

FREQUENTLY ASKED QUESTIONS ON UNSECURED DEBT RELIEF FOR INDIVIDUALS

ABS refers to this measure as the Special Financial Relief Programme (Unsecured) ("SFRP (Unsecured)")		
S/N	Questions	Answers
1.	What is SFRP (Unsecured)?	<p>The SFRP (Unsecured) is part of the relief package that MAS, in collaboration with the financial industry, has put forth to help individuals affected by the COVID-19 pandemic.</p> <p>This initiative offered by banks and other card issuers aims to help borrowers who have suffered a temporary loss or decline in income and are facing difficulties meeting repayments under their existing unsecured credit facilities, by giving them an option to convert their high-interest unsecured credit card and revolving balances into a lower-cost term loan, thereby lowering their debt burden.</p>
2.	Am I eligible to apply for the SFRP (Unsecured)?	<p>You can apply to your bank or card issuer to convert your existing unsecured credit balances to a lower-cost term loan if you:</p> <ul style="list-style-type: none"> • are a Singapore Citizen or Permanent Resident; • have lost 25% or more of your income after 1 February 2020 (proof of impact on income required); • are between 30 and 90 days past due on your existing unsecured debt with the bank or card issuer (as at application date); and • are not on any existing debt repayment or restructuring programmes¹ with the bank or card issuer. <p>You may wish to reach out to your bank or card issuer for more information on this option and the necessary documents to be submitted. ABS' website (link) provides information on how consumers may apply to their lenders for the various forms of debt relief.</p>
3.	Should I apply to convert my outstanding unsecured debt into this term loan? What other options do I have?	<p>The SFRP (Unsecured) is an option that is available to help individuals reduce their overall cost of outstanding unsecured debt. It is specifically introduced by banks and other card issuers to help those who are affected by COVID-19 and face short-term cash constraints, and who are at risk of incurring substantial arrears.</p> <p>Before taking up this term loan, you may wish to consider if there are other credit products offered by banks and other credit card issuers (e.g. balance transfer, monthly interest-free instalment plans, Debt Consolidation Plan (DCP) etc.) that can help you lower your overall interest and debt repayment. However, whichever option that you</p>

¹ This refers to Debt Repayment Plan (DRP), Debt Management Programme (DMP), Debt Consolidation Plan (DCP) and Repayment Assistance Scheme (RAS).

