

MAS NOTICE 1106A

28 June 2021

Last revised on 14 December 2022

NOTICE TO MERCHANT BANKS
BANKING ACT 1970

RESIDENTIAL PROPERTY LOANS – FACT SHEET

- 1 This Notice is issued pursuant to section 55(1) as applied by section 55ZJ(1) of the Banking Act 1970 (the “Act”) and applies to all merchant banks in Singapore (“Merchant Banks”).

[MAS Notice 1106A (Amendment) 2022]

Interpretation

- 2 In this Notice,
- (a) “Borrower”, in relation to a merchant bank, means any individual who expresses interest in applying for a Credit Facility or re-financing or restructuring an existing Credit Facility, with the merchant bank;
 - (b) “Credit Facility” means a credit facility for the purchase of Residential Property or a credit facility otherwise secured by Residential Property;
 - (c) “Fact Sheet”, in relation to a Credit Facility, means a form which accurately sets out the features of the Credit Facility in the manner provided in Form 1;
 - (d) “Letter of Offer”, in relation to a Credit Facility, means a document, issued by the merchant bank, setting out the terms and conditions of the Credit Facility for acceptance by the Borrower;
 - (e) “Representative” in relation to a merchant bank, means a person who has an arrangement with and is authorised by the merchant bank to recommend, introduce or market any Credit Facility offered by the merchant bank or explain the Fact Sheet of a Credit Facility to a Borrower.
 - (f) “signed” or “signature” and its grammatical variations have the same meanings given by section 2(1) of the Electronic Transactions Act 2010.

[MAS Notice 1106A (Amendment) 2022]

- 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(1) A merchant bank must provide, or ensure that its Representative provides, every Borrower with a Fact Sheet, in written, printed or electronic form when –
- (a) the merchant bank or its Representative, as the case may be, initiates a discussion with the Borrower on the key features of a Credit Facility;
 - (b) the Borrower initiates a discussion with the merchant bank or its Representative, as the case may be, on the key features of a Credit Facility;
 - (c) the merchant bank or its Representative, as the case may be, initiates a discussion with the Borrower to re-finance or restructure an existing Credit Facility;
 - (d) the Borrower initiates a discussion with the merchant bank or its Representative, as the case may be, to re-finance or restructure an existing Credit Facility; or
 - (e) there is any change to the key features in the Fact Sheet provided under subparagraph (a), (b), (c) or (d).
- (2) For the purposes of this paragraph, “key features”, in relation to a Credit Facility, means one or more of the following:
- (a) the tenure of the Credit Facility;
 - (b) the interest rate of the Credit Facility;
 - (c) the amount of credit to be extended under the Credit Facility;
 - (d) the repayment schedule of the Credit Facility.
- (3) A merchant bank must ensure that the key features of the Credit Facility set out in the Fact Sheet are consistent with those in the Letter of Offer.

[MAS Notice 1106A (Amendment) 2022]

4A For fields in the Fact Sheet¹ which do not apply to the re-financing or restructuring of an existing Credit Facility², a merchant bank must indicate the field as “not applicable”.

[MAS Notice 1106A (Amendment) 2022]

Provision of Fact Sheet through Digital Channels

- 5 Where a Borrower has opted to accept a merchant bank’s Letter of Offer through a mobile application or a web-based portal such as the merchant bank’s website (referred to in this Notice as a “Digital Channel”), and the merchant bank provides the Borrower with the Fact Sheet in an electronic form through that Digital Channel.³
- 6 A merchant bank that provides a Borrower with a Fact Sheet through a Digital Channel must –
- (a) give the Borrower an option to request that a Representative explains the Fact Sheet to him before accepting the Letter of Offer; and
 - (b) put in place systems and procedures to explain the risks and features of the Credit Facility and the terms and conditions in the Letter of Offer, to the Borrower.⁴

[MAS Notice 1106A (Amendment) 2022]

Explanation and Acknowledgements

- 7(1)(a) In the case where a merchant bank is providing a Fact Sheet to a Borrower through a Digital Channel and the Borrower has not requested for a Representative to explain the Fact Sheet to him, the merchant bank must obtain the Borrower’s acknowledgement that he has read and understood the Fact Sheet⁵ before allowing the Borrower to accept a Letter of Offer; and
- (b) in all other cases, a merchant bank must carry out the following before allowing the Borrower to accept issuing a Letter of Offer –

¹ An illustrative example of how the Fact Sheet is to be completed is shown in Form 2.

