



3 September 2013

The Chief Executive Officers of All Banks/Finance Companies/Merchant Banks

Dear Sir/Madam

**BORROWERS WHO ARE INDIVIDUALS AND WHO OWN RESIDENTIAL
PROPERTY GAZETTED FOR ACQUISITION
(AMENDED FROM CIRCULAR DATED 22 JULY 2013)**

1 This circular explains the application of MAS Notices on Residential Property Loans¹ (the “Residential Property Loans Notices”) and MAS Notices on Computation of Total Debt Servicing Ratio for Property Loans² (the “TDSR Notices”) to Borrowers who are individuals³ and who own Residential Property that has been gazetted to be acquired by the Government under the Land Acquisition Act (Cap. 152), where the date of the Notice of Land Acquisition is before 6 October 2012 (“Individual”).⁴

Individuals with only one outstanding credit facility for the purchase of the acquired residential property

2 An Individual who has only one outstanding credit facility for the purchase of the acquired property and no other outstanding credit facility for the purchase of Residential Property, will be considered as having sold the acquired residential property for the purpose of paragraph 8(a)(i) of the Residential Property Loans Notices once he is able to produce the Notice of Land Acquisition issued under Section 8 of the Land Acquisition Act to a financial institution, as evidence of the acquisition.

3 Your financial institution may grant this Individual a credit facility of up to a 80% LTV limit for his Residential Property purchase. The actual LTV limit of the loan (subject to the 80% limit) will be determined by your financial institution following your credit assessment of the Individual. The minimum cash payment is required to be at least 5% of the property value. Your financial institution will not be required to apply to such an Individual,

¹ MAS Notices on Residential Property Loans refer to MAS Notice 632 issued to banks, MAS Notice 825 issued to finance companies, and MAS Notice 1106 issued to merchant banks.

² MAS Notices on Computation of Total Debt Servicing Ratio for Property Loans refer to MAS Notice 645 issued to banks, MAS Notice 831 issued to finance companies and MAS Notice 1115 issued to merchant banks.

³ For the avoidance of doubt, “individual” refers to a natural person.

⁴ This circular supersedes the circular dated 22 July 2013.

amendments to the Residential Property Loans Notices that were made on 6 October 2012⁵, 12 January 2013⁶, 29 June 2013⁷ and 28 August 2013⁸. Your financial institution shall adhere to the TDSR Notices introduced on 29 June 2013⁹ to the Individual, with the following exceptions:

- (i) he can be exempted from paragraph 6 of the TDSR Notices and be granted a credit facility which exceeds 30% of his gross monthly income for the purchase of Residential Property to replace his acquired residential property (“Replacement Property”) where the Replacement Property is a HDB Flat; and
- (ii) he may also be granted a credit facility that exceeds the TDSR threshold of 60% stated in the Guidelines on the Application of Total Debt Servicing Ratio for Property Loans under MAS Notices 645, 1115, 831 and 128 (the “Guidelines”). Nonetheless, we expect financial institutions to continue to ensure that prudent lending practices are adhered to, and report to MAS all cases, including loans granted to any Individual, that exceed the TDSR threshold of 60%.

4 A sample of the Notice of Land Acquisition (issued under Section 8 of the Land Acquisition Act) is at Annex 1 for your reference. The Notice contains details of the property owner(s) and the acquired residential property.¹⁰ Should your financial institution wish to verify information contained in any particular Notice of Land Acquisition, please contact the officer who signed that particular Notice on behalf of the Collector of Land Revenue and whose contact details are stated on that Notice.

⁵ Capping the tenure of residential property loans granted by financial institutions regulated by MAS at 35 years.

