



MAS NOTICE 1115

28 June 2021

Last revised on 29 September 2022

NOTICE TO MERCHANT BANKS
BANKING ACT, CAP 19

COMPUTATION OF TOTAL DEBT SERVICING RATIO FOR PROPERTY LOANS

1. This Notice is issued pursuant to section 55(1) as applied by section 55ZJ(1) of the Banking Act (Cap. 19) (the “Act”) and applies to all merchant bank in Singapore (“Merchant Banks”).

Definitions and Interpretation

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

“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 for the purchase of Property, applying for a credit facility;

“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 must be repaid within six months;

“business trust” has the same meaning as in section 2 of the Business Trusts Act (Cap. 31A);

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

“corporation” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“CPF” means the amount withdrawn from the Central Provident Fund account of the Borrower for payment towards the monthly repayment instalment of Property;

“CPF Board” means the Central Provident Fund Board, a body corporate established under the Central Provident Fund Act (Cap. 36);

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

“Debt Reduction Plan” in relation to a Borrower, means an arrangement between the Borrower and a Merchant 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;

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

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

“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;

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

“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;

“IRAS” means the Inland Revenue Authority of Singapore, a body corporate established under the Inland Revenue Authority of Singapore Act (Cap. 138A);

“minimum occupation period” has the same meaning as in section 2(1) of the Executive Condominium Housing Scheme Act (Cap. 99A);

“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;

“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 to avoid doubt, it includes any payment made using CPF;

“motor vehicle” has the same meaning as defined in section 2 of the Road Traffic Act (Cap. 276);

“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 the definition of “Relevant Credit Facility and Arrangement” 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 the definition of “Relevant Credit Facility and Arrangement” 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 the definition of “Relevant Credit Facility and Arrangement”, from any person; or
 - (B) in the case of a Relevant Credit Facility and Arrangement set out in sub-paragraph (viii) of the definition of “Relevant Credit Facility and Arrangement”, 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 Facility referred to in paragraph 5, or paragraphs 9(a), (b), (c) or (d) and that has not been approved yet¹; or
- (iv) a Relevant Credit Facility and Arrangement set out in sub-paragraph (viii) of the definition of “Relevant Credit Facility and Arrangement” that is obtained from any person by whom a motor vehicle is bailed to a hirer under a hire-

¹ 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 5, or paragraphs 9(a), (b), (c) or (d) (“Second Credit Facility”) should not be included as part of the Borrower’s total monthly debt obligations in paragraph 12, as the First Credit Facility is unlikely to materialise, the Borrower may accordingly notify the Merchant Bank from which he is applying for the Second Credit Facility. The Merchant Bank must then make an independent assessment as to whether the First Credit Facility must 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.

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.

“Property” means:

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

“Property Developer” means a person carrying on the business of property development;

“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;

“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 Borrower, or in the case where the Borrower is a vehicle set up 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.

To avoid 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 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 Merchant 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, is a Re-financing Facility for a credit facility otherwise secured by Property;

“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 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.

To avoid 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 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 Merchant 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, is a Re-financing Facility for the purchase of Property;

“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

“Resident in Singapore” means any of the following:

- (i) Persons whose main centre of interest in Singapore or whose main source of income is derived from Singapore or whose period of residence in Singapore exceeds one year;
- (ii) Persons who have been granted permanent residency in Singapore;
- (iii) Companies and other bodies whose permanent or registered address is in Singapore, including branches or subsidiaries of overseas registered companies or foreign institutions located within Singapore;
- (iv) Singapore embassies, consulates and armed forces, including their diplomatic and military representatives outside Singapore; or
- (v) Agents or agencies located abroad acting on behalf of or for the account of Singapore residents.

