What You Should Know About

HOUSING LOANS –

Key Questions to Ask the Bank Before Taking a Housing Loan

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1. INTRODUCTION

For most people, a residential property is the most expensive purchase in life and involves long-term financing.

This guide provides information on housing loans and the re-financing of housing loans for the purchase of residential property in Singapore (regardless of whether the residential property is meant for owner occupation or for investment).

When you approach a bank about taking up a housing loan, the bank must provide you with a Residential Property Loan Fact Sheet. The Residential Property Loan Fact Sheet contains key features of the housing loan and highlights the implication of possible increases in interest rates on your monthly instalments.

You can refer to the end of the guide for a glossary of key terms used in this guide.

2. THE BASICS

2.1 WHAT TO BEAR IN MIND:

- Consider whether you can afford the monthly instalments[1]. You can approach a bank for an In-Principle Approval (IPA) or Approval-In-Principle (AIP), which tells you the potential loan amount you are eligible for before you commit to a property purchase. Take note that an IPA / AIP is not binding; the actual loan amount approved may differ from IPA / AIP after the bank processes the application.

- Assess if you are able to meet the prevailing Total Debt Servicing Ratio[2] (TDSR) threshold before committing to any property purchase. If you intend to purchase any Housing Development Board (HDB) flat or an Executive Condominium (EC) directly from a property developer, there will be an additional Mortgage Servicing Ratio (MSR)[3] limit to be met too. Find out more in Section 3.2.

- Understand the Loan-to-Value (LTV) limit to work out the maximum amount that you can borrow from a financial institution (FI). It determines how much downpayment you need to pay upfront in cash and / or CPF Ordinary Account (OA) savings. Find out more in Section 3.3.

- Interest rates may increase over the term of the housing loan. Factor that into your calculations on how much you can afford for a residential property.

- Find out your CPF Withdrawal Limit[4] if you are using your CPF savings for the purchase.

- If you have received benefits from the developer / vendor (e.g. discounts, rebates, interest payment arrangements, vouchers, subsidies or any form of incentives), you must declare these to your bank during the loan application.

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[1] Refer to the MoneySense webpage at (https://www.moneysense.gov.sg/buying-a-property-how-much-can-you-afford/) to find out more.
[2] Refer to the MAS' website (https://www.mas.gov.sg/regulation/explainers/tdsr-for-property-loans/calculating-tdsr-thresholds).
[3] Refer to MAS' website (https://www.mas.gov.sg/regulation/explainers/new-housing-loans/msr-and-tdsr-rules).
[4] Refer to the CPF Board's website (https://www.cpf.gov.sg/service/article/how-much-cpf-savings-can-i-use-for-my-property-purchase) to work out your CPF Withdrawal limit. Once you reach the limit, you will have to pay the monthly instalments fully in cash.

Do note:

- The bank charges overdue interest if repayment of monthly instalments is late.

- If you fail to pay your instalments, your bank can recall the housing loan and repossess your property for sale. You will be liable to pay all fees and costs in connection with the repossession and sale of your property.

- Your bank may bring bankruptcy proceedings against you if the sale proceeds from your property are less than the outstanding housing loan and interest payable, and you are unable to repay the shortfall.

2.2 LOAN TENURE

- The duration of the housing loan is known as the loan tenure or repayment period.

- The borrower's age and the age of the property may affect the maximum amount of housing loan one is eligible for. Generally, older borrowers may have to repay their loan over a shorter period. Find out more in Section 3.3.

- In the case of joint borrowers, banks will compute the income-weighted average age of all borrowers to determine the maximum loan tenure. In general, the greater the income-weighted average age, the shorter the loan tenure. Find out more in Section 4.

2.3 PRICING TYPE

There are two main types of housing loans:

- Fixed rate loans
- Variable rate loans

2.3.1 What's the difference?

Fixed Rate Loan Agreements	Variable Rate Loan Agreements
Interest rate is fixed for the first few years[5]. This means the monthly instalments are also fixed for this period (assuming the bank did not provide mortgage equity withdrawal loans / effect further drawdown for the same property, you did not pre-pay part of the loan, or the tenure of the loan was not changed). The fixed-rate period will be set out in your Residential Property Loan Fact Sheet and your housing loan agreement. This is a good option if you want to budget with certainty over the initial few years of your housing loan. However, do note that the interest rate during the fixed-rate period may be higher than the interest rate of variable rate loan during the same period. Your bank must not change a fixed component during the period for which the component is stated as fixed. Your bank must give advance notice in writing before changing any component that is not fixed. After the fixed-rate period, the interest rate becomes variable. The housing loan then works like a variable rate loan.	Interest rate is not fixed as interest rate is based on a variable reference rate. The reference rate could be a bank-administered rate such as fixed deposit board rate, or interbank rates, such as Compounded Singapore Overnight Rate Average (SORA). Your interest rate for the loan will change when there is a change in the value of the reference rate. If the value of the reference rate increases, so will your housing loan interest rate and monthly instalment. If the value of the reference rate decreases, your housing loan interest rate and monthly instalment should also vary accordingly, subject to the terms and conditions in the housing loan agreement. Generally, for reference rates that are pegged to publicly available market indicators or that are determined by a bank, a spread is added or discounted to derive the applicable interest rate. The spread (i.e. discounts or premiums) and reference rate may change under certain circumstances. Banks are required to clearly disclose the specific circumstances under which interest rate components to your loan may be changed. If your bank makes changes to the interest rate components of your loan beyond what has been listed in the Residential Property Loan Fact Sheet and your housing loan agreement, it should inform you at least 30 days before the changes come into effect, in writing, and should, as far as possible, offer you arrangements to mitigate the impact of such changes (e.g. waiver of any lock-in mechanisms and fees). Refer to Sections 3.4 & 3.5 to find out more about changes to reference rates and spread as well as what to note about fixed and variable rate loans. For notification of changes, please refer to Section 2.4.

[5] Check the Residential Property Loan Fact Sheet and your housing loan agreement to find out the terms.

2.4 NOTIFICATION[6]

2.4.1 Changes to Bank-Managed Reference Rates

Banks must inform you at least 30 days before they change the bank-managed reference rate on your housing loan.

2.4.2 Changes to Loan Terms and Conditions

Where banks vary the terms and conditions of your existing housing loan agreement, they should inform you at least 30 days before the changes come into effect, in writing, and should, as far as possible, offer you alternative arrangements (e.g. waiver of any lock-in mechanisms and fees).

You will need the bank's consent to vary your existing housing loan agreement, such as by repaying or re-financing your loan.