⁶ Revising the LTV limits and minimum cash down payment requirement for residential property loans granted by financial institutions regulated by MAS as follows:

- (i) Residential property loans to borrowers who are individuals, currently servicing one residential property loan and applying for a second residential property loan
 - The minimum cash down payment requirement is 25%; and
 - The LTV limit is 50% if the loan tenure does not exceed 30 years and if the sum of the tenure and age of the borrower at the time of loan application does not exceed 65 years. If the loan tenure exceeds 30 years or if the sum of the tenure and age of the borrower at the time of loan application exceeds 65 years, the LTV limit is 30%.
- (ii) Residential property loans to borrowers who are individuals, currently servicing two or more residential property loans and applying for a third or subsequent residential property loan
 - The minimum cash down payment requirement is 25%; and
 - The LTV limit is 40% if the loan tenure does not exceed 30 years and if the sum of the tenure and age of the borrower at the time of loan application does not exceed 65 years. If the loan tenure exceeds 30 years or if the sum of the tenure and age of the borrower at the time of loan application exceeds 65 years, the LTV limit is 20%.

In addition, the monthly mortgage instalment for residential property loans granted for the purchase of a HDB Flat was capped at 30% of a borrower’s gross monthly income.

⁷ Specifically, such an individual will not be subject to paragraphs 25, 30(b)(ii) and footnote 2 of the Residential Property Loans Notices.

⁸ Reducing the maximum tenure of new residential property loans granted by financial institutions regulated by MAS for the purchase of HDB flats from 35 years to 30 years, and subjecting new loans with tenure exceeding 25 years or where the sum of the tenure and age of the borrower at the time of loan application exceeds 65 years to lower LTV limits.

⁹ Under the TDSR Notices, financial institutions are required to compute the TDSR, or percentage of monthly total debt obligations to gross monthly income, of a borrower who applies for credit facilities for the purchase of property or otherwise secured on property, or re-financing facilities of such credit facilities.

¹⁰ Information on the location of the acquired property may be obtained online from www.onemap.sg by entering the Lot Number and Mukim as stated in the Notice of Land Acquisition.

Individuals with outstanding credit facilities for the purchase of Residential Property other than the acquired residential property

5 An Individual with outstanding credit facilities for the purchase of Residential Property other than the acquired residential property, regardless of whether the outstanding credit facilities include facilities for the purchase of the acquired property, can be granted credit facilities of up to 80% LTV for the purchase of the Replacement Property. The 80% LTV limit recognises that such a property owner whose residential property has been gazetted for acquisition is purchasing a residential property to replace the residential property that had been acquired by the Government.

6 In order to be eligible for the 80% LTV limit, such an Individual should produce the Notice of Land Acquisition (issued under Section 8 of the Land Acquisition Act) to your financial institution as evidence that his residential property has been acquired. In addition, he should give a written declaration to your financial institution that he has not declared any residential property, other than the Replacement Property, as being purchased to replace his acquired residential property. A sample of the written declaration is attached in Annex 2.

7 Your financial institution may grant such an Individual credit facilities of up to a 80% LTV limit for the purchase of the Replacement Property. The actual LTV limit of the loan (subject to the 80% limit) will be determined by your financial institution following your credit assessment of the Individual. The minimum cash payment is required to be at least 5% of the property value. Your financial institution will not be required to apply to such an Individual, amendments to the Residential Property Loans Notices that were made on 6 October 2012⁵, 12 January 2013⁶, 29 June 2013⁷ and 28 August 2013⁸. Your financial institution shall adhere to the TDSR Notices introduced on 29 June 2013⁹ to the Individual, with the following exceptions:

- (i) he can be exempted from paragraph 6 of the TDSR Notices and be granted a credit facility which exceeds 30% of his gross monthly income for the purchase of Residential Property to replace his acquired residential property (“Replacement Property”) where the Replacement Property is a HDB Flat; and
- (ii) he may also be granted a credit facility that exceeds the TDSR threshold of 60% stated in the Guidelines. Nonetheless, we expect financial institutions to continue to ensure that prudent lending practices are adhered to, and report to MAS all cases, including loans granted to any Individual, that exceed the TDSR threshold of 60%.

In addition, the grant of the credit facility shall be made subject to the information in the written declaration referred to in paragraph 6 being and continuing to be true, and your financial institution shall reserve the right to withdraw the credit facility if it comes to your knowledge at any time that this is not the case.

