



## **MAS Notice 1107**

29 November 2013\*

### **NOTICE TO MERCHANT BANKS**

### **MONETARY AUTHORITY OF SINGAPORE ACT, CAP 186**

### **Bridging Loans for the Purchase of Immovable Properties**

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1 This Notice is issued pursuant to section 28(3) of the Monetary Authority of Singapore Act (Cap. 186) (the "Act").

2 This Notice does not affect the requirements of MAS Directive 8 to Merchant Banks, the Banking (Credit Card and Charge Card) Regulations 2013 (the "Regulations"), MAS Notice 1109, or any other written law pertaining to unsecured credit facilities, credit cards or charge cards.

#### **Commencement**

3(1) This Notice shall take effect on 1 December 2013.

(2) MAS Notice 1107 dated 1 April 2010 is cancelled with effect from 1 December 2013.

#### **Definitions**

4 In this Notice –

- (a) "bridging loan" means a credit facility granted for the purchase of immovable property by the borrower, pending the receipt of proceeds of sale of another immovable property owned or co-owned by the borrower;

- (b) "HDB" means the Housing and Development Board, a body corporate established under the Housing and Development Act (Cap. 129); and
- (c) "HDB flat" means —
  - (i) a flat, house or living accommodation sold by HDB under the provisions of Part IV of the Housing and Development Act) and includes any such flat, house or living accommodation which is sold on the resale market; or
  - (ii) a housing accommodation, as defined in section 65M of the Housing and Development Act, sold by an approved developer (as defined in the same section of the same Act) under Part IVB of the Housing and Development Act and includes any such housing accommodation which is sold on the resale market.

5 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, the Regulations, including regulations 3 to 6 of the Regulations, and MAS Notice 1109, save that references to "a card issuer" in the various definitions and regulations 3 to 6 of the Regulations shall read as "a merchant bank" and references to "a cardholder" and "principal cardholder" shall read as "a borrower".

6 Where an expression is used in the Act, the Regulations, and MAS Notice 1109 with different meanings, the expression as used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meaning as in the Regulations.

7 A merchant bank shall not grant a bridging loan to an individual who is a citizen of Singapore or a permanent resident whose annual income is less than \$20,000 unless the bridging loan is fully secured. In the case of joint borrowers where at least one of the joint borrowers is a citizen of Singapore or a permanent resident, a merchant bank shall not grant any bridging loan to the joint borrowers that is not fully secured, unless every joint borrower has an annual income of at least \$20,000 at the time of application for the bridging loan.

8 In the case of an individual who is a citizen of Singapore or a permanent resident whose annual income is \$20,000 or more, a merchant bank shall not grant a bridging loan to such an individual if that would result in the individual's total outstanding unsecured amount exceeding his overall credit limit, unless —

- (a) the excess amount is fully secured; or
- (b) the individual has an annual income of at least \$120,000 (or its equivalent in foreign currency) or his total net personal assets exceed \$2 million (or its equivalent in foreign currency) and the merchant bank satisfies the Authority that its credit evaluation and credit risk

management practices are sufficiently robust to effectively monitor and manage credit risk.

9 Notwithstanding paragraphs 7 and 8(a), where a bridging loan is to be used for the purchase of an HDB flat, if security is taken over any property that is to be sold or the proceeds from the sale thereof, it shall be sufficient, for the purposes of this Notice, that (where paragraph 7 applies) the bridging loan or (where paragraph 8(a) applies) the excess amount referred to in paragraph 8(a), does not exceed the value of the property or the proceeds after deducting the amount secured under any prior mortgage (other than a charge in favour of the Central Provident Fund Board, a body corporate established under the Central Provident Fund Act (Cap. 36)).

#### Guidance Note

For the purposes of paragraphs 7 and 8(a) of this Notice, the Authority will leave it to the merchant bank to determine the appropriate form of security to take. Generally, the requirements of paragraphs 7 and 8(a) will be satisfied if the merchant bank takes an equitable mortgage of the property to be purchased or the property to be sold, with the security interest being duly notified by means of the lodgment of a caveat.

#### \* Endnotes on History of Amendments

- (1) MAS Notice 1107 dated 1 January 2003 with effect from 7 April 2010.
- (2) MAS Notice 1107 dated 1 April 2010 is cancelled with effect from 1 December 2013.
- (3) MAS Notice 1107 dated 29 November 2013 with effect from 1 December 2013.