



## MAS NOTICE 128

28 June 2013

Last revised on 27 August 2013

NOTICE TO DIRECT INSURERS  
INSURANCE ACT, CAP 142

### COMPUTATION OF TOTAL DEBT SERVICING RATIO FOR PROPERTY LOANS

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1. This Notice is issued pursuant to section 64(2) of the Insurance Act (Cap. 142) (the “Act”) and applies to all direct insurers.

#### Definitions and Interpretation

2. In this Notice, unless the context otherwise requires -

(a) “Borrower” means:

- (i) any natural person applying for a credit facility;
- (ii) any sole proprietorship applying for a credit facility, which is formed or established by a natural person, in or outside Singapore; or
- (iii) any vehicle set up solely for the purchase of Property, applying for a credit facility;

[MAS Notice 128 (Amendment) 2013]

- (b) “Bridging Loan” means a credit facility granted for the purchase of Residential Property by the Borrower, pending the receipt of proceeds from the sale of another Residential Property owned or co-owned by the Borrower, under which any balance outstanding shall be repaid within six months;
- (c) “business trust” has the same meaning as in section 2 of the Business Trusts Act (Cap. 31A);
- (d) “collective investment scheme” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);
- (e) “corporation” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);
- (f) “CPF” means the amount withdrawn from the Central Provident Fund account of the Borrower for payment towards the monthly repayment instalment of Property;
- (g) “CPF Board” means the Central Provident Fund Board, a body corporate established under the Central Provident Fund Act (Cap. 36);

- (h) “debenture” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);
- (i) “HDB” means the Housing and Development Board, a body corporate established under the Housing and Development Act (Cap. 129);
- (j) “HDB Flat” means:
  - (i) a flat, house or living accommodation sold by the HDB under the provisions of Part IV of the Housing and Development Act (Cap. 129); or
  - (ii) a housing accommodation, as defined in section 65M of the Housing and Development Act (Cap. 129), sold by an approved developer (as defined in the same section of the same Act) under Part IVB of the same Act;
- (k) “IRAS” means the Inland Revenue Authority of Singapore, a body corporate established under the Inland Revenue Authority of Singapore Act (Cap. 138A);
- (l) “moneylender” has the same meaning as a moneylender as defined in section 2 of the Moneylenders Act (Cap. 188) but does not include an exempt moneylender as defined in the same section;
- (m) “monthly repayment instalment” means the sum of the monthly repayment of the principal amount (where applicable) and the monthly payment of interest under a credit facility, and for the avoidance of doubt, it includes any payment made using CPF;
- (n) “Outstanding Relevant Credit Facility” means:
  - (i) a Relevant Credit Facility obtained from the HDB, a financial institution or a moneylender in the name of the Borrower or jointly with another Borrower where the funds under the Relevant Credit Facility have been disbursed but not fully repaid;
  - (ii) a Relevant Credit Facility obtained from the HDB, a financial institution or a moneylender in the name of the Borrower or jointly with another Borrower where the funds under the Relevant Credit Facility have not been disbursed; or
  - (iii) a Relevant Credit Facility (in the name of the Borrower or jointly with another Borrower) that the Borrower is applying for or has applied for from the HDB, a financial institution or a moneylender, in the six months prior to the time of applying for any credit facility or Re-financing Facility<sup>1</sup> referred to in paragraph 3, or paragraphs 6(a) or (b), and that has not been approved yet<sup>2</sup>;

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<sup>1</sup> This footnote has been deleted.

[MAS Notice 128 (Amendment) 2013]

<sup>2</sup> In the case where the Relevant Credit Facility is a credit facility for the purchase of Property or a credit facility otherwise secured by Property (“First Credit Facility”), and the Borrower is of the opinion that the First Credit Facility that he is applying for or has applied for in the six months prior to the time of applying for any credit facility referred to in paragraph 3, or paragraphs 6(a) or (b) (“Second Credit Facility”) should not be included as part of the Borrower’s total monthly debt obligations in paragraph 9, as the First Credit Facility is unlikely to materialise, the Borrower may accordingly notify the direct insurer from which he is applying for the Second Credit Facility. The direct insurer shall then make an independent assessment as to whether the First Credit

