

## **SPECIAL FINANCIAL RELIEF PROGRAMME (UNSECURED)**

### **Frequently Asked Questions**

#### **1. What is the SFRP (Unsecured)?**

The SFRP (Unsecured) is part of the Special Financial Relief Package (SFRP) that the financial industry, in collaboration with MAS, has put forth to help individuals affected by the COVID-19 pandemic.

This initiative offered by banks and other card issuers aims to help borrowers who have suffered a temporary loss or decline in income and are facing difficulties meeting repayments under their existing unsecured credit facilities, by giving them an option to convert their high-interest unsecured credit card and revolving balances into a lower-cost term loan, thereby lowering their debt burden.

#### **2. Am I eligible to apply for the SFRP (Unsecured)?**

You can apply to your bank or card issuer to convert your existing unsecured credit balances to a lower-cost term loan if you:

- are a Singapore Citizen or Permanent Resident;
- have lost 25% or more of your income after 1 February 2020 (proof of impact on income required);
- are between 30 and 90 days past due on your existing unsecured debt with the bank or card issuer (as at application date); and
- are not on any existing debt repayment or restructuring programmes<sup>1</sup> with the bank or card issuer.

You may wish to reach out to your bank or card issuer for more information on this option and the necessary documents to be submitted.

#### **3. How do I show proof that my income has been impacted by the COVID-19 pandemic?**

To determine the income impact, most banks will be requesting for documentation proof such as CPF statements, payslips, and bank statements. For details, you may approach your bank.

#### **4. Should I apply to convert my outstanding unsecured debt into this term loan? What other options do I have?**

The SFRP (Unsecured) is an option that is available to help individuals reduce their overall cost of outstanding unsecured debt. It is specifically introduced by banks and other card issuers to help those who are affected by COVID-19 and face short-term cash constraints, and who are at risk of incurring substantial arrears.

Before taking up this term loan, you may wish to consider if there are other credit products offered by banks and other credit card issuers (e.g. balance transfer, monthly interest-free instalment plans, Debt Consolidation Plan (DCP) etc.) that can help you lower your overall interest and debt repayment. However, whichever option that you choose, it is important to

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<sup>1</sup> This refers to Debt Repayment Plan (DRP), Debt Management Programme (DMP), Debt Consolidation Plan (DCP) and Repayment Assistance Scheme (RAS).

make sure that you are able to meet the monthly payments in full so as to avoid the accumulation of debt.

If you require assistance, call your lender early to enquire. You can also reach out to Credit Counselling Singapore, who can advise you on how to manage your debts and provide you more information on the Debt Management Programme (DMP).

## 5. How will this help me with my debt burden?

If you are facing difficulties repaying your monthly unsecured credit debts in full as your income is affected due to the COVID-19 pandemic, the SFRP (Unsecured) will help you avoid the snowballing of interest and accumulation of debt that results from the rolling over of your outstanding balances.

To illustrate, assuming you have a credit card bill of \$12,000 and you are only able to make minimum repayment of 3% of outstanding every month, you will still have outstanding balances close to \$7,000 after 5 years, having paid almost \$12,000 as interest costs (amount equivalent to 100% of total outstanding credit card balances).

Minimum monthly repayment of 3% for 5 years	
<b>Total outstanding</b>	\$12,000
<b>Monthly repayment</b>	From \$360 to \$211 as outstanding balance reduces
<b>Total principal paid</b>	\$5,027
<b>Total interest paid</b>	\$11,737
<b>Outstanding balance</b>	\$6,983

If you choose to take up the SFRP (Unsecured), you will be able to choose a loan tenor (up to 5 years) that best meets your needs. By taking up a 5-year term loan at 8% effective interest rate, you will be able to fully repay your debt by the end of the loan tenure and incur approximately 80% less interest cost, with similar repayments of \$200 to \$300 a month.

5-year term loan at 8% effective interest rate	
<b>Total outstanding</b>	\$12,000
<b>Monthly repayment</b>	\$243.30
<b>Total principal paid</b>	\$12,000
<b>Total interest paid</b>	\$2,598
<b>Outstanding balance</b>	\$0

While the interest rate (capped at effective interest rate of 8%) is lower than what you would have ordinarily paid under your credit card or other personal credit lines, it is nonetheless still a loan. Therefore, you should pay down your unsecured credit outstanding balances as quickly as possible. The longer the tenor of the loan, the more interest you would need to pay.

**6. I am affected by a temporary pay cut, but I still have sufficient income and savings to pay my debts. Should I apply to convert my existing debts nonetheless?**

As a general principle, you should pay off your debt as quickly as possible so that you can avoid unnecessary interest payments.

While the effective interest rate of the term loan under the SFRP (Unsecured) is capped at 8%, there is still interest cost involved. Hence, you should consider and assess which is the most suitable and/or most cost-effective option (see question 3).

