a Borrower or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay the balance outstanding amount referred to in sub-paragraphs (i) and (ii) above by the same bank which had granted the preceding credit facility otherwise secured by that Property or Re-financing Facility for a credit facility otherwise secured by Property to the Borrower, shall be a Re-financing Facility for a credit facility otherwise secured by Property;

[MAS Notice 645 (Amendment) 2013]

(od) “Re-financing Facility for the purchase of Property” means in relation to a Property, a credit facility granted for the sole purpose of enabling a Borrower or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay –

- (i) the balance outstanding under a credit facility obtained by the Borrower for the purchase of that Property; or
- (ii) the balance outstanding under a credit facility obtained by the Borrower for the re-financing of any credit facility in respect of the purchase of that Property.

For the avoidance of doubt, a credit facility granted for the sole purpose of enabling a Borrower or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay the balance outstanding amount referred to in sub-paragraphs (i) and (ii) above by the same bank which had granted the preceding credit facility for the purchase of that Property or Re-financing Facility for the purchase of Property to the Borrower, shall be a Re-financing Facility for the purchase of Property;

[MAS Notice 645 (Amendment) 2013]

(p) “Relevant Credit Facility and Arrangement” means any of the following:

- (i) a credit facility for the purchase of Property;
- (ii) a Re-financing Facility for the purchase of Property;
- (iii) a credit facility otherwise secured by Property;
- (iv) a Re-financing Facility for a credit facility otherwise secured by Property;

- (v) a secured revolving credit facility;
- (vi) an unsecured revolving credit facility;
- (vii) any other credit facility, including motor vehicle loans, share financing loans and Bridging Loans (except Bridging Loans with a tenure of six months or less); and
- (viii) any hire-purchase arrangement set out in a hire-purchase agreement.

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment) 2014]

- (q) “Residential Property” means a building or tenement wholly or principally constructed, adapted or intended for human habitation, located:
 - (i) outside Singapore; or
 - (ii) in Singapore, which is –
 - (A) permitted under the Planning Act (Cap. 232) for use solely or partly for residential purposes, including a HDB Flat; or
 - (B) in accordance with its zoning in the Master Plan, permissible for use solely or partly for residential purposes;
- (r) “share” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);
- (s) “structured deposit” has the same meaning as in section 2 of the Financial Advisers (Structured Deposits – Prescribed Investment Product and Exemption) Regulations;
- (sa) “vehicle set up solely for the purchase of Property” means a shell company with no substantive business in genuine commercial activities set up solely for the purchase of Property which is held or any part thereof is held, directly or indirectly by any natural person, and which may obtain a credit facility for the purchase of Property, a Re-financing Facility for the purchase of Property, a credit facility otherwise secured by Property and a Re-financing Facility for a credit facility otherwise secured by Property.

For the avoidance of doubt, a vehicle set up by any natural person solely for the purchase of Property does not need to have made a purchase of any Property;

[MAS Notice 645 (Amendment) 2013]

- (sb) a reference to “Borrower” in the case where the Borrower is a vehicle set up solely for the purchase of Property includes the natural person who directly or indirectly holds the vehicle or any part thereof, and both the vehicle and natural person shall comply with the requirements set out in the Notice, unless otherwise specified;

[MAS Notice 645 (Amendment) 2013]

- (sc) a reference to “credit facility for the purchase of Property” and “Re-financing Facility for the purchase of Property” does not require such credit facility or Re-financing Facility, as the case may be, to be secured by that Property;

[MAS Notice 645 (Amendment) 2013]

- (t) a reference to purchase of Property includes –
- (i) purchase of a part share in Property; and
 - (ii) indirect purchase of a Property.

