

SPECIAL FINANCIAL RELIEF PROGRAMME – DEFER PRINCIPAL AND INTEREST PRINCIPAL PAYMENT ON COMMERCIAL AND INDUSTRIAL PROPERTY LOANS FOR AFFECTED INDIVIDUAL LANDLORDS

Frequently Asked Questions

1. What are the features of a principal and interest payment deferment?

You can choose to defer up to 31 Dec 2020, **the full monthly instalment, if**

- You are required under the COVID-19 (Temporary Measures) Act to provide relief to your tenants in the form of rental waivers or payment rescheduling;
- You are an individual, sole proprietorship or special purpose vehicle set up for the purchase of property; and
- There were no outstanding repayments for your loan as at 1 Feb 2020.

Interest will continue to accrue on the loan principal, but no interest-on-interest will be charged during this deferment period. After the deferment period, the loan amount and interest accrued on the deferred principal will be fully amortised over the remaining loan tenure.

You can also choose to extend the tenure of your mortgage by the duration of the deferment period, to lower the monthly instalment amount following resumption of regular payments.

However, you should keep in mind that deferring payments and extending your tenure mean that you will be paying more interest in total. Therefore, it is better not to defer payments if you do not need to.

Before applying for the deferment, we encourage you to discuss with your bank or finance company on your options and in the case of a deferment, how the payment schedule and increased interest cost will be like.

Illustrative Example

For a mortgage with \$200,000 outstanding and a remaining tenure of 20 years, and assuming a 2% interest rate, the extra interest cost over the remaining tenure will be about - **\$1,290** for a principal and interest deferment period for 6 months, and **\$2,430** if the tenure is also extended by 6 months.

2. How do I, as a landlord, demonstrate that I am required to provide relief to my tenants?

When applying for this relief, you should submit to your bank or finance company i) a copy of IRAS' notice of cash grant¹; ii) the relevant tenancy/lease agreements; and iii) a declaration of the relief to be provided to their tenants. These documents can be submitted via email or other digital channels.

¹ As part of the disbursement of Government relief under the COVID-19 (Temporary Measures) (Amendment) Bill, IRAS will issue a notice of cash grant to two groups of property owners:

(i) those with SME tenants; and

SME property owners who run a trade or business on their own property

3. How is this different from the previously announced reliefs in April and May 2020?

As an individual, you can already choose to defer the full monthly instalments (i.e. principal and interest) for your residential property loans (for both owner-occupied and investment properties), and the principal portion of your instalments for commercial and industrial property loans, without having to be affected by the COVID-19 (Temporary Measures) Act.

The latest relief is for the deferment of the full monthly instalment for commercial and industrial property loans, subject to the conditions stated above.

4. Why is the interest on my principal amount not waived during the deferment period?

This is a special relief that banks and finance companies have collectively agreed to, and introduced, to help individuals who are facing cash flow difficulties with their mortgage repayments during this COVID-19 period.

Interest would accrue as the banks and finance companies continue to bear the risks of lending. However, if you choose to defer the full monthly instalment, interest-on-interest will be waived during the deferment period.

5. Will my mortgage automatically get a payment deferment?

No. Payment deferments are not automatic as individuals will incur higher total interest costs and not all individuals need it. If you need a mortgage payment deferment, you would have to apply to your bank or finance company. It will process your application expeditiously upon receipt.

6. My mortgage is past due as at 1 Feb 2020. Can my bank or finance company still help?

You should approach your lender early to discuss suitable repayment plans or debt restructuring.

7. What are the costs of taking up a payment deferment? What should I be aware of before taking up a payment deferment?

The total interest cost of the mortgage will be higher if you take up the payment deferment. To assist you in making a decision, your bank or finance company will provide you with an illustration of the instalments during and after the deferment period, and the estimated increase in total interest cost.

8. Do I need to meet TDSR/MSR in order to get a payment deferment?

No. You do not need to meet TDSR/MSR to be eligible for the payment deferment.

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