

MAS NOTICE 1106A

19 January 2016

NOTICE TO MERCHANT BANKS
MONETARY AUTHORITY OF SINGAPORE ACT, CAP 186

(MAS Notice 1106A dated 30 November 2011 is cancelled with effect from 1 April 2016)

RESIDENTIAL PROPERTY LOANS – FACT SHEET

1. This Notice is issued pursuant to section 28(3) of the Monetary Authority of Singapore Act (Cap. 186) (the “Act”) and applies to all merchant banks in Singapore approved under section 28 of the Act.

Interpretation

2. In this Notice,
 - (a) “Borrower” means any individual who expresses interest in applying for a credit facility for the purchase of Residential Property or a credit facility otherwise secured by Residential Property;
 - (b) “Letter of Offer” means a document, issued by the merchant bank, setting out the terms and conditions of the credit facility for acceptance by the Borrower; and
 - (c) “Representative” in relation to a merchant bank, means a person, by whatever name called, in the direct employment of, or acting for, or by arrangement with, the merchant bank, and authorized by the merchant bank to recommend, introduce or market credit facilities offered by the merchant bank for the purchase of Residential Property or which are otherwise secured by Residential Property, and includes an officer of the merchant bank.
3. The expressions used in this Notice, shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and MAS Notice 1106.

Fact Sheet

4. A merchant bank shall provide the Borrower with a fact sheet in the form attached as Form 1 (“Fact Sheet”), when either the merchant bank or Borrower initiates discussions with the other on the key features of the credit facility, which shall include

- (a) the tenure of the credit facility;
- (b) the amount of credit extended under the credit facility; or
- (c) the repayment schedule of the credit facility.

The Fact Sheet may be provided in written, printed or any electronic form, with a copy retained by the merchant bank. An illustrative example of how Form 1 is to be completed is attached at Form 2.¹

5. A merchant bank shall also provide the Borrower with a Fact Sheet as and when there are changes to the key features of the proposed credit facility.
6. At the time of or prior to the issue by the merchant bank of the Letter of Offer for the credit facility, a merchant bank shall obtain an acknowledgement from the Borrower, either by the Borrower signing the form as attached in Form 1, or in any written, printed or electronic form (excluding acknowledgement by telephone), that the Fact Sheet, which contains the key features of the credit facility as contained in the Letter of Offer, has been explained to him. The merchant bank shall keep the Fact Sheet with the acknowledgement by the Borrower in its records.
7. A merchant bank shall also provide the Borrower with a Fact Sheet where the Borrower wishes to re-finance or restructure an existing credit facility for the purchase of Residential Property or an existing credit facility otherwise secured by Residential Property. Paragraphs 4, 5 and 6 shall apply accordingly.
8. A merchant bank shall ensure that every Representative of the merchant bank complies with every requirement imposed on the merchant bank in this Notice when the Representative acts on behalf of the merchant bank. The merchant bank shall also ensure that its Representative acknowledges on the Fact Sheet that he has explained the Fact Sheet to the Borrower.

Effective Date

9. This Notice shall take effect on 1 April 2016.

¹ For fields in the Fact Sheet which do not apply to the re-financing or restructuring of an existing credit facility for the purchase of Residential Property, a credit facility otherwise secured by Residential Property, or the re-financing or restructuring of an existing credit facility otherwise secured by Residential Property (e.g. the field on "Regulatory minimum cash down payment"), a merchant bank shall indicate the field as "not applicable".

