

PRESS RELEASE (ISSUED BY HDB ON 13 OCT 2006)

NEW PROCEDURE FOR FLAT BUYERS TAKING AN HDB LOAN

With effect from 1 Jan 2007, flat buyers who intend to obtain an HDB loan to buy a new or resale flat will need to apply for an HDB Loan Eligibility Letter before they can commit to a flat purchase.

2 The HDB Loan Eligibility Letter will indicate the maximum loan amount that the flat buyer is eligible for and the repayment period and monthly instalments to service the maximum loan. Currently, new flat buyers are informed of their loan amount after the keys are ready for collection, and resale flat buyers are informed at the first resale appointment.

Rationale for HDB Loan Eligibility Letter

3 Over the years, HDB has introduced several initiatives to educate and help flat buyers plan ahead financially for their flat purchases. These include providing flat buyers with simple financial calculators for financial planning, and credit counseling by HDB staff.

4 As a further step in to inculcate financial prudence and forward planning among HDB flat buyers, HDB will require those applying for HDB loans to obtain a HDB Loan Eligibility letter before they commit to a flat purchase.

5 The majority of HDB flat buyers finance their purchases with home loans that are repayable with monthly instalments over a long period of time. There is hence a need for them to plan their finances carefully, to ensure that they are able to bear the additional financial burden over the period of the loan before committing to a flat purchase. The HDB flat buyer will need to consider the other demands on his financial resources, such as family living expenses and other existing loan commitments. With the new procedure, HDB hopes to better help flat buyers understand their financial situation before they commit to the purchase.

Implementation

6 The HDB Loan Eligibility Letter must be obtained before buyers exercise the Option to Purchase for the HDB flat. Similarly, those who intend to take over the ownership of an existing HDB flat must also obtain an HDB Loan Eligibility Letter before they submit their application to the HDB Branch Office. Buyers will need to comply with the new procedure to be granted a HDB mortgage loan to complete the purchase of the flat.

7 Those who intend to take a HDB Loan can apply on-line for the HDB Loan Eligibility Letter via the HDB website at www.hdb.gov.sg. They can also check their eligibility for an HDB loan at the counters in HDB Hub. The loan eligibility letter will be valid for a period of 3 months from the date of issue.

8 Those buying HDB flats with bank loans will have to obtain a Letter of Offer from the bank before they exercise the Option to Purchase for the HDB flat. Those who do not require any home loan to buy the HDB flat will have to produce documentary proof showing that they have the financial means to purchase the flat.

9 The new procedure will be implemented from 1 Jan 2007 onwards. Further details on the implementation date are attached in Annex A.

Enquiries

- 10 For further enquiries, the public may:
- Call the toll-free Sales/Resale Customer Service Line at 1800-8663066 or Branch Office Service Line at 1800-8663030;
 - Visit the HDB Sales Office or Resale Office counters at the Atrium, 1st storey at HDB Hub in Toa Payoh; or
 - Visit any of the HDB Branch Offices

Annex A

Transactions	When will the requirement for HDB Loan Eligibility (HLE) Letter / Letter of Offer from bank apply?
Purchase of New Flats from HDB under the Walk-In-Selection, Balloting Exercise and Build-To-Order System	Booking of new flats on or after 1 Jan 2007 *
Purchase of Resale Flats	Resale Application received on or after 1 Jan 2007 *
Taking over existing flat ownership by transfer	Application to take over the flat ownership by transfer received on or after 1 Jan 2007
Purchase of replacement flats by SERS flat owners	Booking of replacement flats by SERS flat owners at SERS sites announced on or after 1 Jan 2007
Purchase of flats under Design, Build & Sell (DBSS) Scheme	Booking of DBSS flats on or after 1 Jan 2007 by purchasers eligible for a HDB loan

* Date of valid HLE Letter/ Letter of Offer from bank must be before date of exercising Option to Purchase.