[MAS Notice 128 (Amendment) 2013]

(o) "Property" means:

(i) a Residential Property; or

(ii) a non-Residential Property,

that is located in or outside Singapore;

(oa) "Property Developer" means a person carrying on the business of property development;

[MAS Notice 128 (Amendment) 2013]

(ob) "Re-financing Facilities" means any Re-financing Facility for the purchase of Property and any Re-financing Facility for a credit facility otherwise secured by Property;

[MAS Notice 128 (Amendment) 2013]

(oc) "Re-financing Facility for a credit facility otherwise secured by Property" means in relation to a Property, a credit facility granted for the sole purpose of enabling a Borrower, or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay –

(i) the balance outstanding under a credit facility obtained by the Borrower which is otherwise secured by that Property; or

(ii) the balance outstanding under a credit facility obtained by the Borrower for the re-financing of any credit facility otherwise secured by that Property.

For the avoidance of doubt, a credit facility granted for the sole purpose of enabling a Borrower or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay the balance outstanding amount referred to in sub-paragraphs (i) and (ii) above by the same direct insurer which had granted the preceding credit facility otherwise secured by that Property or Re-financing Facility for a credit facility otherwise secured by Property to the Borrower, shall be a Re-financing Facility for a credit facility otherwise secured by Property;

[MAS Notice 128 (Amendment) 2013]

(od) "Re-financing Facility for the purchase of Property" means in relation to a Property, a credit facility granted for the sole purpose of enabling a Borrower or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay –

(i) the balance outstanding under a credit facility obtained by the Borrower for the purchase of that Property; or

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Facility shall be included in the Borrower's total monthly debt obligations for the purpose of computing the Borrower's total debt servicing ratio in relation to the Second Credit Facility.

- (ii) the balance outstanding under a credit facility obtained by the Borrower for the re-financing of any credit facility in respect of the purchase of that Property.

For the avoidance of doubt, a credit facility granted for the sole purpose of enabling a Borrower or in the case where the Borrower is a vehicle set up solely for the purchase of Property, the vehicle or the natural person who directly or indirectly holds the vehicle, or any part thereof, to repay the balance outstanding amount referred to in sub-paragraphs (i) and (ii) above by the same direct insurer which had granted the preceding credit facility for the purchase of that Property or Re-financing Facility for the purchase of Property to the Borrower, shall be a Re-financing Facility for the purchase of Property.

[MAS Notice 128 (Amendment) 2013]

- (p) “Relevant Credit Facility” means any of the following types of credit facilities:
  - (i) a credit facility for the purchase of Property;
  - (ii) a Re-financing Facility for the purchase of Property;
  - (iii) a credit facility otherwise secured by Property;
  - (iv) a Re-financing Facility for a credit facility otherwise secured by Property;
  - (v) a secured revolving credit facility;
  - (vi) an unsecured revolving credit facility; and
  - (vii) any other credit facility, including motor vehicle loans, share financing loans and Bridging Loans (except Bridging Loans with a tenure of six months or less).

[MAS Notice 128 (Amendment) 2013]

- (q) “Residential Property” means a building or tenement wholly or principally constructed, adapted or intended for human habitation, located:
  - (i) outside Singapore; or
  - (ii) in Singapore, which is –
    - (A) permitted under the Planning Act (Cap. 232) for use solely or partly for residential purposes, including a HDB Flat; or
    - (B) in accordance with its zoning in the Master Plan, permissible for use solely or partly for residential purposes;
- (r) “share” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);
- (s) “structured deposit” has the same meaning as in section 2 of the Financial Advisers (Structured Deposits – Prescribed Investment Product and Exemption) Regulations;
- (sa) “vehicle set up solely for the purchase of Property” means a shell company with no substantive business in genuine commercial activities set up solely for the purchase of Property which is held or any part thereof is held, directly or indirectly by any natural

person, and which may obtain a credit facility for the purchase of Property, a Re-financing Facility for the purchase of Property, a credit facility otherwise secured by Property and a Re-financing Facility for a credit facility otherwise secured by Property.