For the avoidance of doubt, an indirect purchase of a Property includes the purchase of a vehicle set up solely for the purchase of Property but does not include the purchase of any unit in a collective investment scheme or any unit or derivative of units in a business trust, or any share in a Property Developer;

[MAS Notice 645 (Amendment) 2013]

- (u) a reference to credit facilities otherwise secured by Property does not include credit facilities -
- (i) solely for the purchase of Property; or
 - (ii) secured by a charge in favour of the CPF Board;
- (v) where a credit facility is granted to joint Borrowers, a reference to "Borrower" shall be read accordingly to refer to the joint Borrowers, except that in paragraphs 8, 17 to 21A and 23 to 28 and 30, such a reference shall be read to also refer to each Borrower;

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment) 2014]

- (w) where a credit facility is granted to joint Borrowers one of whom is not a natural person, the credit facility shall be considered to be granted to a Borrower who is a natural person; and
- (x) the expressions used shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meanings as in the Act.

Total Debt Servicing Ratio

3. Subject to paragraph 4, a bank shall compute the total debt servicing ratio of a Borrower who is applying for –
- (a) any credit facility for the purchase of Property;
 - (b) any Re-financing Facility for the purchase of Property except where –
 - (i) the Property is a Residential Property for the occupation of one or more persons which shall include the Borrower; or

- (ii) in any other case, where the Borrower –
 - (A) makes a capital repayment under the credit facility which the Borrower is re-financing and the interest rate formulation³ under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing;
 - (B) applies to reduce the tenure under the Re-financing Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or
 - (C) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility;
- (c) any credit facility otherwise secured by Property; and
- (d) any Re-financing Facility for a credit facility otherwise secured by Property except where the Borrower –
 - (i) makes a capital repayment under the credit facility which the Borrower is re-financing; and
 - (A) the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; and
 - (B) there is no increase in the tenure under the Re-financing Facility; or
 - (ii) applies to reduce the tenure under the Re-financing Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or
 - (iii) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility,

³ For example, a Borrower's credit facility for the purchase of Property has the following interest rate formulation:

Years 1 to 3: Fixed rate of X%
 Year 4 onwards: Singapore Interbank Offered Rate (SIBOR) + Y%

The interest rate formulation under the Re-financing Facility shall not be considered the same if there is a change in X%; Y%; or the reference rate is changed from SIBOR to another type of reference rate such as the Singapore Swap Offer Rate (SOR). A change in the value of SIBOR itself would not be considered as a change in interest rate formulation.

For the avoidance of doubt, where a Borrower's credit facility is reset using the same interest rate formulation, this shall also be considered a change in the interest rate formulation. Using the example above, it is considered a change in the interest rate formulation when the credit facility is reset, for instance at the end of Year 3, to:

Years 4 to 6: Fixed rate of X%
 Year 7 onwards: SIBOR + Y%.

in accordance with the following formula:

$$\frac{\text{monthly total debt obligations}}{\text{gross monthly income}} \times 100\%$$

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment) 2016]

4. In the case of a joint application for a credit facility or a Re-financing Facility referred to in paragraph 3, where there are two or more Borrowers –
- (a) the monthly total debt obligations to be applied in the formula in paragraph 3 shall be the aggregate of:
 - (i) the monthly repayment instalment referred to in paragraph 9(a); and
 - (ii) each of the Borrowers' monthly repayment instalments referred to in paragraphs 9(b) and (c); and
 - (b) the gross monthly income to be applied in the formula in paragraph 3 shall be the aggregate of each of the Borrowers' gross monthly income.

[MAS Notice 645 (Amendment) 2013]

5. In the case of an application for a credit facility or a Re-financing Facility referred to in paragraph 3, by a sole proprietorship, the monthly total debt obligations and gross monthly income to be applied in the formula in paragraph 3 shall be that of the natural person referred to in paragraph 2(a)(ii).

[MAS Notice 645 (Amendment) 2013]

- 5A. In the case of an application for a credit facility or a Re-financing Facility referred to in paragraph 3, by a vehicle set up solely for the purchase of Property, the monthly total debt obligations and gross monthly income to be applied in the formula in paragraph 3 shall be the aggregate of the monthly total debt obligations of the vehicle and the natural person who directly or indirectly holds the vehicle, or any part thereof, and the aggregate of the gross monthly income of the vehicle and the natural person who directly or indirectly holds the vehicle, or any part thereof, respectively.