² For example, the field on “Regulatory minimum cash down payment”.

³ To avoid doubt, a Fact Sheet which is emailed to a Borrower is not considered a Fact Sheet provided through a Digital Channel.

⁴ For example, a merchant bank may incorporate checks and prompts on the Digital Channel to assist the Borrower in understanding the features of the Credit Facility and the terms and conditions in the Letter of Offer. A merchant bank may also consider giving the Borrower a free-look period in the event that the Borrower wishes to reconsider his decision to accept the Credit Facility.

⁵ For example, a merchant bank may design its online user journey such that a Borrower has to read the contents of the Fact Sheet before he can acknowledge that he has read and understands the Fact Sheet, and accept the Credit Facility.

- (i) explain or ensure that its Representative explains the Fact Sheet to the Borrower;
- (ii) ensure that its Representative signs an acknowledgement (whether contained in the Fact Sheet or otherwise), acknowledging that the Fact Sheet has been explained to the Borrower; and
- (iii) obtain or ensure that its Representative obtains an acknowledgement (whether contained in the Fact Sheet or otherwise) that is signed by the Borrower, acknowledging that the Fact Sheet has been explained to him.

[MAS Notice 1106A (Amendment) 2022]

- 8 A merchant bank must keep the Fact Sheet and the Borrower's acknowledgement referred to in paragraph 7(1)(a) or 7(1)(b)(iii), as the case may be for at least 5 years after the Borrower has redeemed, re-financed or restructured the Credit Facility, as the case may be.

[MAS Notice 1106A (Amendment) 2022]

- 8A Notwithstanding paragraphs 7 and 8, and subject to the conditions in paragraph 8B, where a Borrower ("A") is an individual who expresses interest in applying for a Credit Facility or re-financing or restructuring an existing Credit Facility, with the merchant bank, jointly with another Borrower ("B")—

- (a) for the purposes of paragraph 7(1)(a), the merchant bank may instead obtain an acknowledgement by A that he has read and understood the Fact Sheet, that is made by B on A's behalf;
- (b) for the purposes of paragraph 7(1)(b)(iii), the merchant bank or its Representative may instead obtain an acknowledgement that is signed by B on behalf of A;
- (c) for the purposes of paragraph 8, in relation to A, the reference to "the Borrower's acknowledgement referred to in paragraph 7(1)(a) or 7(1)(b)(iii), as the case may be", is to be construed as a reference to A's acknowledgement made or signed by B on A's behalf, referred to in sub-paragraph (a) or (b) above, as the case may be, where the merchant bank obtains an acknowledgement in accordance with sub-paragraph (a) or (b);

and

- (d) to avoid doubt, nothing in sub-paragraphs (a), (b) or (c) above affects—
 - (i) the obligation of the merchant bank to provide, or to ensure its Representative provides, A a Fact Sheet, in accordance with paragraph 4, 5 or 6; and

- (ii) the obligation of the merchant bank to explain or ensure that its Representative explains the Fact Sheet to A in accordance with paragraph 7(1)(b)(i) where applicable.

[MAS Notice 1106A (Amendment) 2022]

8B For the purposes of paragraph 8A –

- (a) A must authorise B in writing to provide acknowledgements on A's behalf for the purposes of paragraph 7(1)(a) or 7(1)(b)(iii) of this Notice, as the case may be;
- (b) the merchant bank must verify the due authority of B to act on behalf of A by obtaining the appropriate documentary evidence evidencing A's authorisation of B referred to in sub-paragraph (a); and
- (c) the merchant bank must keep the documentary evidence referred in sub-paragraph (b) above for at least 5 years after A and B has redeemed, re-financed or restructured the Credit Facility, as the case may be.

