

Notice No : **MAS Notice 645 (Amendment) 2016**
Issue Date : **1 September 2016**

COMPUTATION OF TOTAL DEBT SERVICING RATIO FOR PROPERTY LOANS

Introduction

1 This Notice is issued pursuant to section 55 of the Banking Act (Cap. 19) and amends MAS Notice 645 on Computation of Total Debt Servicing Ratio for Property Loans [“the Existing Notice”] dated 28 June 2013 and last revised on 10 February 2014.

Amendments

2 The Existing Notice is hereby amended by –

(a) inserting immediately after paragraph 2(h), the following paragraph:

“(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;”;

(b) deleting the words “the HDB, a financial institution or a moneylender” wherever they appear in paragraph 2(n) and substituting the words “any person”;

(c) deleting paragraph 3 and substituting the following paragraph:

“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,

in accordance with the following formula:

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

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%.

(d) deleting paragraph 7 and substituting the following paragraph:

“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.”;

(e) inserting immediately after paragraph 9, the following paragraph:

“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.”; and

(f) deleting paragraph 29 and substituting the following paragraph:

“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.”

Commencement

3 This Notice shall take effect on 1 September 2016.