[MAS Notice 645 (Amendment) 2013]

Monthly Repayment Instalments for Credit Facilities in relation to HDB Flat and EC Purchased Directly from a Property Developer

6. Subject to paragraphs 7 and 8, a bank shall not grant –
- (a) any credit facility for the purchase of Property where the Property is a HDB Flat;
 - (b) any Re-financing Facility for the purchase of Property where the Property is a HDB Flat;
 - (c) any credit facility for the purchase of Property where the Property is an EC purchased directly from a Property Developer; or

- (d) any Re-financing Facility for the purchase of Property where the Property is an EC purchased directly from a Property Developer and which is still within the minimum occupation period,

where the aggregate of the monthly repayment instalments for –

- (e) the credit facility referred to in sub-paragraphs (a) or (c), or the Re-financing Facility referred to in sub-paragraphs (b) or (d), as the case may be; and
- (f) such other Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraphs 2(p)(i), (ii), (iii) or (iv),

exceeds 30% of the Borrower's gross monthly income, or in the case of a joint application where there are two or more Borrowers, 30% of the aggregate of the Borrowers' gross monthly income.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]

7. Paragraph 6 shall only apply to an application made for the following:

- (a) any credit facility for the purchase of Property where the Property is a HDB Flat, the date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is on or after 12 January 2013;
- (b) any Re-financing Facility for the purchase of Property where –
 - (i) the Property is a HDB Flat; and
 - (ii) the Borrower is not an occupant of the Property,except where the Borrower –
 - (A) makes a capital repayment under the credit facility which the Borrower is re-financing and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing;
 - (B) applies to reduce the tenure under the Re-financing Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or
 - (C) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility;
- (c) any credit facility for the purchase of Property where the Property is an EC purchased directly from a Property Developer, the date on which the option to purchase was granted or where there is no option to purchase, the date of the sale and purchase agreement, is on or after 10 December 2013; and
- (d) any Re-financing Facility for the purchase of Property where –
 - (i) the Property is an EC purchased directly from a Property Developer;

(ii) the Property is still within the minimum occupation period; and

(iii) the Borrower is not an occupant of the Property,

except where the Borrower –

(A) makes a capital repayment under the credit facility which the Borrower is re-financing and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing;

(B) applies to reduce the tenure under the Re-financial Facility and the interest rate formulation under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; or

(C) commits to a Debt Reduction Plan at the time of application of the Re-financing Facility.

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment No. 2) 2013]

[MAS Notice 645 (Amendment) 2014]

[MAS Notice 645 (Amendment) 2016]

8. For the purpose of paragraph 6, a bank may exclude the monthly repayment instalment in respect of a credit facility for the purchase of an existing Residential Property, in the case of a Borrower who, at the time of applying for a credit facility or Re-financing Facility for the purchase of Property where the Property is a HDB Flat or an EC purchased directly from a Property Developer –

(a) has only one existing Residential Property that he owns, either by himself or jointly, and for which he will be taking steps to sell;

(b) has an Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(i) or (ii) which is for the purchase of the existing Residential Property referred to in sub-paragraph (a);

(c) does not have any Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(i) or (ii), other than the credit facility referred to in sub-paragraph (b);

(d) does not have any Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(iii) or (iv), including –

(i) any credit facility otherwise secured by Property where the Property is the existing Residential Property referred to in sub-paragraph (a); and

(ii) any Re-financing Facility for a credit facility otherwise secured by Property where the Property is the existing Residential Property referred to in sub-paragraph (a); and

- (e) does not own any other Property, either by himself or jointly, other than the existing Residential Property referred to in sub-paragraph (a).