Check with your bank on the requirement needed to inform the bank of any request initiated by you to vary your existing housing loan agreement (e.g. how long in advance you should inform the bank)

2.5 SHOP AROUND TO FIND THE MOST APPROPRIATE PACKAGE

- Compare loan packages offered by different banks to find the package that best fits your financial circumstances.

- Take the time to carefully consider the features of a package instead of making decisions based on advertisements, headline rates or gifts, as property loans are long-term commitments.

- Compare features such as:

  - interest rates, including the reference rate which the interest rate is benchmarked against, i.e. whether it is a publicly available market indicator or determined/administered by the bank.

  - lock-in period and fees, in particular, penalty fees for partial prepayment and early prepayment.

  - cancellation fees.

  - requirement to purchase any form of mandatory insurance.

  - bank subsidies for fees on valuation, legal and conveyancing services or cash rebates (where applicable). Note that you must declare all discounts, rebates or other benefits that you receive from the seller or any other party that have the effect of reducing the purchase price

[6] The Code of Consumer Banking Practice, issued by The Association of Banks in Singapore (ABS), requires banks to give notification before implementation of any changes to the terms and conditions, interest rates, fees and charges.

of a property, such as furniture vouchers and the payment of stamp duties by the vendor on your behalf.

- If you are considering re-financing, always check with your current bank whether you are still within your housing loan lock-in period or bank subsidy clawback period. You can check the prevailing interest rate offered by other banks and compare them with what your existing bank can offer you.

  Do also consider that 2 months' notice is required for full payment of the housing loan, (which is the case for re-financing from one bank to another bank), as well as the cost associated with re-financing with another banks, such as legal and property valuation fees. When re-financing with your current bank, check if processing fees apply.

- While details about housing loans are available online, always contact the bank for the latest product information, as what is published online may not be current.

2.6 MORTGAGE BROKERS[7]

Mortgage Brokers (MB) act as mortgage intermediaries who help consumers aggregate property loan packages from multiple banks. After consumers have decided on a property loan package, MBs will refer them to the relevant bank. The bank which the consumer eventually chooses to take up a loan with will pay the MB a referral fee.

Banks remain responsible for explaining the terms of the loan package directly to their customers, conducting the credit assessment and making the final decision on whether a property loan can be granted.

If you are considering engaging an MB for your housing loan needs, remember that:

- Whilst an MB may present you with one or more recommended property loan packages, you should still do your own due diligence on the options available to decide which package suits you best. MBs are required to ensure that the packages presented by them are accurate and valid. However, there may be instances where they may not have the latest package(s) offered by the banks. Always approach the banks directly for clarification if you are unsure.

- Other than presenting you with the current suite of loan packages offered by the various banks in the market, MBs do not represent the banks and as such cannot:

  (i) Recommend or influence your selection of a specific bank and/ or its package.

  (ii) Feature any bank's logo or package(s) in their communication without prior consent from the bank.

  (iii) Provide any form of credit advice or service pertaining to the obtaining of any IPA / AIP for a loan;

[7] You may approach the bank of your choice directly to enquire on Mortgage Loans without engaging any Mortgage Brokers.

(iv) Make any representation relating to the likelihood of the bank accepting or approving your loan application; and

(v) Negotiate or agree on bank's behalf any matter concerning the loan application.

- If you are looking to re-finance an existing housing loan, your MB should inform you of the potential costs that will be incurred in the process. These would include (but is not restricted to) legal fees, valuation fees and potential penalty fees and / or clawbacks from your current bank.

  Check directly with your current bank to see if you are out of your lock-in and / or subsidy clawback period and the penalty fees involved (if any) before making your final decision, instead of relying solely on the representations of the MB.

- MBs are not supposed to collect your personal, employment, income or other sensitive data as this may expose you to risk of data leaks.

  You should preferably provide all such necessary personal data directly to the bank you are making a housing loan application with and not to any third-party non-bank intermediaries.

  If you do decide to provide such data to facilitate the loan submission process through the MBs, ensure that the MBs obtain your consent, and you have confirmation that they will comply with the Personal Data Protection Act in the safekeeping and disposing of your personal data.

- You should declare to your bank any rewards / gifts received from MBs such as discounts, rebates or other benefits. For application to finance your property purchase, your bank is required to deduct such benefits from the purchase price or value provided on the HDB Flat Portal (for HDB resale flat) for the purpose of determining the loan amount that you qualify for.

  Do note that banks are not liable for any discounts, rebates, or other benefits offered by MBs. Any such rewards are provided solely by the MBs and are independent of the bank's loan products and services

3. WHAT TO ASK THE BANK

Here are some key questions you should ask the banks in deciding which housing loan to take up.

3.1 ELIGIBILITY

3.1.1 Am I eligible for a housing loan?

Banks' eligibility criteria for prospective borrowers include:

- Minimum income
- Minimum and maximum age

- Residency status
- Fulfilment of the Monetary Authority of Singapore's property loan rules and the bank's internal credit requirements
- Satisfactory credit repayment history
- Stable employment and business history

3.1.2 What if I am self-employed or do not have a regular income?

You must demonstrate the ability to service monthly instalments to be eligible for a loan. Each bank will assess your eligibility based on its criteria

3.2 AFFORDABILITY

3.2.1 What is the Total Debit Servicing Ratio (TDSR) framework?

The TDSR[8] is the portion of a borrower's gross monthly income that goes towards repaying the monthly debt obligations, including the loan being applied for. The TDSR framework requires a bank to take into consideration all outstanding debt obligations of a borrower when granting a housing loan to the borrower. It ensures that borrowers do not take on excessive leverage when buying properties or when withdrawing equity from their property and encourages borrowers to reduce their debt servicing burden and vulnerability to adverse economic conditions or a change in interest rates. Please check with your bank on the prevailing TDSR threshold.

3.2.2 When does the TDSR threshold apply to me?

The TDSR threshold applies to you if you apply for the following types of property loans on or after 29 June 2013:

- Any loan for the purchase of a property; and

- Any loan secured on a borrower's equity in a property

The TDSR threshold also impacts you when you re-finance your property loan, except where:

- the re-financing is in respect of a loan for the purchase of a residential property which you are occupying; or

- you commit to a debt reduction plan with your bank at the time of re-financing. Please check with your bank on the details of the debt reduction plan.

3.2.3 How is TDSR computed?

- The TDSR is computed as follows:

[8] Refer to the MAS' website (https://www.mas.gov.sg/regulation/explainers/new-housing-loans/msr-and-tdsr-rules)

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

- All your outstanding debt obligations are taken into account to compute your TDSR. Debt obligations include all financial obligations such as property loans and non-property related loans such as car loans, renovation loans, student loans, overdrafts and credit card facilities.