For the avoidance of doubt, a vehicle set up by any natural person solely for the purchase of Property does not need to have made a purchase of any Property;

[MAS Notice 128 (Amendment) 2013]

- (sb) a reference to "Borrower" in the case where the Borrower is a vehicle set up solely for the purchase of Property includes the natural person who directly or indirectly holds the vehicle or any part thereof, and both the vehicle and natural person shall comply with the requirements set out in the Notice, unless otherwise specified;

[MAS Notice 128 (Amendment) 2013]

- (sc) a reference to "credit facility for the purchase of Property" and "Re-financing Facility for the purchase of Property" does not require such credit facility or Re-financing Facility, as the case may be, to be secured by that Property;

[MAS Notice 128 (Amendment) 2013]

- (t) a reference to purchase of Property includes –
  - (i) purchase of a part share in Property; and
  - (ii) indirect purchase of a Property.

For the avoidance of doubt, an indirect purchase of a Property includes the purchase of a vehicle set up solely for the purchase of Property but does not include the purchase of any unit in a collective investment scheme or any unit or derivative of units in a business trust, or any share in a Property Developer;

[MAS Notice 128 (Amendment) 2013]

- (u) a reference to credit facilities otherwise secured by Property does not include credit facilities -
  - (i) solely for the purchase of Property; or
  - (ii) secured by a charge in favour of the CPF Board;
- (v) where a credit facility is granted to joint Borrowers, a reference to "Borrower" shall be read accordingly to refer to the joint Borrowers, except that in paragraphs 7, 8, 17 to 21A and 23 to 30, such a reference shall be read to also refer to each Borrower;

[MAS Notice 128 (Amendment) 2013]

- (w) where a credit facility is granted to joint Borrowers one of whom is not a natural person, the credit facility shall be considered to be granted to a Borrower who is a natural person; and
- (x) the expressions used shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meanings as in the Act.

### Total Debt Servicing Ratio

3. Subject to paragraph 4, a direct insurer shall compute the total debt servicing ratio of a Borrower who is applying for –
- (a) any credit facility for the purchase of Property;
  - (b) any Re-financing Facility for the purchase of Property;
  - (c) any credit facility otherwise secured by Property; and
  - (d) any Re-financing Facility for a credit facility otherwise secured by Property,

in accordance with the following formula:

$$\frac{\text{monthly total debt obligations}}{\text{gross monthly income}} \times 100\%$$

[MAS Notice 128 (Amendment) 2013]

4. In the case of a joint application for a credit facility or a Re-financing Facility referred to in paragraph 3, where there are two or more Borrowers –
- (a) the monthly total debt obligations to be applied in the formula in paragraph 3 shall be the aggregate of:
    - (i) the monthly repayment instalment referred to in paragraph 9(a) ; and
    - (ii) each of the Borrowers' monthly repayment instalments referred to in paragraphs 9(b) and (c); and
  - (b) the gross monthly income to be applied in the formula in paragraph 3 shall be the aggregate of each of the Borrowers' gross monthly income.

[MAS Notice 128 (Amendment) 2013]

5. In the case of an application for a credit facility or a Re-financing Facility referred to in paragraph 3, by a sole proprietorship, the monthly total debt obligations and gross monthly income to be applied in the formula in paragraph 3 shall be that of the natural person referred to in paragraph 2(a)(ii).

[MAS Notice 128 (Amendment) 2013]

- 5A. In the case of an application for a credit facility or a Re-financing Facility referred to in paragraph 3, by a vehicle set up solely for the purchase of Property, the monthly total debt obligations and gross monthly income to be applied in the formula in paragraph 3 shall be the aggregate of the monthly total debt obligations of the vehicle and the natural person who directly or indirectly holds the vehicle, or any part thereof, and the aggregate of the gross monthly income of the vehicle and the natural person who directly or indirectly holds the vehicle, or any part thereof, respectively.

[MAS Notice 128 (Amendment) 2013]

## Monthly Repayment Instalments for Credit Facilities in relation to HDB Flat

6. Subject to paragraphs 7 and 8, a direct insurer shall not grant –
- (a) any credit facility for the purchase of a HDB Flat; or
  - (b) any Re-financing Facility for the purchase of Property where the Property is a HDB Flat,

where the aggregate of the monthly repayment instalments for –

- (c) the credit facility referred to in sub-paragraph (a) or the Re-financing Facility referred to in sub-paragraph (b), as the case may be;
- (d) the other credit facilities for the purchase of Property;
- (e) the other credit facilities otherwise secured by Property; and
- (f) the other Re-financing Facilities,

exceeds 30% of the Borrower's gross monthly income, or in the case of a joint application where there are two or more Borrowers, 30% of the aggregate of the Borrowers' gross monthly income.