“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;

“share” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“structured deposit” has the same meaning as in section 2 of the Financial Advisers (Structured Deposits – Prescribed Investment Product and Exemption) Regulations;

“thereafter interest rate” means, in relation to a credit facility for the purchase of Property, or a credit facility otherwise secured by Property –

(i) where the interest rate of the credit facility is a fixed rate throughout the tenure of the credit facility, the highest interest rate applicable at any point during the tenure of the credit facility, inclusive of any spread²;

(ii) where the interest rate of the credit facility is pegged to a floating reference rate³ throughout the tenure of the credit facility, the highest interest rate applicable at any point during the tenure of the credit facility, computed using the latest published or available value of the reference rate as at the time of the borrower’s application for the credit facility, and inclusive of any spread⁴;

(iii) where the interest rate of the credit facility comprises both fixed rate(s) and interest rate(s) pegged to floating reference rate(s) across the tenure of the credit facility, the higher of the following rates:

(A) the rate determined in accordance with paragraph (i), for the part(s) of the tenure of the credit facility where the interest rate is a fixed rate, and where there is more than one part where the interest rate is a fixed rate, the highest rate; and

(B) the rate determined in accordance with paragraph (ii), for the part(s) of the tenure of the credit facility where the interest rate is pegged to a floating reference rate, and where there is more than one part where the interest rate is pegged to a floating reference rate, the highest rate.

[MAS Notice 1115 (Amendment) 2022]

² This means that a merchant bank should not base its calculation of the monthly repayment instalment on an interest rate offered by the merchant bank for the introductory period of the credit facility, where such an interest rate is lower than the interest rate that the merchant bank charges the borrower on an ongoing basis after the introductory period.

³ For example, the Singapore Overnight Rate Average or SORA, or merchant banks’ fixed deposit interest rates.

⁴ This means that a merchant bank should not base its calculation of the monthly repayment instalment on an interest rate offered by the merchant bank for the introductory period of the credit facility, where such an interest rate is lower than the interest rate that the merchant bank charges the borrower on an ongoing basis after the introductory period. A merchant bank need not use forward rates to derive the value of the applicable floating reference rate.

“vehicle set up for the purchase of Property” means a shell company with no substantive business in genuine commercial activities set up primarily 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.

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

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

- (a) a reference to “Borrower” in the case where the Borrower is a vehicle set up 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 must comply with the requirements set out in the Notice, unless otherwise specified;
- (b) 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;
- (c) a reference to purchase of Property includes –
 - (i) purchase of a part share in Property; and
 - (ii) indirect purchase of a Property.

To avoid doubt, an indirect purchase of a Property includes the purchase of a vehicle set up 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;

- (d) 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;
- (e) where a credit facility is granted to joint Borrowers, a reference to "Borrower" must be read accordingly to refer to the joint Borrowers, except that in paragraphs 11, 22 to 27, 29, 31 and 35 to 40, such a reference must be read to also refer to each Borrower;
- (f) where a credit facility is granted to joint Borrowers one of whom is not a natural person, the credit facility must be considered to be granted to a Borrower who is a natural person.

4. The expressions used in this Notice 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

5. Subject to paragraph 6, a Merchant Bank must 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 must 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
 - (I) the interest rate formulation⁵ under the Re-financing Facility is the same as that under the credit facility which the Borrower is re-financing; and
 - (II) there is no increase in tenure under the Re-financing Facility; or
 - (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 except where the aggregate of –
 - (i) the amount to be granted under the credit facility; and
 - (ii) the balance outstanding under any other credit facility or Re-financing Facility granted by any person:
 - (A) for the purchase of that Property; or
 - (B) otherwise secured by that Property,

⁵ 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 is not 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.

To avoid doubt, where a Borrower's credit facility is reset using the same interest rate formulation, this is also 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%.

does not exceed 50% of the current market valuation of the Property; and

- (d) any Re-financing Facility for a credit facility otherwise secured by Property except where –
 - (i) the Borrower 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) the Borrower 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) the Borrower commits to a Debt Reduction Plan at the time of application of the Re-financing Facility; or
 - (iv) the aggregate of –
 - (A) the amount to be granted under the Re-financing Facility; and
 - (B) the balance outstanding under any other credit facility or Re-financing Facility granted by any person:
 - (I) for the purchase of that Property; or
 - (II) otherwise secured by that Property,

does not exceed 50% of the current market valuation of the Property,

in accordance with the following formula:

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

- 6. In the case of a joint application for a credit facility or a Re-financing Facility referred to in paragraph 5, where there are two or more Borrowers –
 - (a) the monthly total debt obligations to be applied in the formula in paragraph 5 must be the aggregate of:
 - (i) the monthly repayment instalment referred to in paragraph 12(a); and
 - (ii) each of the Borrowers' monthly repayment instalments referred to in paragraphs 12(b) and (c); and
 - (b) the gross monthly income to be applied in the formula in paragraph 5 must be the aggregate of each of the Borrowers' gross monthly income.