- If you are a guarantor of any loan, at least 20% of the monthly repayment instalment towards the loan will be taken into account when computing your TDSR. Please check with your bank on the minimum amount that has to be taken into account.

- Gross monthly income refers to your monthly income before tax, and includes:

  - your monthly fixed employment income.

  - average monthly variable income (e.g. commission, bonus and allowance) from your employer earned in the preceding 12 months, subject to a haircut[9].

  - monthly rental income, subject to a haircut.

  - certain eligible financial assets[10], subject to haircuts and amortisation over a certain period of time for conversion into "monthly income streams"

- Gross monthly income excludes any contributions made to your CPF accounts by your employer.

3.2.4 What documents do I need to submit to my bank to compute my TDSR?

You should submit to the bank:

- Your latest statements from IRAS and CPF Board.

- If you have a monthly rental income, a copy of the stamped tenancy agreement signed by you (as the landlord) and your tenant. The agreement must have a remaining rental period of at least 6 months at the time of your property loan application.

- Your declaration on (i) all outstanding debt obligations (e.g. type of loan, outstanding loan amount, monthly repayment instalment, applicable interest rate and loan tenure), and (ii) all sources of gross monthly income in the period of at least 12 months before the time of housing loan application.

- Your bank may require more supporting documents as appropriate. This may include (but is not restricted to) pay-slips and / or salary crediting statements.

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[9] In this context, a haircut refers to a reduction in value applied to variable income.

[10] This could include liquid assets such as Singapore dollars and coins, including deposits, or other financial assets like stocks, gold, structured deposits etc. Please check with your bank or refer to MAS Notices 645, 1115, 831 and 128 for a list of the eligible financial assets.

3.2.5 What is the Mortgage Servicing Ratio (MSR)[11] limit?

The MSR limit caps the monthly mortgage instalments at a percentage of a borrower's gross monthly income when he applies for a housing loan for the purchase of any HDB flat or an EC directly from a property developer. Please check with your bank on the prevailing MSR limit.

3.2.6 When does the MSR limit apply to me?

The MSR limit applies to you when you apply for a housing loan to purchase:

- a HDB flat where the Option to Purchase (OTP) for the HDB flat is granted on or after 12 January 2013; or

- an EC bought directly from a property developer where the Option to Purchase (OTP) for the EC is granted on or after 10 December 2013.

A bank will also compute your MSR if you are re-financing your housing loan for a HDB flat or an EC bought directly from a property developer and which is still within the minimum occupation period, unless:

- you are occupying the HDB flat or an EC; or

- you commit to a debt reduction plan with your bank at the time of re-financing. Please check with your bank on the details of the debt reduction plan.

3.2.7 How is MSR computed?

The MSR is computed as follows:

$$\frac{\text{Monthly instalments for all property loans}}{\text{Gross monthly income}} \times 100\%$$

Your monthly mortgage instalments include your monthly instalments for:

- the housing loan for the purchase of an EC directly from a property developer or any HDB flat, which you are applying for; and

- any other property loans or mortgage equity withdrawal loans that you have.

Gross monthly income for MSR is computed in the same way as for TDSR. For further details on how this is calculated, please contact your bank.

[11] Refer to MAS' website (https://www.mas.gov.sg/regulation/explainers/new-housing-loans/msr-and-tdsr-rules).

3.3 LOAN-TO-VALUE (LTV) LIMIT

The LTV limit determines the maximum amount an individual can borrow from a FI for a housing loan.

LTV refers to the loan amount as a percentage of the purchase price or property's value, whichever is lower. For example, if an individual borrows $750,000 to purchase a property priced and valued at $1,000,000, the LTV is 75%.

The maximum housing loan borrowers can take depends on their age, loan duration and property type, and whether they have existing housing loans.

Please check with your bank on the prevailing LTV limit.

3.4 INTEREST RATES

3.4.1 Interest Rates under a Fixed Rate Loan Package:

How long will the interest rates remain fixed? Is the subsequent interest rate benchmarked against any reference rate? If so, what is the reference rate?

For fixed rate loan packages, interest rates are fixed and cannot be changed during the fixed rate period. After the lock-in period, where interest rates become variable, interest rates are typically benchmarked against a reference rate (See Section 3.5.1). You may refer to the Residential Property Loan Fact Sheet provided by your bank during the housing loan application process for details.

Take note that where the subsequent interest rates are variable, your bank may revise / replace (i)the type of reference rate (e.g. bank-administered board rate) or (ii)spread or (iii)both the spread and type of reference rate under certain circumstances. Such circumstances should be specifically set out in your Residential Property Loan Fact Sheet and your housing loan agreement, and your bank is expected to disclose these changes, minimally 30 days in advance.

3.4.2 Interest Rates Under a Variable Rate Loan Package:

Interest rates under variable rate loan packages are typically benchmarked against a reference rate.

The interest rates of a variable loan package typically comprise 2 components:

- Reference rate; and
- Spread

The reference rate may be:

- Bank-administered rate such as fixed deposit board rate; or
- interbank rates such as SORA.

See Section 3.5.1 for further information.

The spread may be:

- A discount from the reference rate; or
- A premium above the reference rate

Your bank may vary the spread depending on the terms and conditions of your housing loan agreement.

The spread for the first few years of a housing loan is often offered at a promotional rate, which may result in lower interest payments during this period. Subsequently, the interest rate may vary depending on changes in the reference rate over time.

Examples: Table 1

Floating Rate Housing Loans	First year interest rate	Second year interest rate	Third year interest rate	Fourth year interest rate
Package 1: With discount on the reference rate	Reference Rate minus 3%	Reference Rate minus 2%	Reference Rate minus 1%	Reference Rate
Package 2: With premium on the reference rate	Reference Rate plus 0.25%	Reference Rate plus 0.5%	Reference Rate plus 0.75%	Reference Rate plus 1%

The spread (i.e. discounts or premiums) and reference rate may be subject to change under certain circumstances. Banks are required to clearly disclose the specific circumstances under which (i)the type of reference rate or (ii)spread or (iii)both the spread and type of reference rate may be changed in the Residential Property Loan Fact Sheet and your housing loan agreement, and your bank is expected to disclose these changes, minimally 30 days in advance.

Refer to Section 3.5.1 for factors that may affect the reference rate for your housing loan.

3.4.3 When will the bank start charging interest on a housing loan?

A bank will start charging interest from the date the housing loan is first disbursed. Your bank will let you know when the housing loan is disbursed as well as the monthly instalment to make or the interest you have to pay.