[MAS Notice 128 (Amendment) 2013]

7. Paragraph 6 shall only apply to an application made for the following:
- (a) any credit facility for the purchase of a HDB Flat, the date on which the option to purchase was granted is on or after 12 January 2013; and
  - (b) any Re-financing Facility for the purchase of Property where the Property is a HDB Flat, the application date of which is on or after 12 January 2013 except where –
    - (i) the date on which the option to purchase the HDB Flat was granted is prior to 12 January 2013;
    - (ii) the HDB Flat is the only Property that the Borrower owns, either by himself or jointly;
    - (iii) the HDB Flat is for the occupation of one or more persons which shall include the Borrower;
    - (iv) the Borrower does not have any Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i) or (ii), other than –
      - (A) the credit facility for the purchase of the HDB Flat referred to in sub-paragraph (i); or
      - (B) any Re-financing Facility for the purchase of Property where the Property is the HDB Flat referred to in sub-paragraph (i); and

- (v) the Borrower does not have any Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(iii) or (iv).

[MAS Notice 128 (Amendment) 2013]

- 8. For the purpose of paragraph 6, a direct insurer may exclude the monthly repayment instalment in respect of a credit facility for the purchase of an existing Residential Property, in the case of a Borrower who, at the time of applying for a credit facility for the purchase of a HDB Flat –
  - (a) has only one existing Residential Property that he owns, either by himself or jointly, and for which he will be taking steps to sell;
  - (b) has an Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i) or (ii) which is for the purchase of the existing Residential Property referred to in sub-paragraph (a);
  - (c) does not have any Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i) or (ii), other than the credit facility referred to in sub-paragraph (b);
  - (d) does not have any Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(iii) or (iv), including –
    - (i) any credit facility otherwise secured by the existing Residential Property referred to in sub-paragraph (a); and
    - (ii) any Re-financing Facility for a credit facility otherwise secured by Property where the Property is the existing Residential Property referred to in sub-paragraph (a); and
  - (e) does not own any other Property, either by himself or jointly, other than the existing Residential Property referred to in sub-paragraph (a).

[MAS Notice 128 (Amendment) 2013]

### **Monthly Total Debt Obligations**

- 9. For the purpose of paragraph 3 and subject to paragraphs 4 and 10 to 16, monthly total debt obligations, in relation to a Borrower, shall be the aggregate of:
  - (a) the monthly repayment instalment for the credit facility or the Re-financing Facility referred to in paragraph 3;
  - (b) the monthly repayment instalment for such other Outstanding Relevant Credit Facility; and
  - (c) not less than 20% of the monthly repayment instalment of any other Outstanding Relevant Credit Facility in respect of which the Borrower is a guarantor.

[MAS Notice 128 (Amendment) 2013]

- 10. For the purpose of determining the monthly repayment instalment in paragraphs 6(c) and 9(a), a direct insurer shall:



- (a) use the actual tenure of the credit facility applied for; and
  - (b) base its calculation of the monthly interest payable under the credit facility on a medium-term interest rate<sup>3</sup> which –
    - (i) in the case of a credit facility for the purchase of Residential Property or a credit facility otherwise secured by Residential Property, shall be not less than 3.5% or the current interest rate prevailing in the market at the time of applying for the credit facility, whichever is higher; or
    - (ii) in the case of a credit facility for the purchase of non-Residential Property or a credit facility otherwise secured by non-Residential Property, shall be not less than 4.5% or the current interest rate prevailing in the market at the time of applying for the credit facility, whichever is higher.
11. For the purpose of determining the monthly repayment instalment in paragraphs 6(c) and 9(a), and the monthly repayment instalment in relation to such other Outstanding Relevant Credit Facility referred to in paragraph 9(b) where the Relevant Credit Facility is:
- (a) a credit facility for the purchase of Property;
  - (b) a Re-financing Facility for the purchase of Property;
  - (c) a credit facility otherwise secured by Property; or
  - (d) a Re-financing Facility for a credit facility otherwise secured by Property,
- a direct insurer shall assume that the credit facility is –
- (e) on a fully amortising straight line repayment schedule for the tenure of the credit facility; and
  - (f) fully disbursed<sup>4</sup>.