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]

Monthly Total Debt Obligations

9. For the purpose of paragraph 3 and subject to paragraphs 4 and 10 to 16, monthly total debt obligations, in relation to a Borrower, shall be the aggregate of:

- (a) the monthly repayment instalment for the credit facility or the Re-financing Facility referred to in paragraph 3;
- (b) the monthly repayment instalment or monthly payment⁴ for such other Outstanding Relevant Credit Facility and Arrangement, as the case may be; and
- (c) not less than 20% of the monthly repayment instalment of any other Outstanding Relevant Credit Facility and Arrangement in respect of which the Borrower is a guarantor.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment) 2014]

- 9A. For the purpose of paragraph 9(c), an Outstanding Relevant Credit Facility and Arrangement has the same meaning as paragraph 2(n) except that any reference to "Borrower" in paragraph 2(n) shall be construed to mean any person applying for a credit facility.

[MAS Notice 645 (Amendment) 2016]

10. For the purpose of determining the monthly repayment instalment in paragraphs 6(e) and 9(a), a bank shall:

- (a) use the actual tenure of the credit facility applied for; and
- (b) base its calculation of the monthly interest payable under the credit facility on a medium-term interest rate⁵ which –
 - (i) in the case of a credit facility for the purchase of Residential Property or a credit facility otherwise secured by Residential Property, shall be not less than 3.5% or the current interest rate prevailing in the market at the time of applying for the credit facility, whichever is higher; or

⁴ Where periodical payments are not made on a monthly basis, for the purpose of the computation, the relevant payments shall be pro-rated to reflect a monthly payment amount. For example, if periodic payments are received on a quarterly basis, a bank shall divide the quarterly payment by three to arrive at the monthly payment.

⁵ The medium-term interest rate shall take into account historical interest rates trends over an observation period of not less than ten years and a forward-looking assessment of such trends, including projections under stressed conditions, where appropriate. For the avoidance of doubt, a bank shall not base its calculation of the monthly interest payable on introductory interest rates offered by the bank for the first few years of a credit facility for the purchase of or otherwise secured on a Property.

- (ii) in the case of a credit facility for the purchase of non-Residential Property or a credit facility otherwise secured by non-Residential Property, shall be not less than 4.5% or the current interest rate prevailing in the market at the time of applying for the credit facility, whichever is higher.

[MAS Notice 645 (Amendment No. 2) 2013]

11. For the purpose of determining the monthly repayment instalment in paragraphs 6(e) and 9(a), and the monthly repayment instalment in relation to such other Outstanding Relevant Credit Facility and Arrangement referred to in paragraphs 6(f) and 9(b) where the Relevant Credit Facility and Arrangement is:
- (a) a credit facility for the purchase of Property;
 - (b) a Re-financing Facility for the purchase of Property;
 - (c) a credit facility otherwise secured by Property; or
 - (d) a Re-financing Facility for a credit facility otherwise secured by Property,
- a bank shall assume that the credit facility is –
- (e) on a fully amortising straight line repayment schedule for the tenure of the credit facility; and
 - (f) fully disbursed⁶.

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment No. 2) 2013]

[MAS Notice 645 (Amendment) 2014]

12. Where a Borrower is a joint Borrower of an Outstanding Relevant Credit Facility and Arrangement referred to in paragraphs 6(f) and 9(b), for the purpose of determining the monthly repayment instalment under paragraphs 6(f) and 9(b), a bank shall apportion the monthly repayment instalment in relation to such Outstanding Relevant Credit Facility and Arrangement between the Borrower and his joint Borrowers in such manner that is proportionate to their respective gross monthly incomes. Where a Borrower is unable to provide all necessary income documentation for the purpose of apportioning the monthly repayment instalment of an Outstanding Relevant Credit Facility and Arrangement referred to in paragraphs 6(f) and 9(b), the bank shall attribute the monthly repayment instalment for such Outstanding Relevant Credit Facility and Arrangement wholly to the Borrower.