Property owners who are not individuals whose residential property has been acquired or property owners whose property that has been acquired is not a residential property

8 Notwithstanding the above, a property owner who is not an individual and whose residential property has been acquired or a property owner (whether individual or non-individual) whose property that has been acquired is not a residential property will be subject to the Residential Property Loans Notices, and the TDSR Notices and the Guidelines.

Yours faithfully

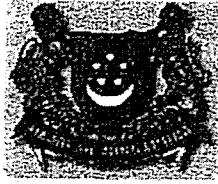
(sent via MASNET)

LIM TUANG LEE
EXECUTIVE DIRECTOR
PRUDENTIAL POLICY DEPARTMENT

DR LAM SAN LING
EXECUTIVE DIRECTOR
MACROECONOMIC SURVEILLANCE
DEPARTMENT

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ORIGINAL SAMPLE



Annex 1

Date : 19 January 2011

NOTICE OF LAND ACQUISITION

Section 8, Land Acquisition Act (Cap. 152 Revised Edition 1985)

- 1 Notice is hereby given that the piece of land described in the Schedule below is required and shall be acquired by the Government for

Construction of North South Expressway Stage 1 from Admiralty Road West to Toa Payoh Rise and Comprehensive Redevelopment

under the Land Acquisition Act (Cap. 152)

- | | |
|--------------------------------------|---|
| 2 Declaration No. and Date | First published in the Government Gazette, Electronic Edition, on |
| Notification No 138 dated 14.01.2011 | 19.01.2011 |

- 3 The Schedule Referred to above :-

<u>Owner</u>	<u>Lot No</u>	<u>Mukim</u>	<u>Area in (sq m)</u>	<u>Title</u>
Mr John Tan 123 Sims Avenue Singapore 123456	1234	1	123	State Lease 1234

Chargee
The Government of The Republic of
Singapore
5 Maxwell Road #21-00
MND Building
Singapore 069110

Caveator
The Government of The Republic of
Singapore
5 Maxwell Road #21-00
MND Building
Singapore 069110

- 4 All persons interested in this land are hereby called upon to appear personally or by Agent at this Office on the date and time stated below to state the nature of their interest in the land, and the amount and particulars of their claims to compensation for the same, the basis or mode of valuation by which the amount claimed is arrived at and their objections, if any, to the measurements of the said piece of land.

N.B. - Attention is directed to section 35 sub-section (1), (2) and (3) of the Land Acquisition Act which read as follows:-

SAMPLE

- 35- (1) Where the applicant has made a claim to compensation pursuant to any notice under section 8 of this Act, the amount awarded to him shall not exceed the amount so claimed or be less than the amount awarded by the Collector under section 10 of this Act.
- (2) Where the applicant has refused to make such claim or has omitted without sufficient reason, to be allowed by the Board, to make such claim, the amount awarded by the Board may be less than and shall in no case exceed the amount awarded by the Collector.
- (3) Where the applicant has omitted for a sufficient reason, to be allowed by the Board, to make such claim, the amount awarded to him by the Board may be less than or may exceed the amount awarded by the Collector.

Date and Time of Inquiry

25 Feb 2011 @ 4.00pm

MR PETER LIM
Collector of Land Revenue
Singapore
DID: 6123 4567

Correspondence Address
The Collector of Land Revenue
c/o 55 Newton Road
#12-01 Revenue House
Singapore 307987

This is a computer print out that requires no signature

**WRITTEN DECLARATION ON PURCHASE OF REPLACEMENT PROPERTY
(SAMPLE)**

This declaration is made in connection with the grant of *[description of credit facility]* (the “Credit Facility”) by *[name of financial institution]* (the “Financial Institution”) to me.

I, *[name and identification no.]*, hereby declare as follows:

1. My property at *[description]* has been acquired under the Land Acquisition Act (Chapter 152).
2. To replace my acquired property, I am purchasing property at *[description]* (“Replacement Property”).
3. I have not declared any property, other than the Replacement Property, as being purchased to replace the property acquired under the Land Acquisition Act (Chapter 152).
4. I understand that the Financial Institution has the right to withdraw the Credit Facility should any part of this declaration be untrue, or ceases to be true.

Declared at *[country]* on *[date]*

[Signature of Loan Applicant]