[MAS Notice 128 (Amendment) 2013]

12. Where a Borrower is a joint Borrower of an Outstanding Relevant Credit Facility referred to in paragraph 9(b), for the purpose of determining the monthly repayment instalment under paragraph 9(b), a direct insurer shall apportion the monthly repayment instalment in relation to such Outstanding Relevant Credit Facility between the Borrower and his joint Borrowers in such manner that is proportionate to their respective gross monthly incomes. Where a Borrower is unable to provide all necessary income documentation for the purpose of apportioning the monthly repayment instalment of an Outstanding Relevant Credit Facility referred to in paragraph 9(b), the direct insurer shall attribute the monthly repayment instalment for such Outstanding Relevant Credit Facility wholly to the Borrower.

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<sup>3</sup> The medium-term interest rate shall take into account historical interest rates trends over an observation period of not less than ten years and a forward-looking assessment of such trends, including projections under stressed conditions, where appropriate. For the avoidance of doubt, a direct insurer shall not base its calculation of the monthly interest payable on introductory interest rates offered by the direct insurer for the first few years of a credit facility for the purchase of or otherwise secured on a Property.

<sup>4</sup> For the avoidance of doubt, a direct insurer shall assume that a credit facility in relation to an uncompleted Property is fully disbursed.

13. Subject to paragraph 15, for the purpose of determining the monthly repayment instalment in relation to an Outstanding Relevant Credit Facility referred to in paragraph 9(b), where the Relevant Credit Facility is a secured revolving credit facility, a direct insurer shall calculate the monthly repayment instalment under such credit facility by applying the monthly interest rate of such credit facility on the amount drawn down by a Borrower and his joint Borrowers, if any, under such credit facility. The amount drawn down by the Borrower and his joint Borrowers, if any, under such credit facility shall be that which is stated in the latest available statement for that credit facility at the time of applying for a credit facility or a refinancing facility referred to in paragraph 3. If the Borrower is unable to provide a copy of such statement, the direct insurer shall calculate the monthly repayment instalment under the secured revolving credit facility by applying the monthly interest rate of such credit facility on the total credit limit of such credit facility.
14. Subject to paragraph 15, for the purpose of determining the monthly repayment instalment in relation to an Outstanding Relevant Credit Facility referred to in paragraph 9(b), where the Relevant Credit Facility is an unsecured revolving credit facility, the monthly repayment instalment under such credit facility shall be the minimum amount that is due from a Borrower and his joint Borrowers, if any, under such credit facility as stated in the latest available statement for that credit facility at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3. If the Borrower is unable to provide a copy of such statement, the direct insurer shall calculate the monthly repayment instalment under the unsecured revolving credit facility by applying the monthly interest rate of such facility on the total credit limit of such credit facility.

[MAS Notice 128 (Amendment) 2013]

15. A direct insurer may apply any other method of calculation of the monthly repayment instalment provided that such method results in a higher monthly repayment instalment than that calculated in accordance with paragraphs 13 and 14, as the case may be.
16. For the purpose of determining the monthly repayment instalment referred to in paragraphs 6 and 9 where –
  - (a) the Outstanding Relevant Credit Facility is in respect of a Relevant Credit Facility set out in paragraph 2(p)(i), (ii), (iii) or (iv) which relates to a Property located outside Singapore; and
  - (b) the monthly repayment instalment in respect of the Outstanding Relevant Credit Facility referred to in sub-paragraph (a) is denominated in a foreign currency,

a direct insurer shall convert the monthly repayment instalment referred to in sub-paragraph (b) into Singapore dollar by applying the prevailing exchange rate at the time of application for a credit facility or a Re-financing Facility referred to in paragraph 3.