7. In the case of an application for a credit facility or a Re-financing Facility referred to in paragraph 5, by a sole proprietorship, the monthly total debt obligations and gross monthly income to be applied in the formula in paragraph 5 must be that of the natural person referred to in sub-paragraph (ii) of the definition of "Borrower".
8. In the case of an application for a credit facility or a Re-financing Facility referred to in paragraph 5, by a vehicle set up for the purchase of Property, the monthly total debt obligations and gross monthly income to be applied in the formula in paragraph 5 must 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.

Monthly Repayment Instalments for Credit Facilities in relation to HDB Flat and EC

9. Subject to paragraphs 10 and 11, a Merchant Bank must 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 and the minimum occupation period of the EC has not expired; or
 - (d) any Re-financing Facility for the purchase of Property where the Property is an EC and the minimum occupation period of the EC has not expired,

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 sub-paragraphs (i), (ii), (iii) or (iv) of the definition of "Relevant Credit Facility and Arrangement",

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.

10. Paragraph 9 only applies 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
 - (I) 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
 - (II) there is no increase in tenure under the Re-financing Facility; or
 - (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 and the minimum occupation period of the EC has not expired, 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 and the minimum occupation period of the EC has not expired; 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
 - (I) 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
 - (II) there is no increase in tenure under the Re-financing Facility; or
 - (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.
- 11. For the purpose of paragraph 9, a Merchant Bank may exclude the monthly repayment instalment in respect of a credit facility for the purchase of an existing Property,
 - (a) in the case of a Borrower who, at the time of applying for a credit facility or Re-financing Facility as described in paragraphs 9(a) to (d), has provided the Merchant Bank:

- (i) a copy of the Borrower's signed undertaking to the HDB committing to complete the sale of his existing Property within the period stipulated in the undertaking; and
 - (ii) a written declaration that the Borrower must take steps, in accordance with the signed undertaking referred to in sub-paragraph (i), to sell his existing Property; or
- (b) in the case of a Borrower who, at the time of applying for a credit facility or Re-financing Facility as described in paragraphs 9(a) to (d), has discharged the outstanding credit facility for the purchase of his existing Property.

Monthly Total Debt Obligations

12. For the purpose of paragraph 5 and subject to paragraphs 6 and 14 to 21, monthly total debt obligations, in relation to a Borrower, must be the aggregate of:
- (a) the monthly repayment instalment for the credit facility or the Re-financing Facility referred to in paragraph 5;
 - (b) the monthly repayment instalment or monthly payment⁶ 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.
13. For the purpose of paragraph 12(c), an Outstanding Relevant Credit Facility and Arrangement has the same meaning as the definition of "Outstanding Relevant Credit Facility and Arrangement" except that any reference to "Borrower" in the definition of "Outstanding Relevant Credit Facility and Arrangement" must be construed to mean any person applying for a credit facility.
14. For the purpose of determining the monthly repayment instalment in paragraphs 9(e) and 12(a), a Merchant Bank must:
- (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 rate⁷ in accordance with the table below –

⁶ Where periodical payments are not made on a monthly basis, for the purpose of the computation, the relevant payments must be pro-rated to reflect a monthly payment amount. For example, if periodic payments are received on a quarterly basis, a Merchant Bank must divide the quarterly payment by three to arrive at the monthly payment.

⁷ This footnote has been deleted.