Do note there can be instances when the effective date of the housing loan interest rate may start before your housing loan is disbursed. In such cases, you might not receive the full period (e.g. 12 or 24 months of the quoted rates), as the rate period begins before the housing loan disbursement.

3.5 REFERENCE RATES

3.5.1 What factors can affect the reference rate for my housing loan? How often can the bank change the reference rate during the loan tenure? Is the reference rate specific to this housing loan? How much notice must the bank give me before a change in interest rate can take effect?

Generally, there are 2 types of reference rates:

The reference rate may be:

- interbank rates such as SORA
- bank-administered rate such as fixed deposit board rate; or

1) Reference rate benchmarked against publicly available financial indicators:

   The publicly available financial indicators adopted as the reference rates are usually not determined by any individual bank. For example, Compounded SORA reflects economic conditions, rather than the actions of a single bank.

2) Reference rates are determined by factors set by the bank (usually termed as bank-administered board rate (e.g. fixed deposit board rate)); this may differ from bank to bank; and within each bank, may also differ from one housing loan package to another. Your bank may be able to share further information on the reference rate set by the bank (e.g. historical trend, range) upon request.

A bank may determine its own reference rate for its housing loans, taking into consideration factors such as:

- Prevailing market conditions which impact the bank's business and funding costs at the time the housing loan is taken, including but not limited to market rates, funding costs, credit costs, and acquisition costs.

- Specific details like:
  - interest rate structure (e.g. fixed or variable rate)
  - loan tenure
  - type of property
  - property development status (e.g. whether completed or under construction)
  - percentage of financing required

The bank can change interest rate components only under extraordinary and unforeseen circumstances. Banks are required to clearly disclose the specific circumstances under which the interest rate components may be changed in the Residential Property Loan Fact Sheet and your housing loan agreement.

If your bank makes changes to the interest rate components of your loan beyond what has been listed in the Residential Property Loan Fact Sheet and your housing loan agreement, your bank should inform you at least 30 days before the changes come into effect, in writing, and should, as far as possible, offer you arrangements to mitigate the impact of such changes (e.g. waiver of any lock-in mechanisms and fees).

Under the Code of Consumer Banking Practice, banks are required to inform you in advance (minimally 30 days) before any change in the interest rate components can take effect. Banks should also explain the reason (s) for the change in rates. However, such a notice period will not apply for the following scenarios:

i. housing loans that are pegged to an external published reference rate (e.g. Compounded SORA where the dates for fixing of the interest rate have been predetermined and mutually agreed between the bank and the customer, including when Compounded SORA falls below zero, the applicable SORA for determining the applicable interest rate is set at zero (the "Floor Rate")).

ii. when the interest rate changes from each year to the following year as spelt out in the bank's Letter of Offer that the customer has accepted.

3.5.2 What are the other key interest rate features that I should take note of? Are they subject to change?

Some housing loan packages are more complex than they appear at first glance. Here are some examples:

- One portion of the loan carries a fixed interest rate while the other portion has a variable rate.

- Loans with offsets: the interest earned on a deposit account with the bank goes towards offsetting the interest payable on the loan.

- A minimum interest rate ("Floor rate") may still be charged even if the package is pegged to variable or negative rates.

  The floor rate is the minimum interest rate that a bank will charge on a loan. Even if the gross interest rates fall below this floor rate, the borrower's interest rate will not go lower and will remain at the specified floor rate.

Read the bank's marketing brochure, terms and conditions and the Residential Property Loan Fact Sheet to understand the key features of your loan. Ask your bank about available options if the changes are unsuitable for your needs.

3.6 EFFECTIVE INTEREST RATE

3.6.1 What is the Effective Interest Rate (EIR)[12] for the entire loan tenure?

The EIR reflects the cost of interest expressed on an annual basis that you have to bear throughout the loan tenure. The lower the EIR, the lower the interest cost over the housing loan tenure.

[12] In financial terms, the EIR is the internal rate of return computed based on the loan disbursement(s) and monthly repayment instalments over the entire tenure of the loan.

The EIR may be higher than the advertised rate for the housing loan.

For instance, you take out a $500,000 housing loan with a loan tenure of 30 years with the following interest rate schedule (assuming the current reference rate is 5% per annum (p.a.)):

Interest Rates	
Year 1	**Reference Rate minus 3% = 2% p.a.**
Year 2	**Reference Rate minus 2% = 3% p.a.**
Year 3	**Reference Rate minus 1% = 4% p.a.**
Year 4 onwards	**Reference Rate = 5% p.a.**

Assuming interest is computed on a monthly-reducing basis and that there is no change in the reference rate, the EIR over the 30 years is 4.62% p.a. If there are no changes made to the housing loan or to the reference rate, you would be effectively paying an interest charge of 4.62% p.a. over 30 years.

The EIR serves as a common denominator allowing you to compare housing loan packages of different interest rates and tenures. When studying different housing loan packages, it is useful to compare the EIR which reflects the interest cost throughout the housing loan tenure.

You can ask the bank for the EIR of your housing loan.

3.6.2 Points to note about EIR:

- EIR is computed based on prevailing interest rates, loan disbursement(s), and monthly instalments over the entire tenure of the housing loan.
- It will be revised if there are changes to your housing loan, including changes in applicable interest rates. Ask your bank for an updated EIR for the remaining tenure of your housing loan when there are changes to your housing loan.
- It cannot be ascertained for a property under construction where the timing of the housing loan drawdowns has not been determined.
- In addition to the EIR of your housing loan throughout the loan tenure, you may also ask your bank for the EIR of your housing loan for the lock-in period only, because you may have the flexibility to change the pricing package after the lock-in period.

3.7 REPAYMENTS

3.7.1 Under the instalment plan for the property loan, what does it mean if interest is computed on a monthly-reducing basis?

Repayment of a housing loan is usually made in monthly instalments. Each instalment consists of two parts: (i)principal repayment and (ii)interest payment.

The instalment depends on:

- loan principal
- loan tenure
- interest rate
- how interest is computed

The common method of interest computation is on a monthly-reducing basis. This means:

- The principal outstanding is reduced by the principal amount repaid every month.

- The interest for the following month is computed on the reduced principal outstanding at the start of each month.

- The interest rate charged for the month is the actual cost of using the housing loan in that month.

3.7.2 What is the instalment payable each month or each year? How much goes into paying interest and how much into paying the principal? Can I get a loan repayment schedule for this loan?

The Residential Property Loan Fact Sheet provided by your bank during the loan application process will provide details on:

- Monthly principal and interest repayment.
- Yearly principal and interest repayment.
- Estimated total repayment (Principal + Interest) during the entire loan period.
- Dollar amount you will pay for every $1 borrowed.
- Changes in monthly instalments if interest rates were to change.