[MAS Notice 128 (Amendment) 2013]

## Gross Monthly Income

17. For the purpose of paragraphs 3 and 6, gross monthly income, in relation to a Borrower, shall be the aggregate of<sup>5</sup>:
- (a) in the case where the Borrower has a fixed monthly income only, his monthly income (excluding any contributions made to the Central Provident Fund account of the Borrower by the Borrower's employer, where applicable);
  - (b) in the case where the Borrower has a variable income only, such as commission, bonus or allowance from his employer, not more than 70% of –
    - (i) the average of the monthly variable income earned in the preceding 12 months (excluding any contributions made to the Central Provident Fund account of the Borrower by the Borrower's employer, where applicable); or
    - (ii) the employment income reflected in the latest available Notice of Assessment from IRAS, divided by 12,  
  
at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a) or (b);
  - (c) in the case where the Borrower has a fixed and variable monthly income -
    - (i) the aggregate of his fixed monthly income as determined in accordance with sub-paragraph (a) above and his variable monthly income as determined in accordance with sub-paragraph (b)(i) above; or
    - (ii) the employment income reflected in the latest available Notice of Assessment from IRAS, divided by 12, at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a) or (b);
  - (d) the monthly rental income received by the Borrower, if any; and
  - (e) the value of the eligible financial assets of the Borrower, if any.

[MAS Notice 128 (Amendment) 2013]

18. For the purpose of paragraph 17(d), not more than 70% of the monthly rental income received by the Borrower may be included as part of the gross monthly income of the Borrower where a direct insurer has obtained from the Borrower, a copy of the stamped tenancy agreement signed by both the Borrower (as the landlord) and the party to whom he has leased the Property, and which shall have a remaining rental period of at least six months at the time of applying for a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a) or (b).

[MAS Notice 128 (Amendment) 2013]

19. The eligible financial assets of the Borrower referred to in paragraph 17(e) are as follows:

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<sup>5</sup> In determining the gross monthly income of a Borrower, all or any part of the income referred to in paragraphs 17(a)-(d) and value of the eligible financial assets referred to in paragraph 17(e) may be excluded.

- (a) liquid assets comprising Singapore dollar notes and coins (including deposits); and
- (b) the following assets:
  - (i) units in a collective investment scheme authorised or recognised by the Authority under the Securities and Futures Act (Cap. 289);
  - (ii) units in a business trust registered with the Authority under the Business Trusts Act (Cap. 31A);
  - (iii) debentures or stocks issued or proposed to be issued by a government;
  - (iv) debentures, stocks or shares issued or proposed to be issued by a corporation or body unincorporated;
  - (v) structured deposits,
  - (vi) foreign currency notes and coins (including deposits); and
  - (viii) gold,

which have a secondary market or have a reasonable basis for valuation, and to the extent that the asset is unencumbered.

20. In determining the value of the eligible financial assets of the Borrower referred to in paragraph 17(e), a direct insurer shall -

- (a) apply, at a minimum, the percentage deductions on the value of eligible financial assets of the Borrower as set out in the table below:

<b>Type of eligible financial assets of the Borrower</b>	<b>Percentage deduction applied on the value of eligible financial assets pledged<sup>6</sup> for at least 4 years</b>	<b>Percentage deduction applied on the value of eligible financial assets that is unpledged, or pledged<sup>4</sup> for less than 4 years</b>
<b>Liquid assets (referred to in paragraph 19(a))</b>	0%	70%
<b>Other assets (referred to in paragraph 19(b))</b>	30%	70%

- (b) amortise the value of the eligible financial assets of the Borrower, after applying the percentage deductions in sub-paragraph (a), over a period of 48 months.

<sup>6</sup> This refers to the eligible financial assets which the Borrower has pledged with the direct insurer in order to secure the credit facility or the re-financing facility referred to in paragraph 3, or paragraphs 6(a) or (b) from the direct insurer.

21. Where the liquid assets (referred to in paragraph 19(a)) of a Borrower are not pledged with a direct insurer to secure the credit facility or the Re-financing Facility referred to in paragraph 3, or paragraphs 6(a) or (b), the direct insurer shall ensure that the liquid assets are residing in the Borrower's account with a financial institution regulated by the Authority before the funds are disbursed under the above-mentioned credit facility.