**7. When can I start applying for the SFRP (Unsecured)?**

The application period is from 6 April 2020 to 31 December 2020. You can apply at any time within the application period if you meet the eligibility criteria (see Question 1).

You may wish to get in touch with your bank or credit card issuer from 6 April 2020, to find out more information on the application process.

**8. How do I apply for the relief?**

You may wish to check with your bank via their websites or contact centres.

**9. Which banks and card issuers are offering the SFRP (Unsecured)?**

The SFRP (Unsecured) is offered by the following banks and card issuers:

- American Express International, Inc.
- Bank of China Limited Singapore
- CIMB Bank Berhad
- Citibank Singapore Limited
- DBS Bank Ltd
- Diners Club Singapore Pte Ltd
- HL Bank
- HSBC Bank (Singapore) Limited
- Industrial and Commercial Bank of China Limited
- Standard Chartered Bank (Singapore) Limited
- Maybank Singapore Limited
- Overseas-Chinese Banking Corporation Limited
- RHB Bank Berhad
- United Overseas Bank Limited

**10. How long does it take for a SFRP (Unsecured) application to be approved?**

The actual approval process will differ from financial institution to financial institution, depending on various factors including the volume of applications received. Nevertheless, financial institutions should generally approve your application expeditiously as long as you meet the eligibility criteria and provide the necessary documents.

**11. What will be my credit limit for the converted term loan?**

The new credit limit will be the total outstanding amount at the point of conversion into a term loan. Please be reminded that once you have opted for the conversion, you will not be able to draw down on any unutilised credit limit with, or obtain new unsecured credit facilities

from, the bank that is granting the SFRP Unsecured. Your credit facilities with other banks will not be affected.

**12. Will my SFRP (Unsecured) credit limit be reduced accordingly as I service my payments?**

You may wish to check with your bank for details as this will depend on the bank's system setup for the granting of term loans in general. While some banks have adopted a dynamic system where the credit limit will be adjusted with each payment, others may maintain a fixed limit throughout the loan-servicing tenure.

If your bank operates a fixed limit system throughout the loan servicing tenure and you would like to obtain fresh credit from other banks, you should inform your bank to adjust your credit limit to the appropriate level of the outstanding amount.

**13. My SFRP Unsecured credit limit was suspended by the FI granting the relief plan. Why?**

The SFRP (Unsecured) is a special relief that banks and card issuers have introduced to help Singapore citizens and permanent residents who are facing cash flow difficulties due to the COVID-19 pandemic. Interest rates under the SFRP (Unsecured) are much lower compared to the prevailing interest rate of revolving credit facilities. As banks bear the cost of granting the relief, they will not be able to offer the relief to the same borrower multiple times. Further, being 30 days past due generally indicates early signs of financial stress. Given so, it is important that you do not continue to incur further high-cost unsecured debts, which could pose financial difficulties for you down the road.

**14. Will my access to other credit facilities be affected if I take up the SFRP (Unsecured)?**

If you take up the SFRP (Unsecured) with your bank or card issuer, you will no longer be able to draw down on your existing personal unsecured credit limit with, or take new unsecured credit from, the bank or card issuer. Your credit facilities with other lenders will not be affected.

Please note that prevailing rules for unsecured consumer credit, including the industry-wide borrowing limit of 12 times monthly income, will continue to apply.

**15. What if I need emergency funds for my medical bill but my credit facilities are suspended with my bank after taking up the Term Loan Conversion?**

Specific-purpose loans such as business, renovation, medical, and education loans, are excluded from the scope of suspension. In other words, you can continue to apply to your bank for these loans.

Furthermore, while your unutilised credit limit with the bank or card issuer that granted you the Term Loan Conversion will be suspended till the term loan is repaid, your unsecured credit facilities with other banks/card issuers will not be affected and you can continue to draw down on those existing credit lines.

**16. How can I regain access to new unsecured credit with the financial institution I am taking up the SFRP (Unsecured) with?**

You will be able to apply for new unsecured credit facilities from your bank or card issuer once you have fully repaid your term loan. Upon your application, your bank or card issuer will conduct income and credit bureau checks to reassess your creditworthiness per its usual process.

Please note that the Credit Limit Management Measure will apply.

**17. Is this a restructured loan product? How will it be reflected in my credit bureau report?**

A brief narrative description will be uploaded to indicate your participation in the programme. To maintain a good credit score, customers are advised to maintain a good payment record for all their credit facilities even while on this programme.

**18. How will the narrative appear in my credit bureau report?**

The narrative is akin to a footnote in the credit bureau report. It will be reported by the respective financial institution once an SFRP relief is taken up. The narrative consists of information about product type, last payment status, start date and end date of the relief programme.