You can also refer to the loan repayment schedule (also known as an amortization table) for more details. Upon request, your banks will provide such a schedule whether in hard or softcopy.

This repayment schedule will give an overview of:

(a) Your monthly instalments throughout the housing loan tenure. Use this to assess whether you can afford to take up the housing loan.

(b) How much of the monthly repayment instalment goes towards paying the principal and how much towards paying interest, and the total amount of interest payable for the entire housing loan tenure. The monthly repayment instalment for a housing loan with a longer tenure will be smaller than one with a shorter tenure. However, you pay more interest on a housing loan with a longer tenure or bigger principal.

(c) The duration required to pay off the housing loan. If you are using your CPF savings to pay your housing loan, it is prudent to pay off your loan by the CPF Withdrawal Age of 55 due to reduced CPF contribution rates after 55.

When considering different loan packages, always compare their repayment schedules. Check the total amount of interest payable during the initial years where promotional rates or fixed rates are offered, and the total interest payable over the tenure of the housing loan.

Repayment schedules:

- Is it computed based on prevailing interest rates, assumed dates of loan disbursement(s), outstanding balances and loan tenure?

- Will it be revised if there are changes to your loan, including changes in applicable interest rates or loan tenure or both? Ask your bank for an updated repayment schedule whenever there are changes to your housing loan.

If you wish to discuss with your bank the options for reducing the amount of interest payable or paying off the housing loan earlier, you may consider:

- Shortening the loan tenure.
- Reducing the loan quantum by paying off part or all of it early.

Do check if there are any charges or penalties for any of the above.

Refer to Sections 3.7.4 and 3.10 on what to ask on revising your monthly instalments and making prepayments.

3.7.3 Will I be provided with statements of my housing loan account?

The bank will provide you with an annual statement of your housing loan, detailing transactions like:

- Interest charges
- Monthly instalments paid
- Prepayments made
- Total interest paid during the year

Banks may also provide interim statements upon request, although some may charge for the service.

3.7.4 Can I change the monthly repayment instalment amount during the tenure of the housing loan? Would I need to pay any fees or charges? What are the terms and conditions?

Some housing loans offer you the flexibility to change the monthly instalment amount during the loan tenure. However, do not be attracted by a loan package merely because of repayment flexibility. Ask your bank:

- if there are any fees or charges for making a change.

- the minimum notice period needed before a change can be effected.

- the minimum repayment amount acceptable.

Although these facts are usually set out in the housing loan agreement, it is best to find out beforehand.

3.7.5 Must I repay any benefits offered as part of the loan package if I pay off my loan earlier or re-finance it?

The housing loan may come with other benefits like:

- Legal fee subsidy
- Valuation fee subsidy
- Cash Rebate
- Free fire insurance for a limited period

If these benefits are given as part of a housing loan package for financing of property purchase, your bank is required to deduct such benefits mentioned above from the purchase price or value provided on the HDB Flat Portal (for HDB resale flat) before computing the loan amount that you qualify for during the application to finance your property purchase.

It is worth noting, however, that you may have to repay all or some of these benefits if you repay the entire housing loan within a certain period (may also be known as "clawback" period) stated in the bank's terms and conditions. Read the loan terms and conditions carefully to understand how this works for the loan you are considering.

3.7.6 Will I be better off if I use the services of the law firm or insurance company recommended by the bank, even if no subsidy is offered?

Generally, you may benefit from efficiency and economies of scale and pay lower fees or charges if you use the same lawyer as your bank or an insurer that your bank has arrangements with. You may wish to compare fees or premiums charged by other law firms or insurance companies before making a decision.

If you prefer the use of your own lawyer, you may choose to do so, and your bank will exercise its discretion to appoint the same or different lawyer. Generally, legal fees will be higher where there are different representations.

Most banks charge an administration fee for insurance taken from an insurance company other than the one recommended by your bank. This fee is to cover higher administrative costs incurred by the bank arising from your usage of another insurance company as banks incur lower processing costs when you use their recommended insurer.

3.8 BRIDGING LOAN

For property buyers who are in the process of selling their current property and buying a new one at the same time, they can consider a bank's bridging loan to manage their financial gap from making their new property downpayment until they have received the nett sale proceeds after they sell their current property.

Bridging loan is a short-term borrowing arrangement (up to a maximum of 6 months), granted together with your housing loan for the purchase of your new property, on condition that you have an existing property that you are selling or have sold. The monthly servicing of the Bridging Loan is only on the interests charged with no repayment on the principal amount. The full bridging loan amount is expected to be repaid by the end of the bridging loan tenure.

The principal amount can be repaid by either cash or CPF, subject to the CPF usage cap. Generally, no prepayment fee is levied for early or partial redemption of the Bridging Loan before maturity date.

3.9 INSURANCE ON MORTGAGED PROPERTY

3.9.1 When I take up a housing loan, what are my obligations as a borrower in the event of damage to my mortgaged property?

When your property is mortgaged to the bank as collateral for the housing loan, you are obligated to repair / reinstate the property if the property is damaged, while continuing to pay monthly instalments to your bank.

The following are examples of coverage your bank may include in their loan packages:

- Fire insurance
- Mortgagee Interest Policy (MIP)

Ask your bank if such coverage is required as it will increase the fees and charges you have to pay.

3.9.2 What is fire insurance and how does it protect me when my property is damaged?

Fire insurance is a form of property insurance that covers losses and damages to an individual's property. The coverage includes losses and damages caused by fire and lightning, and the additional perils such as explosion, riot and strike, malicious act, flood etc.

The property insured can be,
- Condominiums / Apartments
- Landed property (e.g.: detached, semi-detached, terrace, bungalow)
- HDB Flat

When you mortgage your house to the bank as collateral, your bank would require you to take up a fire insurance policy to protect your property for the entire loan duration. The insurance coverage is required for the full or fair value of a property, and the sum insured reflected in the insurance policy must be adequate for rebuilding the property.

Please note that the bank does not restrict your choice of fire insurance provider, although it may charge an administration fee for insurance taken from an insurance company other than the one recommended by your bank and any additional insurance coverage offered together with the fire insurance is optional. Please note that for such policy, the policy will have to list your bank as the mortgagee.

Please refer to the insurance comparison table (Appendix A) for more details.

3.9.3 What is the difference between fire insurance and home insurance?

Fire insurance and home insurance protect two different aspects of your home.

Fire insurance covers the cost of repairing and rebuilding the structure of the building, while home insurance, on the other hand, protects what's inside your home. This includes renovation works, built-in fixtures, furnishings, decor, collectibles and even valuable personal belongings like your jewellery etc.