Form 1 – Residential Property Loans Fact Sheet

Your name Date produced

A. General information

Financial institution (FI)	<input style="width: 90%;" type="text"/>	Name of staff and branch	<input style="width: 90%;" type="text"/>
Product	<input style="width: 95%;" type="text"/>		
Loan amount	\$ <input style="width: 100px;" type="text"/> (See footnote 1)	Loan tenure	<input style="width: 100px;" type="text"/> years
Regulatory minimum cash down payment	\$ <input style="width: 100px;" type="text"/> must be paid in cash (See footnote 2)	Remaining amount to be paid using cash or CPF savings	\$ <input style="width: 100px;" type="text"/>

B. Description of interest rates for loan and repayment details

Lock-in Period (See footnote 3): years from date of first loan disbursement

Year (See footnote 4)	Type of Reference Rate (See footnote 5)	Spread	Interest rate (Value of reference rate + spread)	Monthly Repayment (Principal + Interest) (The principal is the amount you borrow.)	Yearly Repayment (Principal + Interest)
Year 1	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>
Year 2	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>
Year 3	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>
From Year <input style="width: 50px;" type="text"/> (See footnote 6)	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>

Estimated total repayment during entire loan tenure of years: (See footnote 7)

\$

This means you will pay back \$ for every \$1 borrowed.

*Can the FI make changes to:	Type of Reference Rate**	Spread**	Note: The value of a reference rate may change over time even though the type of reference rate remains unchanged.
Year <input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	
From Year <input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	<input style="width: 50px;" type="text"/>	

* Your FI should not, under any circumstances, revise a fixed interest rate during the period for which the interest rate is stated as fixed.

** Where "Yes" is indicated, your FI may choose to revise the type of reference rate or spread or both only under the following circumstances:

Advance notice of months of the change will be given.

C. Monthly loan repayment based on different interest rates

Note: Interest rates may change during the loan tenure. Make sure you can afford the monthly repayment.

Current <input style="width: 50px;" type="text"/> is:	<input style="width: 100px;" type="text"/> %				
If <input style="width: 50px;" type="text"/> changes by: (See footnote 8)	+1%	+2%	+3%	+4%	+5%
The interest rate on the loan (from year <input style="width: 50px;" type="text"/>) will be: (See footnote 6)	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %	<input style="width: 50px;" type="text"/> %
Your monthly repayment will be:	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>	\$ <input style="width: 100px;" type="text"/>

- Your loan will have an effective interest rate of 5% when reaches %.

Over the past 20 years:

- The highest _____ was _____% which happened in _____.
- The lowest _____ was _____% which happened in _____.

Note: These past trends may not reflect how high or low future interest rates may be.

D. Fees and charges due (your FI will charge the following fees and charges in the following circumstances)

Your FI must check those which apply:

Processing your loan	<input type="checkbox"/>
If you reject the loan after accepting the letter of offer	<input type="checkbox"/>
If you make a late payment	<input type="checkbox"/>
If you re-finance your loan with the same FI	<input type="checkbox"/>
If you re-finance your loan with a different FI	<input type="checkbox"/>
If you repay part or all of the loan	<input type="checkbox"/>
Any other fees or charges (e.g. legal fees, recovering subsidies, etc)	<input type="checkbox"/>

If any of the above are checked, you should discuss the details, including the estimated amount of fees and charges, with your FI. Your FI should specify how it works out these fees and charges. For example, that you may have to pay x% of the prepaid amount in penalties.

E. Footnotes

- 1 The loan amount of \$_____ is _____% of the lower of the purchase price after deducting any discount or benefit (\$_____) and the (indicative) current market valuation (\$_____).
- 2 The cash down payment of \$_____ is _____% of the lower of the purchase price after deducting any discount or benefit (\$_____) and the (indicative) current market valuation (\$_____). This is the regulatory minimum requirement. Your FI should explain to you if you are required to pay additional cash on top of the regulatory minimum requirement.
- 3 Lock-in Period (if any) refers to the period where penalties may apply if you repay part of or your entire property loan, or if you re-finance with the same FI or a different FI.
- 4 We have assumed that the loan is given to you in full in Year 0, with repayments beginning in Year 1. For loans on uncompleted properties, Year 1 also refers to the first year after the loan has been given to you in full.
- 5 _____ refers to _____. Your FI should tell you where you can find the reference rate, how often this rate may be adjusted, and under what circumstances this rate may be changed for the purpose of the loan. The values of reference rates based on market rates such as Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR) will vary according to market movements. If reference rates are based on your FI's internal rate, the value of the reference rate may vary as it is set internally by your FI.
- 6 If the Lock-in Period of the loan is Y years, the FI must give you illustrations for a minimum of Y+1 years.
- 7 This figure is based on the assumption that: (1) there are no changes to the tenure of the loan; and (2) there are no further changes in the interest rate.
- 8 The actual changes in the reference rate may be higher or lower than the examples we have given.

