Monetary Authority of Singapore
10 Shenton Way MAS Building Singapore 079117
Telephone: (65) 6225-5577

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MAS Eases Rules on Motor Vehicle Financing

Singapore, 26 May 2016 … The Monetary Authority of Singapore (MAS) today announced that the maximum loan-to-value (LTV) ratios and loan tenure allowed for motor vehicle loans will be eased, although restrictions will remain in place for the long term. The adjustments follow the sustained moderation in Certificate of Entitlement (COE) premiums and in resulting inflationary pressures over the last three years.

2 In 2013, MAS introduced restrictions on motor vehicle loans by financial institutions, to moderate the demand for cars and COEs and alleviate inflationary pressures. The measures also served longer term purposes: to encourage financial prudence and to support efforts to promote a car-lite society.

3 Since then, the contribution of private road transport (excluding petrol) to CPI-All Items inflation has eased from +1.3% points in 2011-2012 to -0.5% point in Q1 2016. In addition, outstanding motor vehicle loans have declined by 32% from $14.13 billion in Q1 2013 to $9.55 billion in Q1 2016.

4 The allowable vehicle population growth rate remains capped at 0.25% per annum. However, COE quotas have expanded in recent quarters alongside an increase in de-registrations.[1]

5 Taking these developments into account, the rules on motor vehicle loans will be revised as follows with effect from 27 May 2016[2]:

[1] The total number of COEs available in the May-July 2016 period has risen by 9% and 21% respectively to 13,300 for Category A and 8,772 for Category B, up from 12,171 and 7,252 in the February-April 2016 period.

[2] The rules will apply to financing granted for the purchase of motor vehicles where the date on which the agreement to purchase a motor vehicle is on or after 27 May 2016, or where there is no agreement to purchase a motor vehicle, the date on which the borrower successfully obtains a COE is on or after 27 May 2016.

Open Market Value of motor vehicle	Maximum LTV*	Maximum loan tenure
Less than or equal to $20,000	70% (previously 60%)	7 years (previously 5 years)
More than $20,000	60% (previously 50%)	

* LTV is the amount of the loan expressed as a percentage of the purchase price of the motor vehicle. The purchase price includes relevant taxes and price of the COE.

6 The Ministry of Trade and Industry will apply the revised financing restrictions to non-MAS regulated entities which extend motor vehicle financing on a hire-purchase basis. The Ministry of Law will also require licensed moneylenders to comply with the revised financing restrictions.

7 Mr Ong Chong Tee, Deputy Managing Director, MAS, said, "In 2013, when we introduced the measures, our immediate aim was to help restrain escalating COE premiums and consequent inflationary pressures. Since then, demand conditions have moderated and it is timely to ease the measures. MAS will, however, continue to have the LTV and loan tenure framework in place for the long term to promote financial prudence and help support the promotion of a car-lite society."

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For media queries, please contact:

Denise Gan
Deputy Director (Communications)
Monetary Authority of Singapore
Tel: +65 6229 9425
Email: denise_gan@mas.gov.sg