

**Lowering the Loan-to-Value (LTV) Limit and Raising the Minimum Cash Down Payment on Housing Loans Granted by MAS-Regulated Financial Institutions for the Purchase of Residential Property**

**LTV Limit**

- 1 The current LTV limits for individuals who currently have one or more outstanding housing loans and are obtaining second or subsequent housing loans are 60%, or 40% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65.
- 2 The following measures will take effect on 12 January 2013<sup>1</sup>:
  - (i) For individuals obtaining a second housing loan, the LTV limits will be lowered to 50%, or 30% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65;
  - (ii) For individuals obtaining third or subsequent housing loans, the LTV limits will be lowered to 40% or 20% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65; and
  - (iii) For non-individual borrowers, the current LTV limit of 40% will be lowered to 20%.

There is no change to the existing LTV limit for individual borrowers who have no outstanding housing loans<sup>2</sup>.

**Minimum Cash Down Payment**

- 3 The current minimum cash down payment required of individual borrowers who have one or more outstanding housing loans and are obtaining second or subsequent housing loans is 10% of the valuation limit<sup>3</sup>.
- 4 With effect from 12 January 2013, the minimum cash down payment required for such individuals will be raised to 25%<sup>4</sup>. There is no change to the existing

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<sup>1</sup> The measures will apply to loans granted by financial institutions regulated by MAS for the purchase of residential property if the date when the option to purchase was granted or the date of the Sale & Purchase agreement (where there is no option to purchase) is on or after 12 January 2013.

<sup>2</sup> For such borrowers, the LTV limit remains 80%, or 60% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65.

<sup>3</sup> Valuation limit is defined as the lower of current property value or purchase price.

<sup>4</sup> The remaining balance between the housing loan amount granted and the minimum cash down payment requirement may be paid using CPF monies and/or cash.

minimum cash down payment requirement for individual borrowers who have no outstanding housing loans and are applying for a housing loan<sup>5</sup>.

	1 <sup>st</sup> Housing Loan	2 <sup>nd</sup> Housing Loan	From 3 <sup>rd</sup> Housing Loan
LTV Limit	<u>Existing Rules</u> 80%; or 60% if the loan tenure is more than 30 years or extends past age 65  <u>Revised Rules</u> No change	<u>Existing Rules</u> 60%; or 40% if the loan tenure is more than 30 years or extends past age 65  <u>Revised Rules</u> 50%; or 30% if the loan tenure is more than 30 years or extends past age 65	<u>Existing Rules</u> 60%; or 40% if the loan tenure is more than 30 years or extends past age 65  <u>Revised Rules</u> 40%; or 20% if the loan tenure is more than 30 years or extends past age 65
Minimum Cash Down Payment	<u>Existing Rules</u> 5% (for LTV of 80%) 10% (for LTV of 60%)  <u>Revised Rules</u> No change	<u>Existing Rules</u> 10%  <u>Revised Rules</u> 25%	<u>Existing Rules</u> 10%  <u>Revised Rules</u> 25%
Non-Individual Borrowers	<u>Existing LTV Limit</u> 40%  <u>Revised LTV Limit</u> 20%		

## **Reliefs**

- 5 A borrower will not be subject to the lower LTV limit and higher minimum cash down payment requirement when he obtains another housing loan for the purchase of a property which is an Executive Condominium (EC) purchased directly from a property developer or a HDB flat.
- 6 The borrower must provide the financial institution granting the loan a copy of the signed undertaking to HDB committing to complete the sale of his sole existing property within the period stipulated in the undertaking.<sup>6</sup> This

<sup>5</sup> For such borrowers, the cash down payment required is 5%, or 10% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65.

<sup>6</sup> HDB's rules require a buyer of (i) an EC unit purchased directly from a property developer, or (ii) a completed/resale or uncompleted HDB/DBSS flat, to sell his existing property within six months of TOP/CSC of the EC unit or taking possession of the HDB/DBSS flat.

exemption will allow borrowers to be treated as individuals with no outstanding housing loans.