[MAS Notice 128 (Amendment) 2013]

### **Due Diligence**

- 21A. Where a Borrower applies for a credit facility otherwise secured by Property, a direct insurer shall conduct due diligence to ascertain if the Borrower is a vehicle set up solely for the purchase of Property.

[MAS Notice 128 (Amendment) 2013]

### **Excluded Facilities**

22. Paragraphs 3 and 6 shall not apply to:
- (a) a Bridging Loan; or
  - (b) a credit facility which is secured by a pool of collateral including Property, where the market valuation of the Property comprises less than 50% of the market valuation of the pool of collateral at the time of application of the said credit facility.

### **Verification by the Direct Insurer**

#### Declaration

23. A direct insurer granting a credit facility or a Re-financing Facility referred to in paragraph 3 to a Borrower shall obtain a written declaration from the Borrower on the following:
- (a) all Outstanding Relevant Credit Facilities, including details such as the type of credit facility, amount outstanding under the credit facility, monthly repayment instalment, applicable interest rates and tenure of the credit facility; and
  - (b) all sources of gross monthly income earned as set out in paragraph 17 in the preceding period of at least 12 months at the time of applying for the credit facility<sup>7</sup>.

[MAS Notice 128 (Amendment) 2013]

24. A direct insurer granting a credit facility or a Re-financing Facility referred to in paragraphs 6(a) or (b) to a Borrower shall obtain a written declaration from the Borrower on the following:
- (a) all Outstanding Relevant Credit Facilities in respect of Relevant Credit Facilities set out in paragraph 2(p)(i), (ii), (iii) or (iv), including details such as the type of credit facility, amount outstanding under the credit facility, monthly repayment instalment, applicable interest rates and tenure of the credit facility; and

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<sup>7</sup> The written declaration from the Borrower need not include any income or value of the eligible financial assets which have been excluded for the purposes of determining the gross monthly income of the Borrower under paragraph 17.

- (b) all sources of gross monthly income earned as set out in paragraph 17 in the preceding period of at least 12 months at the time of applying for the credit facility<sup>7</sup>.

[MAS Notice 128 (Amendment) 2013]

Verification of Monthly Repayment Instalments

25. For the purpose of –

- (a) determining the monthly repayment instalments of a Borrower prior to granting a credit facility or a Re-financing Facility referred to in paragraph 3, or paragraphs 6(a) or (b) to the Borrower;
- (b) exempting a Re-financing Facility for the purchase of Property where the Property is a HDB Flat from paragraph 6; and
- (c) excluding the monthly repayment instalment under paragraph 8,

a direct insurer shall conduct or cause to be conducted comprehensive checks with one or more credit bureaus and the HDB, as may be relevant, to verify whether the Borrower, at the time of applying for the credit facility, has any Outstanding Relevant Credit Facility (in the case of sub-paragraph (a)) or any Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i), (ii), (iii) or (iv) (in the case of sub-paragraphs (b) and (c)).

[MAS Notice 128 (Amendment) 2013]

26. Where a direct insurer is reasonably satisfied by a Borrower that it should take into account additional information in order to ascertain whether or not the Borrower has an Outstanding Relevant Credit Facility, the direct insurer may supplement the information held by any one or more credit bureaus or the HDB with information provided by the Borrower from any credible third party source, which may include letters of offer for a credit facility.

Verification of Gross Monthly Income

27. Prior to granting a credit facility or Re-financing Facility referred to in paragraph 3, or paragraphs 6(a) or (b), a direct insurer shall require the Borrower to submit the latest available statements from the CPF Board and IRAS, as may be relevant, to verify the sources of income of the Borrower, at the time of applying for the said credit facility or Re-financing Facility, as the case may be, such verification being for the purpose of determining the gross monthly income of the Borrower.

[MAS Notice 128 (Amendment) 2013]

28. Where a direct insurer is reasonably satisfied by a Borrower that it should take into account additional information in order to ascertain the sources of income of the Borrower, the direct insurer may supplement the statements from the CPF Board and IRAS with information provided by the Borrower from any credible third party source, which may include payslips from the Borrower's employer, bank statements, employment contracts and letters of appointment.