[MAS Notice 645 (Amendment) 2014]

13. Subject to paragraph 15, for the purpose of determining the monthly repayment instalment in relation to an Outstanding Relevant Credit Facility and Arrangement referred to in paragraph 9(b), where the Relevant Credit Facility and Arrangement is a secured revolving credit facility, a bank shall calculate the monthly repayment instalment under such credit facility by applying the monthly interest rate of such credit facility on the amount drawn down by a Borrower and his joint Borrowers, if any, under

⁶ For the avoidance of doubt, a bank shall assume that a credit facility in relation to an uncompleted Property is fully disbursed.

such credit facility. The amount drawn down by the Borrower and his joint Borrowers, if any, under such credit facility shall be that which is stated in the latest available statement for that credit facility at the time of applying for a credit facility or a refinancing facility referred to in paragraph 3. If the Borrower is unable to provide a copy of such statement, the bank shall calculate the monthly repayment instalment under the secured revolving credit facility by applying the monthly interest rate of such credit facility on the total credit limit of such credit facility.

[MAS Notice 645 (Amendment) 2014]

14. Subject to paragraph 15, for the purpose of determining the monthly repayment instalment in relation to an Outstanding Relevant Credit Facility and Arrangement referred to in paragraph 9(b), where the Relevant Credit Facility and Arrangement is an unsecured revolving credit facility, the monthly repayment instalment under such credit facility shall be the minimum amount that is due from a Borrower and his joint Borrowers, if any, under such credit facility as stated in the latest available statement for that credit facility at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3. If the Borrower is unable to provide a copy of such statement, the bank shall calculate the monthly repayment instalment under the unsecured revolving credit facility by applying the monthly interest rate of such facility on the total credit limit of such credit facility.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment) 2014]

15. A bank may apply any other method of calculation of the monthly repayment instalment provided that such method results in a higher monthly repayment instalment than that calculated in accordance with paragraphs 13 and 14, as the case may be.
16. For the purpose of determining the monthly repayment instalment referred to in paragraphs 6 and 9 where –
- (a) the Outstanding Relevant Credit Facility and Arrangement is in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(i), (ii), (iii) or (iv) which relates to a Property located outside Singapore; and
 - (b) the monthly repayment instalment in respect of the Outstanding Relevant Credit Facility and Arrangement referred to in sub-paragraph (a) is denominated in a foreign currency,

a bank shall convert the monthly repayment instalment referred to in sub-paragraph (b) into Singapore dollar by applying the prevailing exchange rate at the time of application for a credit facility or a Re-financing Facility referred to in paragraph 3.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment) 2014]

Gross Monthly Income

17. For the purpose of paragraphs 3 and 6, gross monthly income, in relation to a Borrower, shall be the aggregate of⁷:

⁷ In determining the gross monthly income of a Borrower, all or any part of the income referred to in paragraphs 17(a)-(d) and value of the eligible financial assets referred to in paragraph 17(e) may be excluded.

- (a) in the case where the Borrower has a fixed monthly income only, his monthly income (excluding any contributions made to the Central Provident Fund account of the Borrower by the Borrower's employer, where applicable) at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d);
- (b) in the case where the Borrower has a variable income only, such as commission, bonus or allowance from his employer, not more than 70% of –
 - (i) the average of the monthly variable income earned in the preceding 12 months (excluding any contributions made to the Central Provident Fund account of the Borrower by the Borrower's employer, where applicable); or
 - (ii) the employment income reflected in the latest available Notice of Assessment from IRAS, divided by 12,
 at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d);
- (c) in the case where the Borrower has a fixed and variable monthly income -
 - (i) the aggregate of his fixed monthly income as determined in accordance with sub-paragraph (a) above and his variable monthly income as determined in accordance with sub-paragraph (b)(i) above; or
 - (ii) subject to paragraph 17A, the aggregate of his fixed employment income and not more than 70% of his variable employment income reflected in the latest available Notice of Assessment from IRAS, divided by 12, at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d);
- (d) the monthly rental income received by the Borrower, if any; and
- (e) the value of the eligible financial assets of the Borrower, if any.