**19. What is the purpose of this narrative in my credit bureau report?**

The narrative is for analytics as all credit bureau information is important to financial institutions for understanding of consumers' credit behaviour and refinement of their target market strategy. Financial institutions may leverage on some of this information to provide appropriate financial advisory or tailor suitable financial products for their customers, given the short-term financial condition of the customer due to the Covid-19 situation.

For avoidance of doubt, taking up the SFRP will not affect your ability to take up new loans with your relief-granting bank, unless specified in the terms of the individual relief, such as SFRP (Unsecured). It will also not result in banks reducing your existing credit limits or lines with them, nor affect other banks' decision whether to grant new loans or higher credit limits to you.

**20. What are the types of unsecured credit facilities covered under the SFRP (Unsecured) initiative? Can I include outstanding balances under my secured credit facilities such as car loans and mortgages?**

You may convert outstanding balances from your credit cards and revolving credit facilities into a lower-cost term loan under SFRP (Unsecured).

Non-revolving personal loans, such as renovation loans, and secured credit facilities such as car loans and mortgages will not be included. These secured credit facilities are typically subject to lower interest rates.

**21. What should I do if I am subsequently unable to make repayments of my term loan?**

Please note that you may incur late payment fees and interest charges if you do not make repayments of your term loan on time.

If you face further difficulty with your repayments under the term loan, you should speak to your lender(s) immediately to explore possible options, and they may be able to help you restructure your repayments.

You may wish to refer to Moneysense for more [tips on managing your debt](#).

## 22. Do I have flexibility to decide on the repayment terms, such as amount of monthly instalment and tenor of the term loan?

Under SFRP (Unsecured), banks and other credit card issuers can offer term loans of up to 5 years, to accord borrowers greater flexibility in accordance with their repayment ability. You may wish to reach out to your lender for further details.

If you are facing cash flow issues, you may wish to explore lower monthly instalments over a longer loan tenure. However, the total interest payable over a longer tenure loan will be more than that for a shorter tenure loan.

As illustrated in the example below, a customer who pays down his total outstanding unsecured revolving balances of S\$30,000 over 5 years will incur \$4,800 more in interest payable than one who chooses to repay in 3 years.

5 years illustration			
Total outstanding unsecured balances	\$ 30,000	Total interest payable	\$ 12,000
EIR	8%	Total Principal + Interest	\$ 42,000
Number of years	5	Monthly instalment	\$ 700

3 years illustration			
Total outstanding unsecured balances	\$ 30,000	Total interest payable	\$ 7,200
EIR	8%	Total Principal + Interest	\$ 37,200
Number of years	3	Monthly instalment	\$ 1,033

## 23. Can I repay the full term loan before the end of its tenure?

Yes, you may fully repay your term loan at any time before the end of the loan tenure. There is no early repayment penalty.

## 24. Can I revise the tenure of the term loan if my financial situation changes in the future?

You may wish to approach your bank or card issuer to discuss requests to vary terms of the term loan. The banks will generally assess such requests on a case-by-case basis and provide you with the available options.

**25. Can I convert my outstanding unsecured revolving credit balances into term loan under the SFRP (Unsecured) more than once?**

Upon conversion of your outstanding unsecured revolving credit balances into term loan, you will not be able to draw down on your existing unsecured credit limit or obtain new unsecured credit facilities from the lender that has granted you the term loan. It therefore follows that the conversion can only be done once with any single lender.

**26. I have recently drawn down on my unsecured revolving credit facility. Can these amounts be included under the SFRP (Unsecured)?**

Yes, you may convert all your credit card and other revolving facility balances (including any interest and late fees incurred) that are outstanding as at the date of application.

**27. Where can I find information on the various relief measures offered by banks and card issuers?**

You may wish to reach out to your bank or card issuer to obtain further details and the necessary documents to be submitted.

**28. I have been prompt in making minimum repayments of my unsecured credit debts. How do I avail myself to the SFRP (Unsecured)?**

You may wish to approach your lender(s) to discuss your application for the SFRP (Unsecured) and other products that could meet your credit needs, such as balance transfers and instalment loans.

**29. I am not a Singaporean or Permanent Resident. Can I apply for the SFRP (Unsecured)?**

The SFRP (Unsecured) is a special relief that banks and card issuers have introduced to help Singapore citizens and permanent residents who are facing cash flow difficulties due to the COVID-19 fall out. Non-citizens and non-residents may approach their respective bank or card issuer to find out about the options available to them.

**30. How can I make sure that I do not fall victim to scammers who solicit or offer me a term loan?**

You should only contact your bank or card issuer through its official website, mobile app, and phone hotline.

Banks and card issuers will not ask for your account details, password, or OTP. You should verify any unsolicited calls, messages, or emails directly with them through the official channels.