F. Important notes

- 1 If you sell your property after buying it, you may have to pay a Seller's Stamp Duty. You can find more information at IRAS' website at www.iras.gov.sg.
- 2 The interest rates used in this fact sheet are mostly based on estimates. Actual interest rates may be different, and may be higher than what is shown here.
- 3 Your FI may have the right to ask for additional payments if your property falls in value.
- 4 This fact sheet aims to provide essential information on your property loan. You should still read the loan's terms and conditions. Before you commit to a loan, please read the consumer guide 'About Home Loans – Key Questions to Ask the Bank Before Taking a Home Loan' produced by MoneySENSE and the Association of Banks in Singapore. You can ask your FI for a copy of the guide or you can download a copy at MoneySENSE's website at www.moneysense.gov.sg.
- 5 If you are using CPF savings to buy the property, you should be aware of the rules on CPF usage. In particular, you may not be able to use CPF savings to make your monthly loan repayments for the full period of the loan. This is because the use of CPF savings towards your property (including the housing loan) is governed by the relevant CPF Withdrawal Limit and CPF Valuation Limit. You should also know that you need to set aside the relevant Retirement Sum at age 55, which could reduce the CPF savings that you can use towards buying your property or paying off your housing loan at that point. Visit the CPF Board's website at www.cpf.gov.sg for more information.
- 6 If you miss a monthly repayment, your FI can:
 - a declare 'an event of default' and make you repay the full loan;
 - b charge you a higher rate of interest;
 - c begin legal action to make you pay the amount you owe or sell your property (or both) to recover what you owe plus unpaid interest; or
 - d bring bankruptcy proceedings against you.To avoid these situations, you should:
 - (i) not commit yourself to a loan that you cannot afford;
 - (ii) contact your FI immediately for help if you face an unexpected financial situation (for example, sudden job loss) and have difficulty with making your repayments; and
 - (iii) not wait until you miss a repayment before taking appropriate action.
- 7 Should you re-finance your property loan, certain financing rules (e.g. loan tenure limit) may apply. You should approach your FI for further information.

I acknowledge that this Fact Sheet has been explained to me by the FI:

Applicant's Signature

Date

I acknowledge that I have explained this Fact Sheet to the applicant(s):

Staff's Signature

Date

Form 2 – Illustrative Example

Your name Peter Tan

Date produced 01/01/2016

A. General information

Financial institution (FI)	ABC Bank	Name of staff and branch	Penny Tay (Shenton Branch)
Product	Housing Start Package		
Loan amount	\$800,000 (See footnote 1)	Loan tenure	30 years
Regulatory minimum cash down payment	\$50,000 must be paid in cash (See footnote 2)	Remaining amount to be paid using cash or CPF savings	\$200,000

B. Description of interest rates for loan and repayment details

Lock-in Period (See footnote 3): 3 years from date of first loan disbursement

Year (See footnote 4)	Type of Reference Rate (See footnote 5)	Spread	Interest rate (Value of reference rate + spread)	Monthly Repayment (Principal + Interest) (The principal is the amount you borrow.)	Yearly Repayment (Principal + Interest)
Year 1	-	-	1.96% (fixed)	\$ 2,941	\$ 35,292
Year 2	-	-	1.96% (fixed)	\$ 2,941	\$ 35,292
Year 3	3M SIBOR (current value: 1.18%)	+ 1.25%	2.43%	\$ 3,120	\$ 37,440
From Year 4 (See footnote 6)	3M SIBOR (current value: 1.18%)	+ 1.29%	2.47%	\$ 3,135	\$ 37,620

Estimated total repayment during entire loan tenure of 30 years: (See footnote 7)

\$ 1,123,895

This means you will pay back **\$1.40** for every \$1 borrowed.

