



I'm already spending most of my income on daily expenses. How can I prevent defaulting on my loans and risk incurring more interest and debt?

MANAGING DEBT DURING COVID-19

You might be concerned with the vicious cycle of debt. Managing your debt well will make a difference to your financial health and peace of mind. If you are facing difficulties in managing your debts, consider the following:

1

Create a payment plan

A List down all your loans with the following details:



Total amount owed (including late payment charges)



Interest payable



Whether any legal action has been taken



B Prioritise your loan repayments:

Start by paying off the loans which incur the highest interest rates or those which are overdue. This will prevent late payment and interest charges from accumulating.



DID YOU KNOW?

Credit card bills usually incur the highest interest among your loans. If you are unable to pay your outstanding balances on credit cards or revolving credit lines, you can apply to your lenders to convert your balances to low interest term loans between 6 April to 31 December 2020. Quote "Special Financial Relief Programme (Unsecured)" to your bank when requesting for this assistance.



2

Get help. If you face difficulties managing your loans, you can:

- Approach your lender to find out if they can defer your repayment, extend the loan period, or reduce the monthly loan repayment amount during this difficult period.

NOTE

Be aware of the implications of loan deferments. Keep in mind that loan deferments and loan extensions could mean higher interest costs over the course of the loan.



For a list of available government financial assistance, you can visit [SupportGoWhere](#).



DID YOU KNOW?

You can refinance your home loan to one with a lower interest rate. This can help to reduce your monthly instalments. Do look out for any early repayment penalty from your current mortgagee. If you are currently on a bank loan, you can't refinance to an HDB loan.

- Approach Credit Counselling Singapore (CCS) for assistance with restructuring your loans. CCS assists individuals to address their unsecured debts problems (e.g. debts from banks, credit card companies and licensed moneylenders). You can contact CCS via the following modes:



Website: www.ccs.org.sg/debt-management/



Email: enquiry@ccs.org.sg



Hotline: 6225 5227

Consider carefully before taking on a new loan

As far as possible, it is advisable to avoid taking on new loans during times of economic uncertainty. But if you are out of options and need the financial assistance a loan provides, carefully weigh the pros and cons before doing so. These are some things you should consider:

- Consider your ability to service the loan in both the short-term and long-term.
- If paying the full monthly installment is not feasible, consider paying at least the minimum to maintain your credit standing.
- Understand the interest rates applicable and how much interest you will be paying in the long run.

What if I need to take a loan during this period? What do I need to consider?

3



Use the MoneySense Debt Calculator to estimate your monthly repayments and calculate the total amount you will need to pay per month across your various loans.

Still unsure of how you can review your budget?



Try out our online budgeting tool by scanning the QR code.



Join our Online Financial Health Seminars by the Institute for Financial Literacy by registering at this QR code.