Scenario	Description	Applicable Medium-Term Interest Rate
(1)	In the case of a credit facility or Re-Financing Facility for the purchase of Residential Property, where 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 before 30 September 2022	Higher of 3.5% or the thereafter interest rate
(2)	In the case of a credit facility or Re-Financing Facility for a credit facility otherwise secured by Residential Property, where the application date of such a credit facility is before 30 September 2022	
(3)	In the case of a credit facility or Re-Financing Facility for the purchase of non-Residential Property, where 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 before 30 September 2022	Higher of 4.5% or the thereafter interest rate
(4)	In the case of a credit facility or Re-Financing Facility for a credit facility otherwise secured by non-Residential Property, where the application date of such a credit facility is before 30 September 2022	
(5)	In the case of a credit facility or Re-Financing Facility for the purchase of Residential Property, where 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 30 September 2022	Higher of 4% or the thereafter interest rate
(6)	In the case of a credit facility or Re-Financing Facility for a credit facility otherwise secured by Residential Property, where the application date of such a credit facility is on or after 30 September 2022	
(7)	In the case of a credit facility or Re-Financing Facility for the purchase of non-Residential Property, where 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 30 September 2022	Higher of 5% or the thereafter interest rate
(8)	In the case of a credit facility or Re-Financing Facility for a credit facility otherwise secured by non-Residential Property, where the application date of such a credit facility is on or after 30 September 2022	

15. For the purpose of determining the monthly repayment instalment in paragraphs 9(e) and 12(a), and the monthly repayment instalment in relation to such other Outstanding Relevant Credit Facility and Arrangement referred to in paragraphs 9(f) and 12(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 Merchant Bank must 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 disbursed⁸.
16. Where a Borrower is a joint Borrower of an Outstanding Relevant Credit Facility and Arrangement referred to in paragraphs 9(f) and 12(b), for the purpose of determining the monthly repayment instalment under paragraphs 9(f) and 12(b), a Merchant Bank must 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 9(f) and 12(b), the Merchant Bank must attribute the monthly repayment instalment for such Outstanding Relevant Credit Facility and Arrangement wholly to the Borrower.
17. Subject to paragraphs 18, 19 and 20, for the purpose of determining the monthly repayment instalment in relation to an Outstanding Relevant Credit Facility and Arrangement referred to in paragraph 12(b), a Merchant Bank must use the monthly repayment instalment under the Outstanding Relevant Credit Facility and Arrangement as reflected in the latest report from one or more credit bureaus at the time of applying for a credit facility or a refinancing facility referred to in paragraph 5.
18. If the latest report from the credit bureau does not reflect the monthly repayment instalment of the Outstanding Relevant Credit Facility and Arrangement referred to in paragraph 12(b), a Merchant Bank must calculate the monthly repayment instalment –
- (a) where the Relevant Credit Facility and Arrangement is a secured revolving credit facility, by applying the monthly interest rate of such credit facility on the amount drawn down, if any, by a Borrower and his joint Borrowers under such credit facility

⁸ To avoid doubt, a Merchant Bank must assume that a credit facility in relation to an uncompleted Property is fully disbursed.

as stated in the latest available statement for such credit facility at the time of applying for a credit facility or a refinancing facility referred to in paragraph 5;

- (b) where the Relevant Credit Facility and Arrangement is an unsecured revolving credit facility, by using the minimum amount that is due, if any, from a Borrower and his joint Borrowers under such credit facility as stated in the latest available statement for such credit facility at the time of applying for a credit facility or Re-financing Facility referred to in paragraph 5; or
- (c) where the Relevant Credit Facility and Arrangement is a non-revolving credit facility as described in sub-paragraph (vii) of the definition of “Relevant Credit Facility and Arrangement”, whether secured or unsecured, or hire-purchase arrangement as described in sub-paragraph (viii) of the definition of “Relevant Credit Facility and Arrangement”, by using the monthly repayment instalment as stated in the latest available statement for such credit facility at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 5.

19. Notwithstanding paragraphs 18(a) and (b), if the Borrower is unable to provide a copy of the latest available statement, the Merchant Bank may calculate the monthly repayment instalment under the Relevant Credit Facility and Arrangement by applying the monthly interest rate of such credit facility on the total credit limit of such credit facility.
20. A Merchant Bank may apply any other method of calculation of the monthly repayment instalment provided that such method results in the same or a higher monthly repayment instalment than that in accordance with paragraphs 17, 18 and 19, as the case may be.
21. For the purpose of determining the monthly repayment instalment referred to in paragraphs 9 and 12 where –
 - (a) the Outstanding Relevant Credit Facility and Arrangement is in respect of a Relevant Credit Facility and Arrangement set out in sub-paragraphs (i), (ii), (iii) or (iv) of the definition of “Relevant Credit Facility and Arrangement” 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 Merchant Bank must 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 5.

