

# **Total Debt Servicing Ratio for Property Loans**

w.e.f. 29 June 2013, Saturday

# Summary of New Debt Servicing Framework

## Computing TDSR

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

- Max 60% Total Debt Servicing Ratio (TRSD). For HDB, max 30% Mortgage Servicing Ratio (MSR) & max 60% TDSR
- Consider monthly repayment of new loan and all other debt (documentary evidence & declaration required)
- Calculate new loan repayments using 3.5% for home loan, or prevailing interest rate, whichever is higher
- Discount variable income (bonus, rental) by at least 30%
- Discount financial assets if used in calculating income

## Borrower

- Borrower must be mortgagor
- If borrower does not meet TSDR threshold, guarantor to be co-borrower

## Tenor

- Loan tenor for joint borrowers depend on the income-weighted average age (IWAA) of joint borrowers. E.g. father has higher income than son, the average age will be higher, and the loan tenor will be shorter.

# Application and exclusion of TDSR rules

## Application Of TDSR

- Home Loan to finance purchase of residential properties in Singapore and overseas,
- Credit facilities secured against all types of properties (residential/non-residential)
- Individuals and companies

## Exceptions

### **Refinancing facility (HL only) allowed TDSR > 60% provided:**

- OTP is prior to 29 June 2013
- Property is the only property borrower owns
- Owner occupied by borrower
- No other outstanding credit facility secured by any other property (purchase, refinancing or top-up) apart from the HL being refinanced

### **Applying for loan to finance purchase HDB Flat or Executive Condo purchased directly from developer but has existing HDB flat. The monthly repayment for existing HDB is excluded from TDSR if borrower has**

- Only 1 existing HDB flat which he will be taking steps to sell
- No other outstanding credit facility on any properties apart from the HL on the existing HDB
- Does not own any other property, residential/non-residential in Singapore or overseas

# Computing the Total Debt Servicing Ratio (TDSR)

## Total Debt Obligations

Including facilities applied but not yet reflected in Credit Bureau:

- Facility for purchase of Property
- Re-financing of HL from another Bank
- All credit facility secured by property
- Secured revolving credit facility
- Unsecured revolving credit facility such as credit card
- Motor vehicle loan
- Renovation Loan
- Share financing loans
- Bridging Loans > 6 months tenor
- Any other credit facility

## Guarantor of Other Facility

If the borrower is a guarantor of another loan, at least 20% of the monthly instalment is to be included as part of the commitment.

# Evidence of Debt Obligations & Joint Borrowers

## Evidence of Debt

- Letter of Offer
- Loan Statement, credit card/other unsecured facility monthly statement
- Letter of Confirmation from other banks
- For credit card, the minimum payment stated in the latest statement is used. Without the statement, the total credit limit will be applied.

## Joint Borrowers

- If borrower has an outstanding loan jointly with others, the monthly instalment for the other loan is to be divided between the borrowers proportionate to their gross monthly income. Income for the other borrower to be provided so that the instalment can be apportioned.
- A applies for home loan with OCBC. A has another home loan with UOB jointly with B. A must provide B's income documents to OCBC to apportion the instalment at UOB. Otherwise, OCBC has to take the entire UOB instalment into computing TDSR for A's application

# Gross Monthly Income

## (a) Fixed Monthly Income

- 100% of monthly income excluding CPF contributions

## (b) Variable Monthly Income

- Variable income includes commission, bonus, rental
- Max 70% average monthly variable income in the last 12 months excluding CPF contributions; OR
- Max 70% employment income in the latest NOA divided by 12 by 12

## (c) Fixed + Variable Mth Inc.

- Total (a) + (b); OR
- Employment income in the latest Notice of Assessment divided by 12

## (d) Rental Income

- Not more than 70% can be included
- Stamped tenancy agreement with remaining rental period of at least 6 months

## (e) Value of Financial Assets

- Apply % deduction on the value of the assets, either 0%, 30% or 70% deduction
- After deduction, amortise the value of the assets over 48 months

# Income-weighted average age for joint borrower

## Computation of IWAA

Borrower A, age 30 earns \$3000 per month  
Borrower B, age 40 earns \$5000 per month

$$\text{IWAA} = \frac{(30 \times \$3,000) + (40 \times \$5,000)}{\$3,000 + \$5,000} = 36.25 \text{ years}$$