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment No. 2) 2013]

[MAS Notice 645 (Amendment) 2014]

- 17A. For the purpose of paragraph 17(c)(ii), where the employment income reflected in the latest available Notice of Assessment from IRAS does not provide the breakdown between the fixed employment income and the variable employment income, a bank shall obtain documentary evidence including those referred to in paragraph 28 to ascertain the amount of fixed employment income and the amount of variable employment income of the Borrower. Where a bank is unable to obtain documentary evidence to ascertain the amount of fixed employment income and the amount of variable employment income of the Borrower, the bank shall not include more than 70% of the employment income reflected in the latest available Notice of Assessment from IRAS, divided by 12, as part of the gross monthly income of the Borrower.

[MAS Notice 645 (Amendment) 2014]

18. For the purpose of paragraph 17(d), not more than 70% of the monthly rental income received by the Borrower may be included as part of the gross monthly income of the Borrower where a bank has obtained from the Borrower, a copy of the stamped

tenancy agreement signed by both the Borrower (as the landlord) and the party to whom he has leased the Property, and which shall have a remaining rental period of at least six months at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d).

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]

19. The eligible financial assets of the Borrower referred to in paragraph 17(e) are as follows:

(a) liquid assets comprising Singapore dollar notes and coins (including deposits); and

(b) the following assets:

(i) units in a collective investment scheme authorised or recognised by the Authority under the Securities and Futures Act (Cap. 289);

(ii) units in a business trust registered with the Authority under the Business Trusts Act (Cap. 31A);

(iii) debentures or stocks issued or proposed to be issued by a government;

(iv) debentures, stocks or shares issued or proposed to be issued by a corporation or body unincorporated;

(v) structured deposits,

(vi) foreign currency notes and coins (including deposits); and

(viii) gold,

which have a secondary market or have a reasonable basis for valuation, and to the extent that the asset is unencumbered.

20. In determining the value of the eligible financial assets of the Borrower referred to in paragraph 17(e), a bank shall -

(a) apply, at a minimum, the percentage deductions on the value of eligible financial assets of the Borrower as set out in the table below:

Type of eligible financial assets of the Borrower	Percentage deduction applied on the value of eligible financial assets pledged ⁸ for at least 4 years	Percentage deduction applied on the value of eligible financial assets that is unpledged, or pledged ⁷ for less than 4 years
Liquid assets (referred to in paragraph 19(a))	0%	70%
Other assets (referred to in paragraph 19(b))	30%	70%

- (b) amortise the value of the eligible financial assets of the Borrower, after applying the percentage deductions in sub-paragraph (a), over a period of 48 months.
21. Where the liquid assets (referred to in paragraph 19(a)) of a Borrower are not pledged with a bank to secure the credit facility or the Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d), the bank shall ensure that the liquid assets are residing in the Borrower's account with a financial institution regulated by the Authority before the funds are disbursed under the above-mentioned credit facility.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]

Due Diligence

- 21A. Where a Borrower applies for a credit facility otherwise secured by Property, a bank shall conduct due diligence to ascertain if the Borrower is a vehicle set up solely for the purchase of Property.

[MAS Notice 645 (Amendment) 2013]

Excluded Facilities

22. Paragraphs 3 and 6 shall not apply to:
- (a) a Bridging Loan; or
 - (b) a credit facility which is secured by a pool of collateral including Property, where the market valuation of the Property comprises less than 50% of the market valuation of the pool of collateral at the time of application of the said credit facility.

⁸ This refers to the eligible financial assets which the Borrower has pledged with the bank in order to secure the credit facility or the re-financing facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d) from the bank.

[MAS Notice 645 (Amendment No. 2) 2013]

Verification by the Bank

Declaration

23. A bank granting a credit facility or a Re-financing Facility referred to in paragraph 3 to a Borrower shall obtain a written declaration from the Borrower on the following:

- (a) all Outstanding Relevant Credit Facilities and Arrangements, including details such as the type of credit facility or arrangement, amount outstanding under the credit facility or arrangement, monthly repayment instalment, applicable interest rates and tenure of the credit facility or arrangement; and
- (b) all sources of gross monthly income earned as set out in paragraph 17 in the preceding period of at least 12 months at the time of applying for the credit facility⁹.

