



FOR IMMEDIATE RELEASE

MAS BROADENS EXEMPTION FROM TDSR THRESHOLD FOR REFINANCING OF OWNER-OCCUPIED RESIDENTIAL PROPERTIES PURCHASED BEFORE THE IMPLEMENTATION OF TDSR RULES

Singapore, 10 February 2014... The Monetary Authority of Singapore (MAS) has received feedback from borrowers who face challenges refinancing loans for owner-occupied properties which were bought before the introduction of the Total Debt Servicing Ratio (TDSR) rules. MAS has decided to broaden the existing exemption from the TDSR threshold of 60 per cent for such loans to ease the debt servicing burden of these borrowers.

Refinancing of owner-occupied property loans

2. Under the revised rules, a borrower who bought a residential property before the TDSR rules were introduced – i.e. the Option to Purchase (OTP) of the residential property was granted before 29 June 2013 – will be exempted from the TDSR threshold as long as he occupies the residential property that is being refinanced.¹ This is a concession compared to the current rules, which also require that he does not own any other property, or have any other outstanding property loan.

3. The Mortgage Servicing Ratio (MSR) will also not apply to the refinancing of loans for HDB flats and Executive Condominiums (ECs) that are owner-occupied and were purchased before their respective MSR implementation dates.²

4. A similar concession will apply with regard to loan tenures, for residential properties purchased before the respective implementation dates for the loan tenure limits.³ In such cases, borrowers whose loan tenures for their owner-occupied residential properties exceed the current regulatory limits⁴ will be allowed to maintain the remaining tenures of their loans at the point of refinancing.

¹ Financial institutions will be required to obtain documentary evidence to verify that the OTP was granted prior to 29 June 2013 and that the borrower occupies the property.

² The OTP was granted before 12 January 2013 for HDB flats and 10 December 2013 for ECs purchased directly from a property developer.

³ Where the OTP was granted before 28 August 2013 for HDB flats and 6 October 2012 for other residential properties.

⁴ 30 years for HDB flats and 35 years for other residential properties.

Refinancing of investment property loans

5. The TDSR threshold of 60 per cent will continue to apply to the refinancing of all investment property loans. This is to encourage borrowers to right-size their loans and thereby reduce their vulnerability to adverse economic conditions or changes in interest rates. However, MAS recognises that some borrowers may face challenges in right-sizing their debt obligations in the short term; the starting level of debt may be too high and there may be significant costs involved if they had to sell their properties to reduce their leverage.

6. Therefore, MAS will allow a transition period until 30 June 2017, during which a borrower may refinance his investment property loans above the 60 per cent threshold, provided he meets the following conditions:

- (a) the OTP of the property was granted before 29 June 2013;
- (b) the borrower commits to a debt reduction plan with the financial institution (FI) at the point of refinancing; and
- (c) the borrower fulfils the FI's credit assessment.

7. The changes are intended to help borrowers ease their immediate debt servicing burdens, while encouraging those who have taken on high leverage on their investment properties to right-size their loans as early as possible.

8. Borrowers should be aware that the current low interest rate environment will not persist indefinitely. When interest rates rise, borrowers will face higher mortgage repayments. Borrowers engaging in refinancing should therefore exercise prudence and review their debt commitments.

9. The revised rules will take immediate effect.

* * * * *

For media queries, please contact:

Mark Tan
Assistant Director, Communications
Tel: (65) 6229 9640
Email: markt@mas.gov.sg