*Can the FI make changes to:	Type of Reference Rate**	Spread**	Note: The value of a reference rate may change over time even though the type of reference rate remains unchanged.
Year 1 and 2	N.A.	N.A.	
From Year 3	Yes	No	

* Your FI should not, under any circumstances, revise a fixed interest rate during the period for which the interest rate is stated as fixed.

** Where "Yes" is indicated, your FI may choose to revise the type of reference rate or spread or both only under the following circumstances:

- Type of reference rate: in the event that the 3M SIBOR is no longer available.

Advance notice of 3 months of the change will be given.

C. Monthly loan repayment based on different interest rates

Note: Interest rates may change during the loan tenure. Make sure you can afford the monthly repayment.

Current 3M SIBOR is:	1.18%				
If 3M SIBOR changes by: (See footnote 8)	+1%	+2%	+3%	+4%	+5%

The interest rate on the loan (from year 4) will be: (See footnote 6)	3.47%	4.47%	5.47%	6.47%	7.47%
Your monthly repayment will be:	\$ 3,526	\$ 3,941	\$ 4,381	\$ 4,842	\$ 5,325

- Your loan will have an effective interest rate of 5% when 3M SIBOR reaches 4%.

Over the past 20 years:

- The highest 3M SIBOR was 7.75% which happened in January 1998.
- The lowest 3M SIBOR was 0.25% which happened in September 2011.

Note: These past trends may not reflect how high or low future interest rates may be.

D. Fees and charges due (your FI will charge the following fees and charges in the following circumstances)

Your FI must check those which apply:

Processing your loan	<input checked="" type="checkbox"/>
If you reject the loan after accepting the letter of offer	<input type="checkbox"/>
If you make a late payment	<input checked="" type="checkbox"/>
If you re-finance your loan with the same FI	<input type="checkbox"/>
If you re-finance your loan with a different FI	<input checked="" type="checkbox"/>
If you repay part or all of the loan	<input checked="" type="checkbox"/>
Any other fees or charges (e.g. legal fees, recovering subsidies and so on)	<input type="checkbox"/>

If any of the above are checked, you should discuss the details, including the estimated amount of fees and charges, with your FI. Your FI should specify how it works out these fees and charges. For example, that you may have to pay x% of the prepaid amount in penalties.

E. Footnotes

- The loan amount of \$800,000 is 80% of the lower of the purchase price after deducting any discount or benefit (\$1,050,000) and the (indicative) current market valuation (\$1,000,000).
- The cash down payment of \$50,000 is 5% of the lower of the purchase price after deducting any discount or benefit (\$1,050,000) and the (indicative) current market valuation (\$1,000,000). This is the regulatory minimum requirement. Your FI should explain to you if you are required to pay additional cash on top of the regulatory minimum requirement.
- Lock-in Period (if any) refers to the period where penalties may apply if you repay part of or your entire property loan, or if you re-finance with the same FI or a different FI.
- We have assumed that the loan is given to you in full in Year 0, with repayments beginning in Year 1. For loans on uncompleted properties, Year 1 also refers to the first year after the loan has been given to you in full.
- SIBOR refers to the Singapore Interbank Offered Rate. Your FI should tell you where you can find the reference rate, how often this rate may be adjusted, and under what circumstances this rate may be changed for the purpose of the loan. The values of reference rates based on market rates such as Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR) will vary according to market movements. If reference rates are based on your FI's internal rate, the value of the reference rate may vary as it is set internally by your FI.
- If the Lock-in Period of the loan is Y years, the FI must give you illustrations for a minimum of Y+1 years.
- This figure is based on the assumption that: (1) there are no changes to the tenure of the loan; and (2) there are no further changes in the interest rate.
- The actual changes in the reference rate may be higher or lower than the examples we have given.