Gross Monthly Income

22. For the purpose of paragraphs 5 and 9, gross monthly income, in relation to a Borrower, must be the aggregate of⁹:

⁹ In determining the gross monthly income of a Borrower, all or any part of the income referred to in paragraphs 22(a)-(d) and value of the eligible financial assets referred to in paragraph 22(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 5, or paragraphs 9(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 5, or paragraphs 9(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 23, 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 5, or paragraphs 9(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.
23. For the purpose of paragraph 22(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 Merchant Bank must obtain documentary evidence including those referred to in paragraph 40 to ascertain the amount of fixed employment income and the amount of variable employment income of the Borrower. Where a Merchant 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 Merchant Bank must 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.
24. For the purpose of paragraph 22(d), not more than 70% of the monthly rental income received or to be received by the Borrower may be included as part of the gross monthly income of the Borrower if:

- (a) the tenancy agreement has 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 5, or paragraphs 9(a), (b), (c) or (d); and
- (b) a Merchant Bank has obtained from the Borrower –
 - (i) a copy of the stamped tenancy agreement signed by both the Borrower (as the lessor) and the lessee of the Property; or
 - (ii) in a case where the Borrower is applying for a credit facility for the purchase of Property which has an existing tenancy agreement –
 - (A) a copy of the option to purchase or where there is no option to purchase, the sale and purchase agreement with the assignment of the existing tenancy agreement to the Borrower as a condition for the purchase of the Property; and
 - (B) a copy of the original stamped tenancy agreement signed by both the seller of the Property (as the existing lessor) and the lessee of the Property.

25. The eligible financial assets of the Borrower referred to in paragraph 22(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.

26. In determining the value of the eligible financial assets of the Borrower referred to in paragraph 22(e), a Merchant Bank must -

- (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	Percentage deduction applied on the value of	Percentage deduction applied on the value of
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financial assets of the Borrower	eligible financial assets pledged¹⁰ for at least 4 years	eligible financial assets that is unpledged, or pledged⁸ for less than 4 years
Liquid assets (referred to in paragraph 25(a))	0%	70%
Other assets (referred to in paragraph 25(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.

27. Where the liquid assets (referred to in paragraph 25(a)) of a Borrower are not pledged with a Merchant Bank to secure the credit facility or the Re-financing Facility referred to in paragraph 5, or paragraphs 9(a), (b), (c) or (d), the Merchant Bank must 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.

28. A Merchant Bank may apply any other method of calculation of the gross monthly income provided that such method results in the same or a lower gross monthly income than that calculated in accordance with paragraph 22.

Due Diligence

29. Where a Borrower applies for a credit facility for the purchase of Property or a credit facility otherwise secured by Property, a Merchant Bank must conduct due diligence to ascertain if the Borrower is a vehicle set up for the purchase of Property.

Fully Amortising Straight Line Repayment Schedule

30. Subject to paragraphs 31 and 32, a Merchant Bank must not grant to any Borrower–

- (a) any credit facility for the purchase of Property;
- (b) any Re-financing Facility for the purchase of Property;
- (c) any credit facility otherwise secured by Property; or
- (d) any Re-financing Facility for a credit facility otherwise secured by Property,

¹⁰ This refers to the eligible financial assets which the Borrower has pledged with the Merchant Bank in order to secure the credit facility or the re-financing facility referred to in paragraph 5, or paragraphs 9(a), (b), (c) or (d) from the Merchant Bank.

where such Property is a Residential Property and the amount granted under the credit facility or Re-financing Facility, as the case may be, is not on a fully amortising straight line repayment schedule for the tenure of the credit facility or Re-financing Facility.