Other Reasonable Steps

29. For the purpose of exempting a Re-financing Facility for the purchase of Property where the Property is a HDB Flat from paragraph 6, a direct insurer shall obtain documentary evidence from the Borrower to verify paragraphs 7(b)(i) to (v). Such documentary evidence shall include:
- (a) a copy of the option to purchase in respect of the HDB Flat, where the option to purchase was granted prior to 12 January 2013;
  - (b) a written declaration from the Borrower that:
    - (i) the HDB Flat is the only Property that he owns, either by himself or jointly;
    - (ii) the HDB Flat is for the occupation of one or more persons which shall include the Borrower;
    - (iii) he has no Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i) or (ii), other than -
      - (A) the credit facility for the purchase of the HDB Flat referred to in sub-paragraph (a); or
      - (B) any Re-financing Facility for the purchase of Property where the Property is the HDB Flat referred to in sub-paragraph (a); and
    - (iv) he has no Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(iii) or (iv);
  - (c) 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
  - (d) a front and back copy of the National Registration Identification Card of the Borrower, where the address of the Borrower that is reflected on the National Registration Identification Card is the same as the address of the HDB Flat.

[MAS Notice 128 (Amendment) 2013]

30. For the purpose of paragraph 8, a direct insurer shall obtain from the Borrower:
- (a) 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;
  - (b) a written declaration that:
    - (i) the Borrower shall take steps, in accordance with the signed undertaking referred to in sub-paragraph (a), to sell his existing Residential Property;
    - (ii) he has no Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i) or (ii), other than the Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(i) or (ii) which is for the purchase of the existing Residential Property referred to in sub-paragraph (a);

- (iii) he has no Outstanding Relevant Credit Facility in respect of a Relevant Credit Facility set out in paragraph 2(p)(iii) or (iv), including –
  - (A) any credit facility otherwise secured by the existing Residential Property referred to in sub-paragraph (a); and
  - (B) any Re-financing Facility for a credit facility otherwise secured by Property where the Property is the existing Residential Property referred to in sub-paragraph (a); and
- (iv) the Borrower does not own, any other Property, either by himself or jointly, other than the existing Residential Property referred to in sub-paragraph (a), and
- (c) 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.

[MAS Notice 128 (Amendment) 2013]

**Effective Date**

31. This Notice shall take effect on 29 June 2013.

\*Notes on History of Amendments

MAS Notice 128 (Amendment) 2013 with effect from 28 August 2013.



Illustrative example 1:

**Determination of gross monthly income after amortising the value of eligible financial assets**

A is applying for a residential property loan with Direct Insurer X. A has a fixed deposit of \$100,000 that he intends to pledge with Direct Insurer X for 4 years. In addition, A has investments in a unit trust as set out in paragraph 19(b)(i) valued at \$80,000 at the time of applying for the residential property loan. A does not intend to pledge the unit trust with Direct insurer X. A does not have other sources of income.

In this case, Direct insurer X will calculate the gross monthly income of A as follows:

Eligible Financial Asset	Market Valuation (A)	Percentage Deduction (B)	Amount of Deduction from Valuation (C) = (A) x (B)	Value after Deduction (D) = (A) – (C)
Fixed deposit	\$100,000	0%	\$100,000 x 0% = \$0	\$100,000 - \$0 = \$100,000
Unit trust	\$80,000	70%	\$80,000 x 70% = \$56,000	\$80,000 - \$56,000 = 24,000

$$\begin{aligned} \text{Computation of value of eligible financial assets} &= \underline{\$100,000 + \$24,000} \\ &48 \\ &= \$2583.33 \text{ (rounding off)} \end{aligned}$$

Illustrative example 2:

**Determination of monthly debt obligation in the case of joint borrowers of an outstanding credit facility**

A is applying for a residential property loan with Direct Insurer X. A is a joint borrower for an existing outstanding term loan with another borrower B who is not a joint borrower with A's current loan application. The monthly repayment for the term loan is \$1,500. A has gross monthly income of \$5,000 while joint borrower B has gross monthly income of \$2,500. A does not have any other outstanding debt obligation.

$$\begin{aligned} \text{Computation of monthly debt obligation of the outstanding credit facility for A} &= \$1,500 \times [\$5,000 / (\$5,000 + \$2,500)] \\ &= \$ 1,000 \end{aligned}$$