

## MEDIA RELEASE

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FOR IMMEDIATE RELEASE

### **BANKS TO ADOPT NEW GUIDELINES ON HOME LOANS**

***Guidelines aim to promote transparency in communication to customers on home loan board rates.***

Singapore – The Association of Banks in Singapore (ABS) today announced that in a move to demonstrate greater transparency, with effect from 15 June 2007, member banks will abide by a set of guidelines collectively drawn up by the industry when offering home loan packages to consumers. These guidelines provide customers with clear disclosures on the use of home loan board rates, the financial indicator(s) against which these rates are benchmarked, and the basis for the change in the rates over time.

The new measures mean that banks must now disclose even more pertinent information to help customers decide on their home loan packages. The information that customers will receive is as follows:-

- 1) The Board Rate (BR) quoted to the customer is applicable to him/her only for the loan package that he/she is interested in (eg HDB flat financing with fixed rates), as well as the financial indicator(s) against which the BR is benchmarked, eg the three-month SIBOR (Singapore Interbank Offered Rate), Prime Rate, CPF Rate, *etc.*
- 2) The BR offered to the customer for his/her loan package may be different from the BRs offered to other customers of different loan packages.
- 3) The BR can be changed by the bank anytime, by giving 30 days' notice, depending on market conditions and / or changes in the financial indicator(s) against which the BR is benchmarked. (The 30-day notice requirement does not apply to home loans benchmarked against market indices.)

4) The detailed loan repayment schedule for the loan package that the customer has chosen is available in hard copy on request, or in soft copy over the Internet in the form of a loan calculator on the bank's website.

5) An ABS Guide on home loans is available, and customers are encouraged to read it before committing to a loan.

Furthermore, under the new guidelines, banks will be required to incorporate the first three disclosures in customers' Letter of Offer.

The new measures also require banks to explain to customers in the event of a revision in interest rates why the rates have changed and to provide a revised repayment schedule upon request.

The new guidelines are applicable to loans taking effect from 15 June 2007 and not to loans committed before that.

To heighten the public's awareness and understanding of home loans, the ABS has also worked with MoneySENSE, the national financial education programme, to develop and fund a Consumer Guide titled, "What you need to know about home loans – Key questions to ask your bank before taking a home loan". The Guide, which is printed in English and Chinese, will be available for distribution to potential housing loan customers from 15 June 2007. It will also be available in four languages on the ABS and Monetary Authority of Singapore (MAS) websites.

Says Mrs Ong-Ang Ai Boon, Director of the ABS: "The Association is committed to promoting fairness and transparency in banking practices, and the guidelines are a result of our working with member banks to raise home loan transparency. They also represent concrete steps taken collectively by the industry to educate customers on how home loan packages are structured and the circumstances under which the packages can change."

ENDS

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### **About The Association of Banks in Singapore:**

The Association of Banks in Singapore (ABS) plays an active role in promoting and representing the interests of the banking community in Singapore. In doing so, ABS works closely with the relevant government authorities towards the development of a sound financial system in Singapore. Since its establishment in 1973, ABS has promoted common understanding among its members and projected a unifying voice on banking issues. It has brought its members closer together through various guidelines and banking practices as well as the support of projects of mutual benefit to face the challenges of the financial and banking community in Singapore. Today, ABS has a membership of 107 local and foreign banks. Further information on ABS is available on the website: [www.abs.org.sg](http://www.abs.org.sg).