3.9.4 What is MIP?

The MIP protects a bank's financial interest. Some banks may require you to take up a MIP if your private apartment or condominium is mortgaged to them. The MIP covers the outstanding property loan amount and allows your bank to claim for repayment of the outstanding amount, in the event of damage to the property due to an insured event (such as a fire) and the bank has concerns over your repayment ability.

For MIP, insurance is arranged by the bank for their mortgage loan customers and the sum assured is determined by your bank depending on the mortgage loan amount.

You remain liable for the outstanding loan amount. Where there is a claim by the bank for full repayment of the outstanding amount, you will need to repay this amount to the insurer. Where the bank claims for partial repayment of the outstanding amount, you will need to repay the insurer for the amount claimed by the bank, as well as to the bank for the remaining outstanding loan amount.

Please note that your bank does not restrict your choice of MIP provider, although your bank may charge an administration fee for insurance taken from an insurance company other than the one recommended by your bank and any additional insurance coverage offered together with the MIP is optional.

There are banks which do not require MIP. You should ask your bank for further information.

3.9.5 What is the difference between the Management Corporation Strata Title (MCST) fire insurance policy and a MIP?

Your Management Corporation (MC) will take up a damage policy to cover the private apartment or condominium estate and this is commonly referred to as the MCST fire insurance policy. The MCST fire insurance policy is required under the Building Maintenance and Strata Management Act for all private apartments or condominiums. If a private apartment or a condominium unit is damaged by fire, lightning, explosion or any other occurrence specified in the policy, the property's MC will make a claim on the MCST fire insurance policy and use the insurance proceeds to repair the property. The MCST fire insurance policy does not cover the improvements or renovations made to your unit and the contents within your unit

3.9.6 Will I be required to take up both MIP and fire insurance policy?

No, depending on your property type, either an MIP or fire insurance is required. Check with your bank for the appropriate and requisite insurance policy for your property.

3.9.7 Can I take up a fire insurance or MIP with any insurance company of my choice?

Yes, subject to the approval of your lending bank. An annual administrative fee may be levied to defray the costs arising from manual processing of such requests.

Please also note that if changes are subsequently made to your housing loan that impact the principal amount outstanding or loan tenure, you may wish to similarly adjust your insurance coverage to reflect those changes.

3.9.8 What is Mortgage Reducing Term Assurance (MRTA) and the Home Protection Scheme (HPS)?

Both are insurance that can be used for housing loan protection.

MRTA is a term insurance designed to protect homeowners for death, total permanent disability (TPD) or terminal illness with pay-outs meant to cover any outstanding mortgage. The sum insured decreases over time in tandem with the size of your remaining housing loan. This allows their dependents not to be financially burdened with the remaining mortgage. It is not mandatory to take up a MRTA when applying for a housing loan.

The HPS is also a term insurance that covers death, TPD or terminal illness; with the sum insured decreasing over time in tandem with the size of your remaining housing loan. HPS is mandatory if the homeowners are using their CPF to pay for the monthly housing loan instalments on their HDB flat. Under HPS, the homeowners will be covered up to age 65 or until the mortgage is paid up, whichever is earlier. The payment of HPS premiums will be deducted from their CPF OA account.

3.9.9 Which insurance should I buy to protect my housing loan?

You may refer to the Insurance Comparison table in Appendix A below for more details.

3.10 PREPAYMENTS

3.10.1 How long is the lock-in period and what is the prepayment fee? How much notice must I give the bank if I want to pay off part or the entire loan early?

You may want to make prepayments or to settle the outstanding loan in full during the tenure of the housing loan. You must inform the bank in advance (one month for prepayment and two months for full repayment) before you make such payment.

Banks may impose penalties or fees when you:

- Settle the outstanding loan in full or make a prepayment without giving the required advance notice.

- Settle the outstanding loan in full or make a prepayment before the expiry of certain period commonly known as the “lock-in period” or “commitment period”

Check the terms and conditions of the housing loan or check with your bank about its prepayment rules:

- Before taking a loan.

- Whenever you wish to make a prepayment if you already have a loan.

It is worthwhile to note that the banks typically require a minimum prepayment amount with additional prepayments in multiples of S$1,000. These may be specified in the terms of the loan agreement.

3.11 FEES AND CHARGES

3.11.1 What are the fees and charges applicable to a housing loan?

Fees and charges may be levied or incurred for (but are not limited to) the following:

- Processing the housing loan application.

- Not taking the housing loan after accepting the loan offer.

- Late payment.

- Changing the loan tenure.

- Re-financing your housing loan with the same bank or a different bank during the lock-in period.

- Prepaying a portion or the full housing loan during the lock-in period or without giving adequate advance notice.

- Restructuring the housing loan.
- Safekeeping of title deeds.
- Request of loan statements or any other loan related documents.
- Using an insurer other than the one recommended by the bank.
- Necessary legal/conveyancing work by lawyers when the loan is taken up and at discharged when the mortgage loan is fully repaid or re-financed to another bank.
- Valuation of the property.

Ask the bank for a schedule of fees and charges applicable to the housing loan you are interested in.

3.12 DOCUMENTATION & TERMS AND CONDITIONS

3.12.1 What loan documentation will I be provided with?

Loan documents provided by the bank include:

- The Residential Property Loan Fact Sheet.
- The letter of offer or housing loan agreement.
- Terms and conditions governing the housing loan.
- Other documents such as declarations on subsidies and other declarations, schedules of fees and charges.

Do's and don'ts concerning loan documents:

- To avoid misunderstanding, rely only on official written documentation (including e-copies) such as those listed above.
- Always take note of the fine print relating to interest rates, fees, terms and conditions, as well as the benefits (e.g. legal subsidy) of the housing loan.
- Review all documents before signing them.
- Ask the bank staff or your lawyer to highlight critical clauses that you should take special note of.
- Ask for an explanation if you are not sure how certain terms and conditions will apply.

3.12.2 What are some general rights of the bank which I should take note of?

You should take note of the following:

- A bank may include a right of review clause (ROR) in the letter of offer or agreement, which allows banks to unilaterally revise the terms and conditions of the housing loan in the event of extraordinary or unforeseen circumstances.

  If such a clause is included, your bank must clearly disclose this to you during the loan processing stage, including the circumstances under which the ROR clause may be exercised, that prior and written notice will be given at least 30 days before the changes come into effect, and your rights or available options when the clause is exercised.

- A bank may require you to pay all or part of the outstanding housing loan without prior notice given to or consent received from you.

- A bank could cancel the housing loan without prior notice given to or consent received from you.