		<p>choose, it is important to make sure that you are able to meet the monthly payments in full so as to avoid the accumulation of debt.</p> <p>If you require assistance, call your lender early to enquire. You can also reach out to Credit Counselling Singapore, who can advise you on how to manage your debts and provide you more information on the Debt Management Programme (DMP).</p>																								
<p>4.</p>	<p>How will this help me with my debt burden?</p>	<p>If you are facing difficulties repaying your monthly unsecured credit debts in full as your income is affected due to the COVID-19 pandemic, the SFRP (Unsecured) will help you avoid the snowballing of interest and accumulation of debt that results from the rolling over of your outstanding balances.</p> <p>To illustrate, assuming you have a credit card bill of \$12,000 and you are only able to make minimum repayment of 3% of outstanding every month, you will still have outstanding balances close to \$7,000 after 5 years, having paid almost \$12,000 as interest costs (amount equivalent to 100% of total outstanding credit card balances).</p> <table border="1" data-bbox="502 947 1449 1178"> <thead> <tr> <th colspan="2">Minimum monthly repayment of 3% for 5 years</th> </tr> </thead> <tbody> <tr> <td>Total outstanding</td> <td>\$12,000</td> </tr> <tr> <td>Monthly repayment</td> <td>From \$360 to \$211 as outstanding balance reduces</td> </tr> <tr> <td>Total principal paid</td> <td>\$5,027</td> </tr> <tr> <td>Total interest paid</td> <td>\$11,737</td> </tr> <tr> <td>Outstanding balance</td> <td>\$6,983</td> </tr> </tbody> </table> <p>If you choose to take up the SFRP (Unsecured), you will be able to choose a loan tenor (up to 5 years) that best meets your needs. By taking up a 5-year term loan at 8% effective interest rate, you will be able to fully repay your debt by the end of the loan tenure and incur approximately 80% less interest cost, with similar repayments of \$200 to \$300 a month.</p> <table border="1" data-bbox="502 1451 1449 1682"> <thead> <tr> <th colspan="2">5-year term loan at 8% effective interest rate</th> </tr> </thead> <tbody> <tr> <td>Total outstanding</td> <td>\$12,000</td> </tr> <tr> <td>Monthly repayment</td> <td>\$243.30</td> </tr> <tr> <td>Total principal paid</td> <td>\$12,000</td> </tr> <tr> <td>Total interest paid</td> <td>\$2,598</td> </tr> <tr> <td>Outstanding balance</td> <td>\$0</td> </tr> </tbody> </table> <p>While the interest rate (capped at effective interest rate of 8%) is lower than what you would have ordinarily paid under your credit card or other personal credit lines, it is nonetheless still a loan. Therefore, you should pay down your unsecured credit outstanding balances as quickly as possible. The longer the tenor of the loan, the more interest you would need to pay.</p>	Minimum monthly repayment of 3% for 5 years		Total outstanding	\$12,000	Monthly repayment	From \$360 to \$211 as outstanding balance reduces	Total principal paid	\$5,027	Total interest paid	\$11,737	Outstanding balance	\$6,983	5-year term loan at 8% effective interest rate		Total outstanding	\$12,000	Monthly repayment	\$243.30	Total principal paid	\$12,000	Total interest paid	\$2,598	Outstanding balance	\$0
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5.	I am affected by a temporary pay cut, but I still have sufficient income and savings to pay my debts. Should I apply to convert my existing debts nonetheless?	<p>As a general principle, you should pay off your debt as quickly as possible so that you can avoid unnecessary interest payments.</p> <p>While the effective interest rate of the term loan under the SFRP (Unsecured) is capped at 8%, there is still interest cost involved. Hence, you should consider and assess which is the most suitable and/or most cost-effective option (see question 3).</p>
6.	When can I start applying for the SFRP (Unsecured)?	<p>The application period is from 6 April 2020 to 31 December 2020. You can apply at any time within the application period if you meet the eligibility criteria (see question 1).</p> <p>You may wish to get in touch with your bank or credit card issuer from <u>6 April 2020</u>, to find out more information on the application process.</p>
7.	Which banks and card issuers are offering the SFRP (Unsecured)?	<p>The SFRP (Unsecured) is offered by the following banks and card issuers:</p> <ul style="list-style-type: none"> • American Express International, Inc. • Bank of China Limited Singapore • CIMB Bank Berhad • Citibank Singapore Limited • DBS Bank Ltd • Diners Club Singapore Pte Ltd • HL Bank • HSBC Bank (Singapore) Limited • Industrial and Commercial Bank of China Limited • Standard Chartered Bank (Singapore) Limited • Maybank Singapore Limited • Overseas-Chinese Banking Corporation Limited • RHB Bank Berhad • United Overseas Bank Limited
8.	How long does it take for a SFRP (Unsecured) application to be approved?	<p>The actual approval process will differ from financial institution to financial institution, depending on various factors including the volume of applications received. Nevertheless, financial institutions should generally approve your application expeditiously as long as you meet the eligibility criteria and provide the necessary documents.</p>
9.	Will my access to other credit facilities be affected if I take up the SFRP (Unsecured)?	<p>If you take up the SFRP (Unsecured) with your bank or card issuer, you will no longer be able to draw down on your existing personal unsecured credit limit with, or take new unsecured credit from, the bank or card issuer. Your credit facilities with other lenders will not be affected.</p>

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		Please note that prevailing rules for unsecured consumer credit, including the industry-wide borrowing limit of 12 times monthly income, will continue to apply.
10.	How can I regain access to new unsecured credit with the financial institution I am taking up the SFRP (Unsecured) with?	You will be able to apply for new unsecured credit facilities from your bank or card issuer once you have fully repaid your term loan. Upon your application, your bank or card issuer will conduct income and credit bureau checks to reassess your creditworthiness per its usual process.
11.	Is this a restructured loan product? How will it be reflected in my credit bureau report?	The converted term loan will not be reflected as a restructured loan product in your credit bureau report.
12.	What are the types of unsecured credit facilities covered under the SFRP (Unsecured) initiative? Can I include outstanding balances under my secured credit facilities such as car loans and mortgages?	<p>You may convert outstanding balances from your higher-cost credit cards and revolving credit facilities into a lower-cost term loan under SFRP (Unsecured).</p> <p>Non-revolving personal loans, such as renovation loans, and secured credit facilities such as car loans and mortgages will not be included. These secured credit facilities are typically subject to lower interest rates.</p>
13.	What should I do if I am subsequently unable to make repayments of my term loan?	<p>If you face further difficulty with your repayments under the term loan, you should speak to your lender(s) immediately to explore possible options, and they may be able to help you restructure your repayments.</p> <p>You may wish to refer to Moneysense for more tips on managing your debt.</p>
14.	Do I have flexibility to decide on the repayment terms, such as amount of monthly instalment and	<p>Under SFRP (Unsecured), banks and other credit card issuers can offer term loans of up to 5 years, to accord borrowers greater flexibility in accordance with their repayment ability. You may wish to reach out to your lender for further details.</p> <p>If you are facing cash flow issues, you may wish to explore lower monthly instalments over a longer loan tenure. However, the total interest</p>