[MAS Notice 1106A (Amendment) 2022]

Effective Date

9. This Notice shall take effect on 1 July 2021.

* Notes on History of Amendments

1. MAS Notice 1106A (Amendment) 2022 with effect from 15 December 2022.

Form 1 – Residential Property Loans Fact Sheet

Please note that only **highlighted** portions can be edited accordingly.

Your name Date produced

Financial Institution (FI) _____	Loan Amount	\$ _____ ¹
Name of Staff and Branch _____	Loan Tenure	_____
Product _____	Regulatory Minimum Cash Down Payment	\$ _____ must be paid in cash ²
Purchase Price \$ _____ (After deducting any developer's discount / benefit)	Remaining Amount to be Paid Using Cash or CPF Savings (one-time payment)	\$ _____
Indicative Market Valuation \$ _____		

¹ The regulatory maximum loan amount is 75% of the Purchase Price OR the Indicative Market Valuation, whichever is **lower**. In your case, the regulatory maximum loan amount is \$ _____ (75% x \$ _____).

² The minimum cash down payment is 5% of the Purchase Price OR the Indicative Market Valuation, whichever is **lower**. In your case, the minimum cash down payment is \$ _____ (5% x \$ _____). Ask your FI if you are required to pay additional cash on top of the regulatory minimum requirement.

WHAT ARE THE ESTIMATED INTEREST RATES AND ESTIMATED REPAYMENT?

Lock-in Period: _____ years from date of first loan disbursement

During the lock-in period, penalties may apply if you make additional repayments, repay your entire loan early, or re-finance your loan. Ask your FI what re-financing rules apply (e.g. loan tenure limit).

Your FI **must not** change a **fixed component** during the period for which the component is stated as fixed. Your FI must give **advance notice of _____ months** to change any component that is **not fixed**.

COMPONENT	YEAR ^{3,4}		
Type of reference rate ⁵			
Current value of reference rate			
Spread (Only for floating rate)			
Interest Rate (Current value of reference rate + Spread)			

Monthly Repayment (Principal + Interest)			
Yearly Repayment (Principal + Interest)			

Estimated total repayment during entire loan tenure of ___ years assuming **no** changes to the loan tenure and/or interest rates:

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

\$ _____

³ Assuming that the loan is given to you in full in Year 0, with repayments beginning in Year 1. For uncompleted properties under construction, loan amount is given in phases and Year 1 refers to the 1st year after the loan has been given to you in full.

⁴ If the Lock-in Period of the loan is Y years, the FI must give you illustrations for a minimum of Y+1 years.

⁵ SORA refers to the Singapore Overnight Rate Average. Its value will vary according to market movements. Ask your FI where to find the rate, how often it may be adjusted, and under what circumstances it may be changed.

WHAT IS THE MONTHLY REPAYMENT BASED ON DIFFERENT INTEREST RATES?

Interest rates may change during the loan tenure and amount of monthly repayment can change significantly. The table below provides an illustration, but the actual changes in _____ may differ.

An illustration of how changes in _____ can affect your monthly repayment:

Current _____: ___% (*Not fixed, based on market movements⁶*)

If _____ changes to [^] :	2%	4%	6%	8%	10%
Your monthly repayment will be ⁷ :	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

⁶To learn more about SORA and its trends, refer to Monetary Authority of Singapore's website on SORA Interest Rate Benchmark.

⁷Ask your FI about how changes in interest rates or the value of the relevant reference rate will affect your Effective Interest Rate.

[^]As a guide, a reference rate reached 7.75% in January 1998 (3M Singapore Interbank Offered Rate (SIBOR)).

WHAT WILL HAPPEN IF I MISS A MONTHLY REPAYMENT?

