



JOINT MAS-MND-HDB PRESS RELEASE: MEASURES TO PROMOTE SUSTAINABLE CONDITIONS IN THE PROPERTY MARKET BY ENSURING PRUDENT BORROWING AND MODERATING DEMAND

1. Market interest rates have risen significantly. They are likely to increase further in future, which will affect borrowing costs for home purchases. To ensure prudent borrowing and avoid future difficulties in servicing home loans, the Government will tighten the maximum loan quantum limits for housing loans.

- a. First, we will assume higher interest rates when assessing borrowers' repayment ability via the following two measures:
 - i. For property loans granted by private financial institutions, MAS will raise by 0.5%-point the medium-term interest rate floor used to compute the Total Debt Servicing Ratio (TDSR) and Mortgage Servicing Ratio (MSR).
 - This will apply to loans for the purchase of properties where the Option to Purchase (OTP) is granted on or after 30 September 2022, or where there is no OTP, the date of the Sale and Purchase Agreement is on or after 30 September 2022.
 - The actual interest rates charged for mortgages will continue to be determined by the private financial institutions.

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ii. For housing loans granted by HDB, HDB will introduce an interest rate floor of 3% for computing the eligible loan amount.

- The interest rate floor will apply to fresh applications for an HDB Loan Eligibility (HLE) letter received on or after 30 September 2022, 00:00 hours.
- There will be no impact to existing HLE applications received by HDB before this time.
- This will not affect the actual HDB concessionary interest rate, which will remain unchanged at 2.6% p.a..

b. Second, we will lower the Loan-to-Value (LTV) limit for HDB housing loans from 85% to 80%. The lower LTV limit will apply to new flat applications for sales exercises launched and complete resale applications which are received by HDB on or after 30 September 2022.

2. To moderate demand in the HDB resale market, we will impose a wait-out period of 15 months for private residential property owners (PPOs) and ex-PPOs¹ to buy a non-subsidised HDB resale flat. The wait-out period will not apply to seniors aged 55 and above who are moving from their private property to a 4-room or smaller resale flat. This new measure will take effect from 30 September 2022. It is a temporary measure which will be reviewed in future depending on overall market conditions and housing demand.

3. More details are set out below.

Measures to Ensure Prudent Borrowing Amid Rising Interest Rates

Higher Medium-Term Interest Rate Floor to Compute TDSR and MSR

¹ Ex-PPOs refer to those who had disposed of a private property prior to submitting an application to buy a resale flat.

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4. MAS will raise by 0.5%-point the medium-term interest rate floor used by private financial institutions to compute a borrower's TDSR and MSR. This revision reflects higher interest rates expected over the medium term, compared to the period of exceptionally low rates from 2013 to 2021. The new medium-term interest rates are:

Type of loan	Medium-term interest rate
Residential property purchase loans and mortgage equity withdrawal loans	The higher of a 4% per annum (p.a.) floor (up from 3.5% p.a.) or the thereafter interest rate*.
Non-residential property purchase loans and mortgage equity withdrawal loans	The higher of a 5% p.a. floor (up from 4.5% p.a.) or the thereafter interest rate.

*The thereafter interest rate is the highest possible interest rate applicable during the tenure of a property loan, excluding introductory or promotional rates.

5. Mortgage interest rates pegged to the 3-Month Compounded Singapore Overnight Rate Average (SORA) have been rising in the past months. They are expected to rise further in 2023 along with US interest rates, before settling at a higher level compared to the lows during the period 2013 to 2021.

6. The revised medium-term rate floors ensure that households borrow prudently for their property purchases in a higher interest rate environment. This is necessary as property loans are long-term commitments and are often the households' largest liability. Some borrowers may need to right-size their intended property loans but will be better able to service these loans when interest rates rise.

7. The revised medium-term interest rate floors will apply to loans for the purchase of properties where the Option to Purchase (OTP) is granted on or after 30 September 2022, or where there is no OTP, the date of the Sale and Purchase Agreement is on or after 30 September 2022. It will also apply to new mortgage equity withdrawal loan applications made on or after 30 September 2022. Borrowers refinancing owner-occupied property loans will not be affected by this change, while

those refinancing other types of property loans will be subject to the prevailing medium-term interest rate that applied when they first took up their loans.

Interest Rate Floor to Compute Eligible Loan Amount from HDB

8. In tandem with the increase in the medium-term interest rate floor in the TDSR and MSR framework, HDB will introduce an interest rate floor of 3% p.a. to compute a borrower's eligible housing loan amount². This means that the interest rate used to compute the eligible loan amount for HDB's concessionary housing loan will be the higher of 3% p.a. or 0.1%-point above the prevailing CPF Ordinary Account (OA) interest rate. HDB's use of the interest rate floor to compute the housing loan amount encourages flat buyers to borrow prudently as purchasing a flat is a long-term financial commitment.