- Your savings or deposit accounts maintained with the bank may be debited to settle the outstanding amount due under the housing loan.

- If there is a "jointly and severally liable" clause in the housing loan agreement where a housing loan is taken out by two or more borrowers, when a borrower passes on, becomes uncontactable or is declared bankrupt before the loan is paid off, the clause enables the bank to claim the entire outstanding amount from the other borrower(s).

- A bank may take certain actions when the value of the property is less than the outstanding loan (this situation is called "negative value" or "negative equity").

Please check the loan documents for the exact terms and conditions as the loan documents may differ from bank to bank.

3.12.3 What if the loan's written terms and conditions differ from what has been discussed or provided?

Raise the matter with your bank if you discover any discrepancies.

3.12.4 What should I do if I have concerns about changes proposed by the bank to the terms and conditions of my housing loan?

Make sure you understand why the changes are being made. Talk to a bank staff if you are unsure how the change will affect you, or if you are not happy with the change. Do so before the new term or condition takes effect. If the bank agrees to any variation to its proposed changes to the terms and conditions, such variation should be put in writing.

3.13 RE-FINANCING

3.13.1 What is re-financing? What are the procedures and costs involved if I decide to re-finance the loan?

Re-financing is when you switch to a new housing loan package either with your existing bank (typically known as re-pricing) or another lender.

Review your housing loan once every few years to see if it would be more advantageous to continue with your existing pricing package, particularly so after your lock-in period and bank subsidies clawback period (if any).

Ask your existing bank for re-pricing options, before checking with other banks. Do note that the TDSR framework and the Monetary Authority of Singapore's property loan rules may apply when you re-finance your housing loan. Hence, you may need to submit specific documents to the bank.

Before re-financing, consider if you are better off:

- sticking to your current housing loan package,
- converting to a different housing loan package with your existing bank or,
- taking up a re-financed housing loan package with a different bank.

Ask your current bank whether:

- You will incur a fee for terminating your current housing loan package.
- You can convert the loan to one which is more attractively priced, and charges involved.
- There will be a lock-in period for the new housing loan package and if so, what is the length of the lock-in period, and charges involved.

Ask the bank whose re-financing package you are considering to show how you will be better off with the re-financed package.

Compare:

- An updated repayment schedule for your current housing loan package with that of the re-financing packages you are considering and check the interest payable.
- The advertised rates and EIR for your current housing loan package and those of the re-financing packages you are considering.

Note that the instalment amounts, interest payments and EIR will change once there are changes to the housing loan.

Before committing to a re-financed housing loan package:

- Read the terms and conditions and understand what the new package offers.
- Find out the CPF Housing Withdrawal Limit applicable to you when you re-finance your housing loan. Check the CPF Board website regularly for updates on the Board's rules on housing loans.

3.14 DEFAULT

3.14.1 What happens if I default on my monthly instalment for my housing loan?

If you default on your monthly repayment instalment, your bank can:

- Declare "an event of default" and recall the loan.
- Charge you a higher rate of interest.
- Sue you for the housing loan outstanding or initiate foreclosure (or both) to sell your property to recover the outstanding loan balance and unpaid interest. The bank can also sue you for any remaining sums unpaid if the sale proceeds from the property are insufficient to pay off the outstanding loan.
- Bring bankruptcy proceedings against you.

To avoid such situations, you should:

- Not commit yourself to a loan package that you cannot afford.
- Contact your bank immediately for help when you face an unforeseen financial situation (e.g. sudden job loss) and find it difficult to meet your monthly instalments. Do not wait until you default on your repayments.

Borrowers who have trouble in repaying their housing loan from an FI, may refer to the ABS website for information guide on "Managing HDB Loan arrears" and "Managing Private Property Loan arrears", which is accessible via the following link: https://www.abs.org.sg/consumer-banking/consumer-guides

Use the information in this guide to help you ask important questions, decide on the most appropriate housing loan package, and assess your ability to keep up with monthly instalments.

4. GLOSSARY OF KEY TERMS RELATING TO YOUR HOUSING LOAN

Key Terms	Definition
Approval-In-Principle (AIP)	This is an approved loan amount given by a bank typically based on a borrower's declaration of income and debts. It may or may not be based on the borrower's credit report and assessment of actual affordability. Hence, it is not a binding document and may be subject to other checks in the actual application process. It is typically valid for 30 days.
CPF Withdrawal Limit & Valuation Limit	You may use your CPF savings to pay for part of the property and to service the loan. But there is a cap to the amount of CPF savings you can use if you are using bank financing. This cap is known as the CPF Withdrawal Limit and is set at a percentage of the Valuation Limit of each property. The Valuation Limit is the lower of the purchase price or valuation at the time of purchase. As an example, if the purchase price of an apartment is $300,000 and its valuation is $330,000, the Valuation Limit will be $300,000. If the Withdrawal Limit is set at 120% of the Valuation Limit, the Withdrawal Limit will be $360,000. Refer to the CPF Board's website (www.cpf.gov.sg) to find out your CPF Withdrawal limit. Once you reach the limit, you will have to pay the monthly repayment instalments fully in cash.
Cancellation fees	Cancellation fees refer to fees charged by an FI for cancellation of an undrawn loan facility either wholly or partially by a customer after having accepted the offer. Such cancellation fees would normally be defined in the terms of the loan agreement.
Income-Weighted Average Age (IWAA)	Where there is more than one borrower for the loan, a bank will compute the IWAA of all the borrowers. For example : Borrower A (age 30) earns $7,000 per month and Borrower B (age 50) earns $3,000 per month. IWAA = [(30 x $7K) + (50 x $3K)] / ($7K + $3K) = 36 years
Late Charge or Late Fee	This is a fee payable when the monthly repayment instalment is not received by the due date.
Loan Tenure or Repayment Period	Loan tenure is the duration of the housing loan and is determined by a bank's credit guidelines and the Monetary Authority of Singapore's rules.
Loan-To-Value (LTV)	This is the housing loan amount you can borrow quoted as a percentage of the current market value of the property. If the loan is to finance the purchase of residential property, the current market value or the property purchase price (less discounts, rebates or other benefits that you receive from the seller or any other party that has the effect of reducing the purchase price of a property), whichever is lower, will be applied.
Lock-In Period	Period where fees and charges may apply if you do a partial or full repayment of your housing loan, or if you re-finance with your existing bank or to a different bank.