If you miss a monthly repayment, your FI can:

- (i) Declare 'an event of default' and make you repay the full loan;
- (ii) Charge you a higher interest rate;
- (iii) 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
- (iv) Bring bankruptcy proceedings against you.

To avoid these situations, you should:

- Be financially prepared for the unexpected and do not overestimate your future financial capacity;
- Contact your FI immediately for help to restructure your loan if you face an unexpected financial situation (e.g. sudden job loss) and foresee difficulty with repayments; and
- Not wait until you miss a repayment before taking appropriate action.

WHAT ARE THE OTHER INTEREST RATE COMPONENTS?

Besides the interest rate components listed in Page 1 table, there are other components specified in your loan contract. Your FI may change the following where “YES” is indicated below and only under the following circumstances:

COMPONENT		

In addition, your loan contract **includes/does not include** a “right of review” clause. **Ask your FI if you are unclear how and when the “right of review” clause can be exercised and how it can impact you.**

If your FI makes changes to the interest rate components of your loan beyond what has been listed in the above table or exercises the right of review clause in the loan contract, it will offer you the following option(s):

- _____
- _____

WHAT ARE THE FEES AND CHARGES?

Your FI will charge these fees and charges in the following circumstances and must disclose them (where applicable). Ask your FI if you are unclear how the fees and charges are derived.

Fees and charges	Amount
Processing your loan	\$ _____
Legal fees	\$ _____
If you reject the loan after accepting the letter of offer	\$ _____
If you make a late payment	Late payment is charged an interest rate of ____% per annum
If you re-finance your loan with the <u>same</u> FI	\$ _____ if loan is re-financed <u>after</u> lock-in-period.
If you re-finance your loan with a <u>different</u> FI	\$ _____ if loan is re-financed <u>after</u> lock-in-period.
If you make additional repayments or pay entire loan	_____% of the outstanding loan amount to be paid

Any other fees or charges (e.g. Mortgagee Interest Policy charges, fire insurance charges, valuation fees, recovering subsidies, etc). Please specify the corresponding fee or charge.	
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Please note that FIs may require different fees and charges to process and underwrite the loan.

Ask your FI if Mortgagee Interest Policy (MIP) is required as it will increase the fees and charges you have to pay. MIP allows the FI to claim for repayment of the outstanding property loan amount from the insurer, in the event of damage to the property due to an insured event (e.g. fire) and the FI has concerns over your loan repayment. **You remain liable for the outstanding property loan amount** repayable to the insurer when the FI claims on the policy. Please refer to the Association of Banks in Singapore's website for more information on MIP.

OTHER INFORMATION

To find out more about financing considerations and guides, go to:

- (i) The loan's terms and conditions; and
- (ii) The consumer guide 'About Home Loans – Key Questions to Ask the FI Before Taking a Home Loan' by MoneySense and the Association of Banks in Singapore. Ask your FI for a copy or scan QR code.



ABS Website:
Consumer Guide on
Home Loans

There are conditions to use CPF savings to buy a property (e.g. CPF Withdrawal Limit, CPF Valuation Limit, Relevant Retirement Sum at age 55)

To find out more about using CPF savings to buy the property, go to:

- (i) CPF website by scanning the QR code for the rules on CPF usage.



CPF Website: Use of
CPF under the CPF
Housing Scheme

To find out more about your tax compliance if you sell your property, go to:

- (i) IRAS website by scanning the QR code for details on Seller's Stamp Duty.



IRAS Website:
Seller's Stamp Duty
for Residential
Property

If you are unable to resolve matters with your FI, you may consider contacting the Financial Industry Disputes Resolution Centre Ltd (FIDReC) for assistance by scanning the QR code.