9. There is no change to the actual interest rate charged for housing loans provided by HDB. The HDB concessionary interest rate is reviewed quarterly, and will continue to be pegged at 0.1%-point above the prevailing CPF OA interest rate. It will remain at [2.6% p.a.](#) from 1 October to 31 December 2022.

10. The interest rate floor to compute the eligible loan amount will take effect as follows:

Transaction Type	Effective Date
Purchase of flats from HDB in Build-To-Order and Sale of Balance Flats exercises	<ul style="list-style-type: none">• Application for an HLE letter received; and• Sales launch date on or after 30 Sep 2022, 00:00hr

² The interest rate floor of 3% p.a. applies to:

- flat buyers who are taking an HDB housing loan at the concessionary interest rate; and
- whereby commercial interest rate is charged, e.g. flat buyers who are taking a second HDB housing loan and buying an HDB flat before disposing of their existing one. The interest rate will be converted to the concessionary rate after the flat buyer has disposed of the existing flat and used the CPF refund and 50% of the cash proceeds received to reduce the second HDB housing loan amount.

Purchase of resale flats on the open market and open booking flats from HDB	HLE letter application received on or after 30 Sep 2022, 00:00hr
Taking over of ownership of existing flat	HLE letter application received on or after 30 Sep 2022, 00:00hr

Lower Loan-to-Value (LTV) Limit

11. The LTV limit for HDB housing loans will be lowered by 5%-points from 85% to 80%. The revised LTV limit will apply to new flat applications for sales exercises launched and complete resale applications³ which are received by HDB on or after 30 September 2022. The revised LTV limit does not apply to loans granted by private financial institutions, for which the LTV limit remains at 75%.

12. This is not expected to affect first-timer and lower-income flat buyers significantly, as they may receive significant housing grants of up to \$80,000 when buying a subsidised flat directly from HDB, or up to \$160,000 when buying a resale flat. They can also tap on their CPF savings to pay for the flat purchase, thereby reducing the loan amount they may need to take.

Measures to Moderate Demand and Ensure that HDB Resale Flats Remain Affordable

13. Since the Government implemented a broad package of measures in December 2021, the HDB Resale Price Index has increased by more than 5% as at end-2Q 2022, reflecting a broad-based increase in public housing demand. Given the clear upward momentum in HDB resale prices, MND and HDB will introduce a wait-out period of 15 months for private residential property owners (PPOs) and ex-PPOs to buy a non-subsidised HDB resale flat as a temporary measure to moderate demand and ensure that resale flats remain affordable for flat buyers, especially for first-timers.

³ A complete application is one where HDB has received both sellers' and buyers' portions of the resale application.

Impose a Wait-Out Period for Private Residential Property Owners (PPOs) and ex-PPOs to Buy non-subsidised HDB Resale Flats

14. PPOs and ex-PPOs are currently allowed to buy a non-subsidised HDB resale flat on the open market, with the requirement that they dispose of their private properties within six months of the HDB flat purchase. They will now be required to serve a wait-out period of 15 months after the disposal of their private properties before they are eligible to buy a non-subsidised resale flat. This is a temporary measure to moderate demand for resale flats, which we will review depending on overall demand and market changes. The wait-out period for PPOs who are first-timers and wish to apply for the CPF Housing Grant and Enhanced CPF Housing Grant for their resale flat purchase, remains unchanged at 30 months.

15. We recognise that some seniors may wish to move from their private residential property to an HDB flat, to strengthen their retirement adequacy. To support them, the 15-month wait-out period will not apply to seniors aged 55 and above (and their spouses) who are moving from their private property to a 4-room or smaller resale flat. Senior PPOs/ex-PPOs can continue to buy a 2-room Flexi flat on short lease (if they are aged 55 and above) and Community Care Apartment (if they are aged 65 and above) from HDB. In addition, PPOs/ex-PPOs, regardless of age, with extenuating circumstances, e.g. financial difficulties, may approach HDB for assistance, and we will assess their situation on a case-by-case basis.

16. The Government remains committed to keep public housing inclusive, affordable and accessible to Singaporeans. We will continue to monitor the property market and adjust our policies to ensure that they remain relevant.

17. We urge households to exercise prudence before taking up any new loans, and be sure of their debt-servicing ability before making long-term financial commitments.