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment) 2014]

24. A bank granting a credit facility or a Re-financing Facility referred to in paragraphs 6(a), (b), (c) or (d) to a Borrower shall obtain a written declaration from the Borrower on the following:

- (a) all Outstanding Relevant Credit Facilities and Arrangements in respect of Relevant Credit Facilities and Arrangements set out in paragraph 2(p)(i), (ii), (iii) or (iv), including details such as the type of credit facility or arrangement, amount outstanding under the credit facility or arrangement, monthly repayment instalment, applicable interest rates and tenure of the credit facility or arrangement; and
- (b) all sources of gross monthly income earned as set out in paragraph 17 in the preceding period of at least 12 months at the time of applying for the credit facility⁷.

[MAS Notice 645 (Amendment) 2013]

[MAS Notice 645 (Amendment No. 2) 2013]

[MAS Notice 645 (Amendment) 2014]

Verification of Monthly Repayment Instalments

25. For the purpose of –

- (a) determining the monthly repayment instalments of a Borrower prior to granting a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d) to the Borrower;
- (b) exempting a Re-financing Facility for the purchase of Property where the Property is a HDB Flat or an EC purchased directly from a Property Developer and which is still within the minimum occupation period, as the case may be, from paragraph 6; and
- (c) excluding the monthly repayment instalment under paragraph 8,

⁹ The written declaration from the Borrower need not include any income or value of the eligible financial assets which have been excluded for the purposes of determining the gross monthly income of the Borrower under paragraph 17.

a bank shall conduct or cause to be conducted comprehensive checks with one or more credit bureaus and the HDB, as may be relevant, to verify whether the Borrower, at the time of applying for the credit facility, has any Outstanding Relevant Credit Facility and Arrangement (in the case of sub-paragraph (a)) or any Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(i), (ii), (iii) or (iv) (in the case of sub-paragraphs (b) and (c)).

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]

26. Where a bank is reasonably satisfied by a Borrower that it should take into account additional information in order to ascertain whether or not the Borrower has an Outstanding Relevant Credit Facility and Arrangement, the bank may supplement the information held by any one or more credit bureaus or the HDB with information provided by the Borrower from any credible third party source, which may include letters of offer for a credit facility.

[MAS Notice 645 (Amendment) 2014]

Verification of Gross Monthly Income

27. Prior to granting a credit facility or Re-financing Facility referred to in paragraph 3, or paragraphs 6(a), (b), (c) or (d), a bank shall require the Borrower to submit the latest available statements from the CPF Board and IRAS, as may be relevant, to verify the sources of income of the Borrower, at the time of applying for the said credit facility or Re-financing Facility, as the case may be, such verification being for the purpose of determining the gross monthly income of the Borrower.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]

28. Where a bank is reasonably satisfied by a Borrower that it should take into account additional information in order to ascertain the sources of income of the Borrower, the bank may supplement the statements from the CPF Board and IRAS with information provided by the Borrower from any credible third party source, which may include payslips from the Borrower's employer, bank statements, employment contracts and letters of appointment.

Other Reasonable Steps

29. For the purpose of determining whether a Borrower is an occupant of a Property under paragraph 3(b)(i), 7(b)(ii) or 7(d)(iii), as the case may be, a bank shall obtain documentary evidence from the Borrower. This shall include:
- (a) a written declaration from the Borrower that the Property is for the occupation of one or more persons which shall include the Borrower;
 - (b) a printout of the Borrower's "My Property Portfolio" page in myTax Portal at www.iras.gov.sg, listing the tax rate levied on the Property as "owner-occupier"; and

- (c) a front and back copy of the National Registration Identification Card of the Borrower, where the address of the Borrower that is reflected on the National Registration Identification Card is the same as the address of the Property.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]
[MAS Notice 645 (Amendment) 2016]