FIDReC Website:
Process to file a
complaint

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

<signature>

Applicant's Signature

_____ Date

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

<signature>

Staff's Signature

_____ Date

Form 2 – Illustrative Example

Your name Peter Tan **Date produced** 01/01/2023

Financial Institution (FI)	ABC FI	Loan Amount	\$750,000 ¹
Name of Staff and Branch	Penny Tan (Shenton Branch)	Loan Tenure	30 years
Product	Housing Start Package	Regulatory Minimum Cash Down Payment	\$50,000 must be paid in cash ²
Purchase Price	\$1,050,000	Remaining Amount to be Paid Using Cash or CPF Savings (one-time payment)	\$250,000
Indicative Market Valuation	\$1,000,000		

¹ The regulatory maximum loan amount is 75% of the Purchase Price *OR* the Indicative Market Valuation, whichever is lower. In your case, the regulatory maximum loan amount is \$750,000 (75% x \$1,000,000).

² The minimum cash down payment is 5% of the Purchase Price *OR* the Indicative Market Valuation, whichever is lower. In your case, the minimum cash down payment is \$50,000 (5% x \$1,000,000). Ask your FI if you are required to pay additional cash on top of the regulatory minimum requirement.

WHAT ARE THE ESTIMATED INTEREST RATES AND ESTIMATED REPAYMENT?

Lock-in Period: 3 years from date of first loan disbursement

During the lock-in period, penalties may apply if you make additional repayments, repay your entire loan early, or re-finance your loan. Ask your FI what re-financing rules apply (e.g. loan tenure limit).

Your FI **must not** change a **fixed component** during the period for which the component is stated as fixed. Your FI must give **advance notice of 3 months** to change any component that is **not fixed**.

COMPONENT	YEAR ³		
	Years 1 – 2	Year 3	Years 4 – 30 ⁴
Type of reference rate ⁵	N.A.	3M SORA	
Current value of reference rate	N.A.	1.18% <i>(Not fixed, based on market movements)</i>	
Spread (Only for floating rate)	N.A.	+1.25% <i>(Fixed)</i>	N.A.
Interest Rate (Current value of reference rate + Spread)	1.96% <i>(Fixed)</i>	2.43% <i>(Not fixed)</i>	1.96% <i>(Fixed)</i>
Monthly Repayment	\$2,941	\$3,120	\$2,941

(Principal + Interest)			
Yearly Repayment (Principal + Interest)	\$35,292	\$37,440	\$35,292

Estimated total repayment during entire loan tenure of 30 years assuming no changes to the loan tenure and/or interest rates:

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

\$ 1,123,895

³ Assuming that the loan is given to you in full in Year 0, with repayments beginning in Year 1. For uncompleted properties under construction, loan amount is given in phases and Year 1 refers to the 1st year after the loan has been given to you in full.

⁴ If the Lock-in Period of the loan is Y years, the FI must give you illustrations for a minimum of Y+1 years.

⁵ SORA refers to the Singapore Overnight Rate Average. Its value will vary according to market movements. Ask your FI where to find the rate, how often it may be adjusted, and under what circumstances it may be changed.

WHAT IS THE MONTHLY REPAYMENT BASED ON DIFFERENT INTEREST RATES?

Interest rates may change during the loan tenure and amount of monthly repayment can change significantly. The table below provides an illustration, but the actual changes in 3M SORA may differ.

An illustration of how changes in 3M SORA can affect your monthly repayment:

Current 3M SORA: 1.18%% (*Not fixed, based on market movements⁶*)

If 3M SORA changes to [^] :	2%	4%	6%	8%	10%
Your monthly repayment will be ⁷ :	S\$____ (which is calculated based on 3M SORA 2% + X% spread)	S\$____ (which is calculated based on 3M SORA 4% + X% spread)	S\$____ (which is calculated based on 3M SORA 6% + X% spread)	S\$____ (which is calculated based on 3M SORA 8% + X% spread)	S\$____ (which is calculated based on 3M SORA 10% + X% spread)

⁶To learn more about SORA and its trends, refer to Monetary Authority of Singapore's website on SORA Interest Rate Benchmark.

⁷Ask your FI about how changes in interest rates or the value of the relevant reference rate will affect your Effective Interest Rate.

