



Monetary Authority of Singapore

**GUIDELINES ON THE  
APPLICATION OF TOTAL  
DEBT SERVICING RATIO  
FOR PROPERTY LOANS  
UNDER MAS NOTICES 645,  
1115, 831 AND 128**

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June 2013

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## 1 INTRODUCTION

1.1 Financial Institutions (“FIs”) are expected to maintain sound practices in managing their credit risk.<sup>1</sup> Prudent credit underwriting should entail careful and comprehensive assessment by FIs of borrowers’ repayment capabilities. Where the borrower is an individual, MAS expects FIs to consider the income level and outstanding debt obligations of the borrower in assessing debt repayment capability.

1.2 MAS Notices 645, 1115, 831 and 128 (collectively, the “Notices”) require FIs to compute the total debt servicing ratio (“TDSR”) of a Borrower applying for any credit facility set out in paragraph 3 of the Notices (“property loan”). The TDSR will facilitate FIs’ assessment of the Borrower’s repayment ability. It will also encourage financial prudence, as it will help to ensure that borrowers are not overleveraged in their property purchases. MAS expects FIs to have internal policies and procedures in place to implement the Notices. These Guidelines set out MAS’ further expectations regarding an FI’s application of the TDSR.

1.3 The expressions used in these Guidelines have, except where expressly defined in these Guidelines or where the context otherwise requires, the same meanings as that in the Banking Act and the Notices.

1.4 These Guidelines take effect on 29 June 2013.

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<sup>1</sup> Please refer to MAS’ Guidelines on Risk Management Practices – Credit Risk (<http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulatory%20and%20Supervisory%20Framework/Risk%20Management/Credit%20Risk.pdf>).

## 2 TDSR THRESHOLD

2.1 FIs should incorporate the TDSR in their credit assessment frameworks for property loans. FIs should set appropriate and prudent TDSR thresholds in credit assessment, to ensure that property loans granted are commensurate with the institutions' risk appetite. FIs should also set out clearly the rationale behind any differentiated TDSR thresholds applied, taking into consideration factors such as the risk profile of the Borrower and purpose of the property loan. TDSR thresholds should be reviewed periodically to ensure their continued relevance.

2.2 MAS expects property loans granted by an FI to not exceed a TDSR threshold of 60%. Property loans in excess of the TDSR threshold of 60% should only be granted on an exceptional basis and FIs should clearly document the basis for granting property loans in excess of the TDSR threshold of 60%.

2.3 In addition, processes should be in place to subject such exceptional cases to:

- Enhanced credit evaluation, including:
  - approval for the policies and procedures from the board of directors of the FI<sup>2</sup>; and
  - approval of individual cases by the credit committee of the FI.
- Reporting to MAS. The report should minimally include information on the profile of the borrowers (e.g. age and income), details of the loan being granted (e.g. TDSR, loan-to value ratio and loan tenure), as well as the basis for the exceptional approval. MAS will inform FIs of the list of data items required.

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<sup>2</sup> In the case of an FI incorporated outside Singapore, approval may be obtained from the senior management of the FI instead.

### 3 OWNER-OCCUPIED PROPERTIES

3.1 In the case of a re-financing facility in respect of a credit facility for the purchase of a Residential Property, the date on which the option to purchase the Residential Property was granted, or where there is no option to purchase, the date of the sale and purchase agreement is prior to 29 June 2013, an FI may grant such a re-financing facility in excess of the TDSR threshold of 60%<sup>3</sup> where the Residential Property is for the occupation of one or more persons which shall include the Borrower.<sup>4</sup>

3.2 In addition, in the case of a Borrower applying for a credit facility for the purchase of or a re-financing facility in respect of a credit facility for the purchase of a HDB Flat or an executive condominium (“EC”) purchased directly from a property developer, an FI may exclude the monthly repayment instalment in respect of the Borrower’s outstanding credit facility for an existing Residential Property, in computing the TDSR for the HDB Flat or the EC, as the case may be, provided that at the time of applying for such a credit facility, the Borrower has –

- (a) only one existing Residential Property that he owns, either by himself or jointly, and for which he will be taking steps to sell;
- (b) an outstanding credit facility (either in his own name or jointly with another Borrower) for the purchase of the existing Residential Property or the re-financing of such a credit facility;
- (c) no outstanding credit facility (either in his own name or jointly with another Borrower) for the purchase of Property or the re-financing of such a credit facility, apart from the credit facility in paragraph 3.2(b);
- (d) no outstanding credit facility (either in his own name or jointly with another Borrower) otherwise secured on any Property, including the Residential Property referred to in paragraph 3.2(a), or the re-financing of such a credit facility; and

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<sup>3</sup> This is subject to the Borrower satisfying the FI’s credit assessment criteria.

<sup>4</sup> An FI should obtain documentary evidence to verify paragraph 3.1, which should minimally include:

- (i) a copy of the option to purchase, or where there is no option to purchase, a copy of the sale and purchase agreement in respect of the Residential Property being re-financed, where the option to purchase was granted, or where there is no option to purchase, the date of the sale and purchase agreement is, prior to 29 June 2013;
- (ii) a written declaration from the Borrower that the Residential Property is for the occupation of one or more persons including the Borrower;
- (iii) a printout of the Borrower’s “My Property Portfolio” page in myTax Portal at [www.iras.gov.sg](http://www.iras.gov.sg), listing the tax rate levied on the Residential Property as “owner-occupier”; and
- (iv) a front and back copy of the National Registration Identification Card (“NRIC”) of the Borrower, where the address reflected on the NRIC is the same as the address of the Residential Property being re-financed.

- (e) no Property other than the existing Residential Property referred to in paragraph 3.2(a) that he owns, either by himself or jointly.<sup>5</sup>

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<sup>5</sup> An FI should obtain documentary evidence to verify paragraphs 3.2(a) to (e), which should minimally include:

- (i) a copy of the Borrower's signed undertaking to the HDB committing to complete the sale of his existing Residential Property within the period stipulated in the undertaking;
- (ii) a written declaration from the Borrower that:
  - (A) he shall take steps, in accordance with the signed undertaking to the HDB, to sell his existing Residential Property;
  - (B) he has no outstanding credit facility for the purchase of Property or the re-financing of such a credit facility, apart from that for the existing Residential Property;
  - (C) he has no outstanding credit facility otherwise secured on any Property, including the existing Residential Property, or the re-financing of such a credit facility;
  - (D) he does not own, either by himself or jointly, any other Property other than the existing Residential Property for which he shall take steps to sell;
- (iii) a printout of the Borrower's Account Summary page in myTax Portal at [www.iras.gov.sg](http://www.iras.gov.sg), listing the number of properties owned by the Borrower; and
- (iv) a credit report from one or more credit bureaus showing the number of outstanding credit facilities for the purchase of or otherwise secured by Property, or the re-financing of such credit facilities, which are held by the Borrower (either in his own name or jointly with another Borrower).

## 4 NON OWNER-OCCUPIED PROPERTIES

4.1 In the case of a re-financing facility in respect of a credit facility for the purchase of a Property, the date on which the option to purchase the Property was granted, or where there is no option to purchase, the date of the sale and purchase agreement, is prior to 29 June 2013, and where the Borrower is not one of the occupants of the Property, an FI should only grant such a re-financing facility in excess of the TDSR threshold of 60% in the following circumstances:

- (a) the Borrower satisfying the FI's credit assessment criteria;
- (b) the Borrower committing to a debt reduction plan with the FI at the point of refinancing; and
- (c) the date of application for such a re-financing facility is on or before 30 June 2017.