30. For the purpose of paragraph 8, a bank shall obtain from the Borrower:

- (a) a copy of the Borrower's signed undertaking to the HDB committing to complete the sale of his existing Residential Property within the period stipulated in the undertaking;
- (b) a written declaration that:
- (i) the Borrower shall take steps, in accordance with the signed undertaking referred to in sub-paragraph (a), to sell his existing Residential Property;
 - (ii) he has no Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(i) or (ii), other than the Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(i) or (ii) which is for the purchase of the existing Residential Property referred to in sub-paragraph (a);
 - (iii) he has no Outstanding Relevant Credit Facility and Arrangement in respect of a Relevant Credit Facility and Arrangement set out in paragraph 2(p)(iii) or (iv), including –
 - (A) any credit facility otherwise secured by Property where the Property is the existing Residential Property referred to in sub-paragraph (a); and
 - (B) any Re-financing Facility for a credit facility otherwise secured by Property where the Property is the existing Residential Property referred to in sub-paragraph (a); and
 - (iv) the Borrower does not own, any other Property, either by himself or jointly, other than the existing Residential Property referred to in sub-paragraph (a), and
- (c) a printout of the Borrower's Account Summary page in myTax Portal at www.iras.gov.sg, listing the number of properties owned by the Borrower.

[MAS Notice 645 (Amendment) 2013]
[MAS Notice 645 (Amendment No. 2) 2013]
[MAS Notice 645 (Amendment) 2014]

30A. For the purpose of determining whether paragraph 6 applies, a bank shall obtain documentary evidence from the Borrower to verify:

- (a) in the case where the Borrower is applying for any credit facility referred to in paragraph 6(c), that the EC is purchased directly from a Property Developer; or

- (b) in the case where the Borrower is applying for any Re-financing Facility referred to in paragraph 6(d), that the EC is purchased directly from a Property Developer and it is still within the minimum occupation period.

[MAS Notice 645 (Amendment No. 2) 2013]

Effective Date

31. This Notice shall take effect on 29 June 2013.

*Notes on History of Amendments

1. MAS Notice 645 (Amendment) 2013 with effect from 28 August 2013.
2. MAS Notice 645 (Amendment No. 2) 2013 with effect from 10 December 2013.
3. MAS Notice 645 (Amendment) 2014 with effect from 10 February 2014.
4. MAS Notice 645 (Amendment) 2016 with effect from 1 September 2016.

Illustrative example 1:

Determination of gross monthly income after amortising the value of eligible financial assets

A is applying for a residential property loan with Bank X. A has a fixed deposit of \$100,000 that he intends to pledge with Bank X for 4 years. In addition, A has investments in a unit trust as set out in paragraph 19(b)(i) valued at \$80,000 at the time of applying for the residential property loan. A does not intend to pledge the unit trust with Bank X. A does not have other sources of income.

In this case, Bank X will calculate the gross monthly income of A as follows:

Eligible Financial Asset	Market Valuation (A)	Percentage Deduction (B)	Amount of Deduction from Valuation (C) = (A) x (B)	Value after Deduction (D) = (A) – (C)
Fixed deposit	\$100,000	0%	\$100,000 x 0% = \$0	\$100,000 - \$0 = \$100,000
Unit trust	\$80,000	70%	\$80,000 x 70% = \$56,000	\$80,000 - \$56,000 = 24,000

$$\begin{aligned} \text{Computation of value of eligible financial assets} &= \underline{\$100,000 + \$24,000} \\ &48 \\ &= \$2583.33 \text{ (rounding off)} \end{aligned}$$

Illustrative example 2:

Determination of monthly debt obligation in the case of joint borrowers of an outstanding credit facility

A is applying for a residential property loan with Bank X. A is a joint borrower for an existing outstanding term loan with another borrower B who is not a joint borrower with A's current loan application. The monthly repayment for the term loan is \$1,500. A has gross monthly income of \$5,000 while joint borrower B has gross monthly income of \$2,500. A does not have any other outstanding debt obligation.

$$\begin{aligned} \text{Computation of monthly debt obligation of the outstanding credit facility for A} &= \$1,500 \times [\$5,000 / (\$5,000 + \$2,500)] \\ &= \$1,000 \end{aligned}$$