[^]As a guide, a reference rate reached 7.75% in January 1998 (3M Singapore Interbank Offered Rate (SIBOR)).

WHAT WILL HAPPEN IF I MISS A MONTHLY REPAYMENT?

If you miss a monthly repayment, your FI can:

- (i) Declare 'an event of default' and make you repay the full loan;
- (ii) Charge you a higher interest rate;
- (iii) 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
- (iv) Bring bankruptcy proceedings against you.

To avoid these situations, you should:

- Be financially prepared for the unexpected and do not overestimate your future financial capacity;
- Contact your FI immediately for help to restructure your loan if you face an unexpected financial situation (e.g. sudden job loss) and foresee difficulty with repayments; and
- Not wait until you miss a repayment before taking appropriate action.

WHAT ARE THE OTHER INTEREST RATE COMPONENTS?

Besides the interest rate components listed in Page 1 table, there are other components specified in your loan contract. Your FI may change the following where "YES" is indicated below and only under the following circumstances:

COMPONENT	Years 1 – 2	Years 3 – 30
Floor rate	N.A.	YES, if 3M SORA falls below 0.1%.

In addition, your loan contract does not include a "right of review" clause.

If your FI makes changes to the interest rate components of your loan beyond what has been listed in the above table or exercises the right of review clause in the loan contract, it will offer you the following option(s):

- Waiver of remaining lock-in period and penalty fees for repricing/refinancing – This will give you the option of repricing or refinancing your property loan to a more suitable loan package without any penalties.

WHAT ARE THE FEES AND CHARGES?

Your FI will charge these fees and charges in the following circumstances and must disclose them (where applicable). Ask your FI if you are unclear how the fees and charges are derived.

Fees and charges	Amount
Processing your loan	\$0
Legal fees	\$3,000

If you reject the loan after accepting the letter of offer	\$50
If you make a late payment	Late payment is charged an interest rate of 24% per annum
If you re-finance your loan with the <u>same</u> FI	\$0 if loan is re-financed after lock-in-period.
If you re-finance your loan with a <u>different</u> FI	\$0 if loan is re-financed after lock-in-period.
If you make additional repayments or pay entire loan	1.5% of the outstanding loan amount to be paid
Any other fees or charges (e.g. Mortgagee Interest Policy charges, fire insurance charges, valuation fees, recovering subsidies, etc). Please specify the corresponding fee or charge.	\$100 annually for Mortgagee Interest Policy

Please note that FIs may require different fees and charges to process and underwrite the loan.

Ask your FI if Mortgagee Interest Policy (MIP) is required as it will increase the fees and charges you have to pay. MIP allows the FI to claim for repayment of the outstanding property loan amount from the insurer, in the event of damage to the property due to an insured event (e.g. fire) and the FI has concerns over your loan repayment. **You remain liable for the outstanding property loan amount** repayable to the insurer when the FI claims on the policy. Please refer to the Association of Banks in Singapore's website for more information on MIP.

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ABS Website:
Consumer Guide on
Home Loans

There are conditions to use CPF savings to buy a property (e.g. CPF Withdrawal Limit, CPF Valuation Limit, Relevant Retirement Sum at age 55)

To find out more about using CPF savings to buy the property, go to:

- (i) CPF website by scanning the QR code for the rules on CPF usage.



CPF Website: Use of
CPF under the CPF
Housing Scheme

To find out more about your tax compliance if you sell your property, go to:

- (i) IRAS website by scanning the QR code for details on Seller's Stamp Duty.



IRAS Website:
Seller's Stamp Duty
for Residential
Property

If you are unable to resolve matters with your FI, you may consider contacting the Financial Industry Disputes Resolution Centre Ltd (FIDReC) for assistance by scanning the QR code.



FIDReC Website:
Process to file a
complaint

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

<signature>

Applicant's Signature

_____ Date

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

<signature>

Staff's Signature

_____ Date