31. Paragraph 30 does not apply where the Re-financing Facility is granted as a consequence of a credit facility that is restructured because of deterioration in the financial position of the Borrower, resulting in the inability of the Borrower to meet the original repayment schedule.
32. Paragraph 30 does not apply where –
- (a) the Borrower is not:
 - (i) a citizen of Singapore; or
 - (ii) a Resident in Singapore; and
 - (b) the Residential Property is located outside Singapore.
33. Where the credit facility is granted to joint Borrowers, all the Borrowers must satisfy the requirement in paragraph 32.

Excluded Facilities

34. Paragraphs 5, 9 and 30 do not apply to:
- (a) a Bridging Loan;
 - (b) a credit facility or a Re-financing Facility, which is secured by a pool of collateral, where the market valuation of the collateral which is not Property less the value of any encumbrance comprises at least 50% of the credit limit of the said credit facility at all times; or
 - (c) such other credit facility or Re-financing Facility as may be specified by notice in writing.

Verification by the Merchant Bank

Declaration

35. A Merchant Bank granting a credit facility or a Re-financing Facility referred to in paragraphs 5 or 9(a), (b), (c) or (d) to a Borrower must obtain a written declaration from the Borrower on the following:
- (a) all Outstanding Relevant Credit Facilities and Arrangements; and

- (b) all sources of gross monthly income earned as set out in paragraph 22 in the preceding period of at least 12 months at the time of applying for the credit facility¹¹.
36. For the purpose of paragraph 35(a), if the written declaration reflects any Outstanding Relevant Credit Facility and Arrangement which is not recorded in the Borrower's report from the credit bureau, the Merchant Bank must obtain details of such credit facility or arrangement to compute the monthly repayment instalment of that credit facility or arrangement.

Verification of Monthly Repayment Instalments

37. 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 5, or paragraphs 9(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 and the minimum occupation period of the EC has not expired, as the case may be, from paragraph 9; and
 - (c) excluding the monthly repayment instalment under paragraph 11,
- a Merchant Bank must 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 sub-paragraphs (i), (ii), (iii) or (iv) of the definition of "Relevant Credit Facility and Arrangement" (in the case of sub-paragraphs (b) and (c)).
38. Where a Merchant 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 Merchant 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.

Verification of Gross Monthly Income

39. For the purpose of determining the gross monthly income of the Borrower, prior to granting a credit facility or Re-financing Facility referred to in paragraph 5, or paragraphs 9(a), (b), (c) or (d), a Merchant Bank must obtain the Borrower's latest available statements from:
- (a) the CPF Board, where applicable; and

¹¹ 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 22.

(b) IRAS or the equivalent tax authority in a foreign country or territory,

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.

40. Notwithstanding paragraph 39, a Merchant Bank may use other information provided by the Borrower from any credible third party source to ascertain the sources of income of a Borrower, if the Merchant Bank –

(a) is reasonably satisfied by the Borrower that it should take into account such other information, in addition to the statements from the CPF Board and the IRAS or the equivalent tax authority in a foreign country or territory; or

(b) is unable to obtain the statements from the CPF Board and the IRAS or the equivalent tax authority in a foreign country or territory despite its best efforts.

Such information may include payslips from the Borrower's employer, bank statements, employment contracts and letters of appointment.

Other Reasonable Steps

41. For the purpose of determining whether a Borrower is an occupant of a Property under paragraph 5(b)(i), 10(b)(ii) or 10(d)(iii), as the case may be, a Merchant Bank must obtain documentary evidence from the Borrower. This must include:

(a) a written declaration from the Borrower that the Property is for the occupation of one or more persons which must 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.

42. For the purpose of determining whether paragraph 9 applies, a Merchant Bank must 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 9(c), that the minimum occupation period of the EC has not expired; or

(b) in the case where the Borrower is applying for any Re-financing Facility referred to in paragraph 9(d), that the minimum occupation period of the EC has not expired.

Effective Date

43. This Notice takes effect on 1 July 2021.

***Notes on History of Amendments**

1. MAS Notice 1115 (Amendment) 2022 with effect from 30 September 2022.

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 Merchant Bank X. A has a fixed deposit of \$100,000 that he intends to pledge with Merchant Bank X for 4 years. In addition, A has investments in a unit trust as set out in paragraph 25(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 Merchant Bank X. A does not have other sources of income.

In this case, Merchant 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 Merchant 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.

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