

Annex B

What The Updates Mean to Property Buyers

A. Majority of buyers will not be affected by the changes.

Example 1: Sammy and Devi are both 25 years old; they just got married and are buying their first home.

Age of Youngest Buyer	25 years old
Property Type	5-room resale HDB flat 85 years remaining lease [i.e. lease covers Sammy and Devi until at least the age of 95]
Lower of Property Price or Market Value	\$430,000

The couple's maximum CPF usage and HDB housing loan limits are not affected by the updated rules.

As the property covers them until at least age 95, they may also request to withdraw CPF savings above their Basic Retirement Sum (BRS) when they turn 55.

	Before 10 May 2019	From 10 May 2019
Maximum CPF Usage	100%* Valuation Limit (\$430,000)	100%* Valuation Limit (\$430,000)
HDB Housing Loan	90% Loan-to-Value (\$387,000)	90% Loan-to-Value (\$387,000)

*Applicable limit for buyers who have not set aside the BRS. Usage beyond the Valuation Limit (up to applicable limits) is allowed if the property buyers have accumulated their BRS.

Note:

Banks also take reference from CPF restrictions when assessing how much loan to lend.

Actual loan amount is subject to credit assessment which takes into account, among others, buyer's income and age.

B. Those who buy a home for life would face less restrictions on their CPF usage.

Example 2: John (age 48) and Jane (age 45) are buying a flat to move closer to their parents' homes.

Age of Youngest Buyer	45 years old
Property Type	4-room resale HDB flat 50 years remaining lease [i.e. lease covers youngest buyer (Jane) until at least the age of 95]
Lower of Property Price or Market Value	\$430,000

Under the updated rules, the couple may use up to \$86,000 more of their combined CPF savings to buy the flat. Their HDB housing loan does not change.

As the property covers them to age 95, they may also request to withdraw CPF savings above their BRS from the age of 55.

	Before 10 May 2019	From 10 May 2019
Maximum CPF Usage	80% Valuation Limit (\$344,000)	100%* Valuation Limit ↑ 20% (\$430,000)
HDB Housing Loan	90% Loan-to-Value (\$387,000)	90% Loan-to-Value (\$387,000)

*Applicable limit for buyers who have not set aside the BRS. Usage beyond the Valuation Limit (up to applicable limits) is allowed if the property buyers have accumulated their BRS.

Note:

Banks also take reference from CPF restrictions when assessing how much loan to lend.

Actual loan amount is subject to credit assessment which takes into account, among others, buyer's income and age.

C. Those who buy a home with a remaining lease that does not cover them to the age of 95 will be able to use CPF and take up an HDB housing loan, with limits to safeguard their retirement adequacy.

Example 3: Nick and Cheryl are both 25 years old; they just got married and want to buy their first home.

Age of Youngest Buyer	25 years old
Property Type	4-room resale HDB flat 65 years remaining lease [i.e. lease does not cover Nick and Cheryl until at least the age of 95]
Lower of Property Price or Market Value	\$430,000

Under the updated rules, the maximum CPF usage is reduced by \$43,000 while the HDB housing loan is reduced by \$38,700.

	Before 10 May 2019	From 10 May 2019
Maximum CPF Usage	100%* Valuation Limit (\$430,000)	90% Valuation Limit ↓10% (\$387,000)
HDB Housing Loan	90% Loan-to-Value (\$387,000)	81% Loan-to-Value ↓9% (\$348,300)

*Applicable limit for buyers who have not set aside the BRS. Usage beyond the Valuation Limit (up to applicable limits) is allowed if the property buyers have accumulated their BRS.

Note:

Banks also take reference from CPF restrictions when assessing how much loan to lend.

Actual loan amount is subject to credit assessment which takes into account, among others, buyer's income and age.

As the property does not cover them to the age of 95, they will not be able to withdraw CPF savings above their BRS from the age of 55 (except for the first \$5,000 from the age of 55, and 20% of their RA savings from their payout eligibility age).

If they buy a flat which has a longer lease coverage, they will be able to use more CPF. Their HDB housing loan will also be higher.

	Remaining Lease = 55 (lease coverage = 80 years)	Remaining Lease = 65 (lease coverage = 90 years)	Remaining Lease = 75 (lease coverage = 100 years)
Maximum CPF Usage	70% Valuation Limit (\$301,000)	90% Valuation Limit (\$387,000)	100%* Valuation Limit (\$430,000)
HDB Housing Loan	63% Loan-to-Value (\$270,900)	81% Loan-to-Value (\$348,300)	90% Loan-to-Value (\$387,000)

*Applicable limit for buyers who have not set aside the BRS. Usage beyond the Valuation Limit (up to applicable limits) is allowed if the property buyers have accumulated their BRS.

Note: Examples above assume lower of price or market value is \$430,000 across all flats.