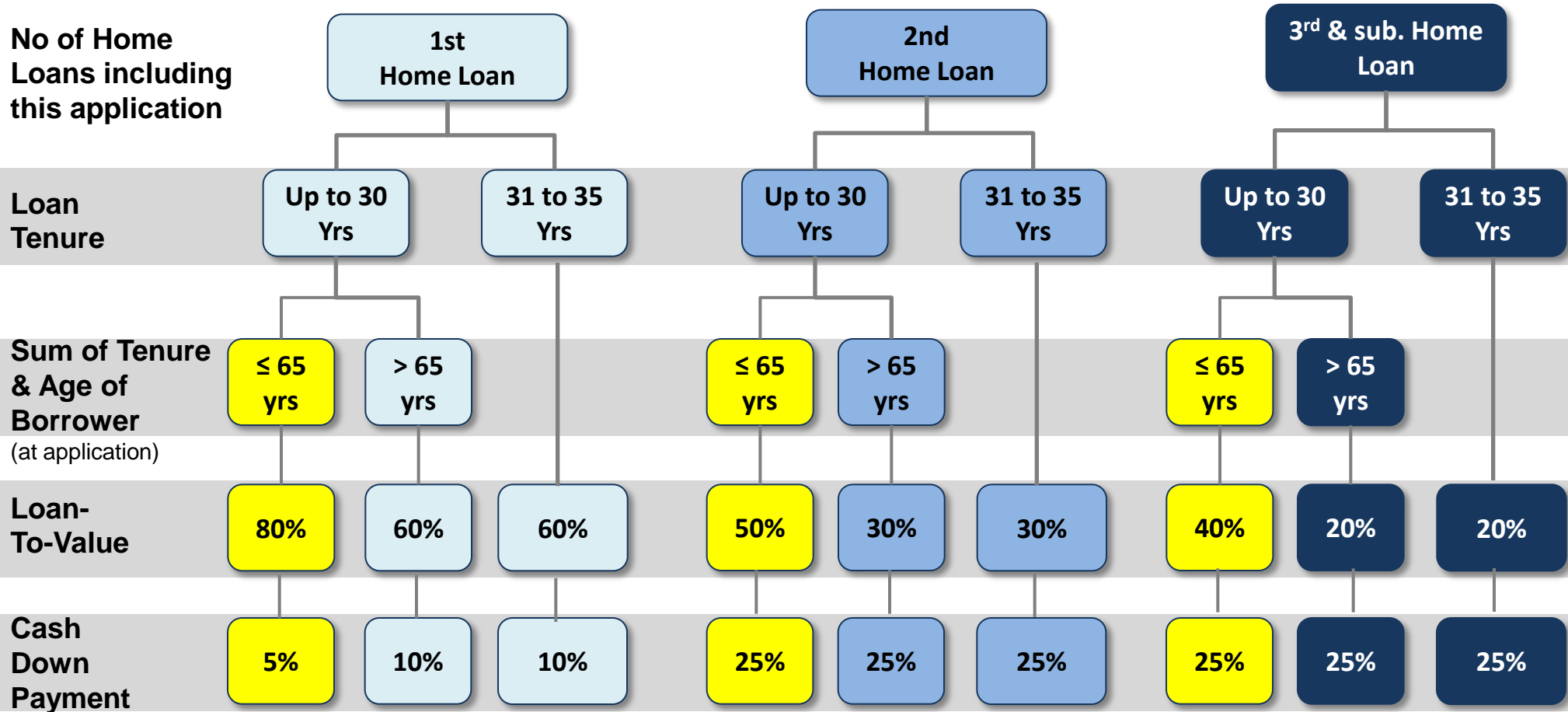
OCBC's practice: IWAA to be rounded up, i.e. 37 years

## Computation of Tenor

- 65 years minus 37 years = 28 years (max LTV); or
- 75 years minus 37 years = capped at 35 years

For Singapore properties, be guided by MAS 632 on impact of tenor on LTV (see next slide)

# MAS 632 for Singapore Properties: New Purchase by Individuals w.e.f. 12 Jan 13 (OTP/S&P Date)



Note: LTV for corporate entities is 20%



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