	<p>tenor of the term loan?</p>	<p>payable over a longer tenure loan will be more than that for a shorter tenure loan.</p> <p>As illustrated in the example below, a customer who pays down his total outstanding unsecured revolving balances of S\$30,000 over 5 years will incur \$4,800 more in interest payable than one who chooses to repay in 3 years.</p> <table border="1" data-bbox="504 479 1445 712"> <thead> <tr> <th colspan="4">5 years illustration</th> </tr> </thead> <tbody> <tr> <td>Total outstanding unsecured balances</td> <td>\$ 30,000</td> <td>Total interest payable</td> <td>\$ 12,000</td> </tr> <tr> <td>EIR</td> <td>8%</td> <td>Total Principal + Interest</td> <td>\$ 42,000</td> </tr> <tr> <td>Number of years</td> <td>5</td> <td>Monthly instalment</td> <td>\$ 700</td> </tr> </tbody> </table> <table border="1" data-bbox="504 752 1445 985"> <thead> <tr> <th colspan="4">3 years illustration</th> </tr> </thead> <tbody> <tr> <td>Total outstanding unsecured balances</td> <td>\$ 30,000</td> <td>Total interest payable</td> <td>\$ 7,200</td> </tr> <tr> <td>EIR</td> <td>8%</td> <td>Total Principal + Interest</td> <td>\$ 37,200</td> </tr> <tr> <td>Number of years</td> <td>3</td> <td>Monthly instalment</td> <td>\$ 1,033</td> </tr> </tbody> </table>	5 years illustration				Total outstanding unsecured balances	\$ 30,000	Total interest payable	\$ 12,000	EIR	8%	Total Principal + Interest	\$ 42,000	Number of years	5	Monthly instalment	\$ 700	3 years illustration				Total outstanding unsecured balances	\$ 30,000	Total interest payable	\$ 7,200	EIR	8%	Total Principal + Interest	\$ 37,200	Number of years	3	Monthly instalment	\$ 1,033
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15.	<p>Can I repay the full term loan before the end of its tenure?</p>	<p>Yes, you may fully repay your term loan at any time before the end of the loan tenure. There is no early repayment penalty.</p>																																
16.	<p>Can I revise the tenure of the term loan if my financial situation changes in the future?</p>	<p>You may wish to approach your bank or card issuer to discuss requests to vary terms of the term loan. The banks will generally assess such requests on a case-by-case basis and provide you with the available options.</p>																																
17.	<p>Can I convert my outstanding unsecured revolving credit balances into term loan under the SFRP (Unsecured) more than once?</p>	<p>Upon conversion of your outstanding unsecured revolving credit balances into term loan, you will not be able to draw down on your existing unsecured credit limit or obtain new unsecured credit facilities from the lender that has granted you the term loan. It therefore follows that the conversion can only be done once with any single lender.</p>																																
18.	<p>I have recently drawn down on my unsecured cashline facility. Can these amounts be</p>	<p>Yes, you may convert all your credit card and other revolving facility balances that are outstanding as at the date of application.</p>																																

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	included under the SFRP (Unsecured)?	
19.	Where can I find information on the various relief measures offered by banks and card issuers?	You may wish to reach out to your bank or card issuer to obtain further details and the necessary documents to be submitted. ABS' website (link) provides information on how consumers may apply to their lenders for the various forms of debt relief.
20.	I have been prompt in making minimum repayments of my unsecured credit debts. How do I avail myself to the SFRP (Unsecured)?	You may wish to approach your lender(s) to discuss your application for the SFRP (Unsecured) and other products that could meet your credit needs, such as balance transfers and instalment loans.
21.	I am not a Singaporean or Permanent Resident. Can I apply for the SFRP (Unsecured)?	The SFRP (Unsecured) is a special relief that banks and card issuers have introduced to help Singapore citizens and permanent residents who are facing cash flow difficulties due to the COVID-19 fall out. Non-citizens and non-residents may approach their respective bank or card issuer to find out about the options available to them.
22.	How can I make sure that I do not fall victim to scammers who solicit or offer me a term loan?	You should only contact your bank or card issuer through its official website, mobile app, and phone hotline. Banks and card issuers will not ask for your account details, password, or OTP. You should verify any unsolicited calls, messages, or emails directly with them through the official channels.