Key Terms	Definition
MAS Notice 632 on Residential Property Loans	This document issued by the Monetary Authority of Singapore contains rules governing credit facilities secured by residential properties in Singapore. These include rules on LTV, loan tenure, IWAA, prohibition of interest-only loans, treatment of discounts, rebates or other benefits, the borrower-mortgagor rule, and the guarantor-mortgagor rule. This notice is available for download at www.mas.gov.sg
MAS Notice 645 on Computation of Total Debt Servicing Ratio for Property Loans	This document issued by the Monetary Authority of Singapore contains rules governing computation of affordability for credit facilities secured by properties in Singapore and overseas. The rules prescribe the computation of the Total Debt Servicing Ratio and Mortgage Servicing Ratio. This notice is available for download at www.mas.gov.sg
Mortgage or charge	The terms "charge" and "mortgage" are often used interchangeably. A charge is a security whereby the owner of a property (mortgagor) gives the right to the bank to resort to the property for payment of the loan if the loan goes into default. A mortgage is defined as including any charge on any property for securing money or money's worth.
Mortgagee	The lending bank is typically the mortgagee.
Mortgagor	The owner of the property is typically the mortgagor. All borrowers of a housing loan are required to be mortgagors of the residential property for the following scenarios: • Housing loan for the purchase of a residential property where the OTP was granted on or after 29 June 2013; • Re-financing of a housing loan for a residential property where the OTP was granted on or after 29 June 2013; • Mortgage equity withdrawal loan applied on or after 29 June 2013; • Re-financing of a mortgage equity withdrawal loan, where the application date of the original mortgage equity withdrawal loan is on or after 29 June 2013; and • Re-financing of a mortgage equity withdrawal loan applied on or after 29 June 2013, where the borrower, mortgagor, guarantor or any other party is different from the original mortgage equity withdrawal loan.
Mortgage Equity Withdrawal Loan	A loan secured on the borrower's equity in a residential property (otherwise known as term loan). The loan may be secured by : • An unencumbered property whereby the bank grants a term loan on the property; or • A property with an existing facility whereby the bank grants an additional term loan facility on the difference between the maximum LTV based on current market value, less the existing facility with the bank.

Key Terms	Definition
Mortgagee Interest Policy (MIP)	The MIP protects a bank’s financial interest. Some banks may require you to take up a MIP if your private apartment or condominium is mortgaged to them. The MIP covers the outstanding property loan amount and allows the bank to claim for repayment of the outstanding amount, in the event of damage to the property due to an insured event (such as a fire) and the bank has concerns over your repayment ability. You remain liable for the outstanding amount. Where there is a claim by the bank for full repayment of the outstanding amount, you will need to repay this amount to the insurer. Where the bank claims for partial repayment of the outstanding amount, you will need to repay the insurer for the amount claimed by the bank, as well as to the bank for the remaining outstanding loan amount that was not claimed. You should approach your bank for further information.
Re-financing	Re-financing is when you switch to a new housing loan package either with your existing bank or another lender. There are rules to be observed for re-financing.
Re-pricing	Re-pricing is the switching of the interest rate package with your existing bank. It is considered a type of re-financing and hence, subject to rules on re-financing.
Residential Property Loan Fact Sheet[13]	The Residential Property Loan Fact Sheet contains key features of the housing loan and highlights the implications of possible future increases in interest rates on your monthly repayment instalments. When you discuss with a bank about taking up a housing loan, the bank must provide you with a Residential Property Loan Fact Sheet.

[13] Sample of the Residential Property Loan Fact Sheet can be found in https://www.mas.gov.sg/regulation/notices/notice-632a

5. APPENDIX A

	Fire insurance	Management Corporation Strata Title (MCST) Fire Insurance	Mortgagee Interest Policy (MIP)	Mortgage Reducing Term Assurance (MRTA)	Home Protection Scheme (HPS)
What is this policy?	Property insurance that covers losses and damages to an individual's property. The coverage includes losses and damages caused by fire and lightning, and the additional perils such as explosion, riot and strike, malicious act, flood etc.	Damage policy taken up by Management Corporation (MC) to cover losses and damages caused by fire, lightning, explosion or any other occurrence specified in the policy to the condominium or an apartment registered as a Management Corporation Strata Title (MCST) property.	Covers the outstanding property loan amount and allows the bank to claim for repayment of the outstanding amount, in the event of damage to the property due to an insured event (such as a fire) and the bank has concerns over your repayment ability.	Mortgage-reducing term insurance with coverage that corresponds to your outstanding mortgage amount. The policy protects home owners for death, total permanent disability (TPD) or terminal illness with pay-outs meant to cover any outstanding mortgage for home owners.	Mortgage-reducing term insurance that provides coverage for your outstanding mortgage amount in the event of death, total permanent disability (TPD) or terminal illness with pay-outs meant to cover any outstanding mortgage. HPS is for CPF members who own an HDB flat and are paying their monthly housing instalments using CPF savings or cash. It insures members until he / she turns 65 or when the housing loan is paid up, whichever comes earlier.
When can a claim be made?	Losses and damages to an individual's property only - in the event of a fire or other insured perils.	Losses and damages to an individual's property, such as in the event of a fire or other insured perils.	Losses and damages to an individual's property only - in the event of a fire or other insured perils and the bank has concern over your repayment ability	Death, total permanent disability (TPD) or terminal illness.	Death, total permanent disability (TPD) or terminal illness.
Can claims be made to repay the outstanding Housing loan?	No - will cover the cost to repair damages to the property.	No - will cover the cost of reinstating the building structure usually to the condition prior to the damage.	Yes – pay the current sum insured as indicated in the policy.	Yes – pay the current sum insured as indicated in the policy.	Yes – pay up to the sum insured to repay the home loan outstanding amount.

	Fire insurance	**Management Corporation Strata Title (MCST) Fire Insurance**	**Mortgagee Interest Policy (MIP)**	**Mortgage Reducing Term Assurance (MRTA)**	**Home Protection Scheme (HPS)**
Who is the owner of the policy?	Mortgagor (borrower)	The Management Corporation (MC)	Mortgagee (Bank) Note: The insurance policy is a contract between the Mortgagor and the insurer. But the policy is assigned to the bank.	Mortgagor (borrower)	HDB property owner
Who can claim on the insurance policy ?	Mortgagor (borrower)	The MC will initiate the claim. The MC will arrange for the property to be repaired and will then be indemnified by the insurer.	In the event of damage to the property due to an insured event and the bank has concerns over the loan repayment, the bank will claim against the insurer for the outstanding property loan amount, the borrower will then be liable to the insurer for the outstanding property loan amount.	Mortgagor (borrower) for TPD or terminal illness and Mortgagor's estate in the event of death, whichever is applicable.	Mortgagor (borrower) for TPD or terminal illness and Mortgagor's estate in the event of death, whichever is applicable.