MAS Reveals Troubling Figures For Home Loans

By iCompareLoan Editorial Team

During the press conference of the Monetary Authority of Singapore (MAS) annual report release for 2012/13, Mr Ravi Menon, MAS managing director, highlighted the worrisome hike in housing loan volume over the last few years.

Mr Menon revealed that residential loans by banks ballooned by 18% annually over the last three years. In addition, residential loans as a percentage of GDP (Gross Domestic Product) has increased from the 35% three years ago to hit 46% currently.

Table 1: Home Loans From 1997- 1Q13

Period	Housing and Bridging Loans of Commercial Banks (S$ million)	Housing Loans of Finance Companies (S$ million)	Total (S$ million)	Year-on-Year Change
2013 End of Period in March	156,543.20	1,373.70	157,916.90	
2012	152,003.00	1,402.80	153,405.80	15.7%
2011	131,106.50	1,517.10	132,623.60	16.5%
2010	112,381.30	1,485.50	113,866.80	22.9%
2009	91,429.50	1,226.40	92,655.90	14.1%

2008	79,587.00	1,587.60	81,174.60	8.4%
2007	73,139.10	1,767.10	74,906.20	15.2%
2006	63,345.10	1,681.30	65,026.40	2.3%
2005	61,954.60	1,583.30	63,537.90	6.2%
2004	58,887.10	952.4	59,839.50	13.1%
2003	52,155.40	756.3	52,911.70	14.6%
2002	44,623.60	1,547.90	46,171.50	5.9%
2001	41,733.20	1,884.70	43,617.90	5.5%
2000	38,562.50	2,768.00	41,330.50	6.9%
1999	35,154.10	3,500.10	38,654.20	8.5%
1998	31,788.50	3,821.20	35,609.70	33.6%
1997	22,934.80	3,721.70	26,656.50	

Source: MAS

Table 2: Loans as a % of GDP From 2009-2012

Period	**Total Housing Loans (S$ million)**	**Gross Domestic Product (GDP): Current Price (S$ million)**	**Loans as a % of GDP**
2012	153,405.80	345,560.00	44.4%
2011	132,623.60	334,093.00	39.7%
2010	113,866.80	315,921.00	36.0%
2009	92,655.90	274,655.00	33.7%

Source: Ministry of Trade and Industry (MTI) & MAS

In Table 1 and 2, we present the exact home loan amounts and their numbers as a percentage of GDP. From 2009 to 2012, the annual increase in home loan amount - while in double-digit territory

- has actually fallen from the high of 22.9% in 2009 to 15.7% last year. But on average the annual figure for the past three years is indeed about 18%.

Meanwhile mortgages as a percentage of GDP has steadily increased over the last four years. This is disturbing.

According to studies by Nomura, a Japanese MNC renown for financial services, in large economies like the US, Japan, Europe and China, when the domestic debt to gross domestic product ratio hovers at 30% or more over a five-year period, a financial crisis results.

Mr Menon further added that currently about 5 to 10% of loan-takers have over-stretched themselves on their property purchases with total debt service payments exceeding 60% of their income. It is estimated that when mortgage rates surge by 3%, this group of borrowers will rise to 10 to 15%.

This supports the findings by Nomura and Citi who concluded that mortgages is a huge contributing factor in household debts today – making up 60% of total household liability compared to 51% in the first quarter of 2010.

It is a brighter picture at the aggregate level for households where cash and deposits exceed debt.

Another piece of good news is that Singapore's banks are well-capitalised with strong balance sheets to withstand changes in the external environment. Indeed the average outstanding housing loan-to-value ratio in the banking system is just under 50%. In stress tests by MAS or the banks themselves, the banks held up well in these tests, including scenarios when interest rates jump, property prices plunge and unemployment rate climbs, by proving that they have adequate capital to ride through challenging situations.

For advice on a new home loan.
For refinancing advice.

Read more articles at
PropertyBuyer.com.sg/articles
SingaporeHomeLoan.net/blog/
iCompareLoan.com/resources/category/faq/

About www.iCompareLoan.com Mortgage Consultants

iCompareLoan Mortgage Consultants is a research focused independent mortgage broker. We emphasize a consultative approach where we match our client's financial situation with the best fit mortgage loan, not simply a cheap loan.

Paul Ho is the editor of www.PropertyBuyer.com.sg, www.iCompareloan.com and www.SingaporeHomeLoan.net and he holds a Masters of Business Administration from a reputable university. He is passionate about helping people enhance their wealth through financial literacy and in making money work harder for them.

Email: sales@iCompareLoan.com

Tel: 6100 – 0608

SMS: 9782 – 8606

URL: www.iCompareLoan.com

Join as mortgage consultant: www.iCompareLoan.com/consultant

Start a Mortgage Franchise: www.PropertyBuyer.com.sg/mortgage/franchise

Check if you qualify to join us: Career at Property Buyer

GUEST WRITERS - Do write in at loans@propertybuyer.com.sg (Researchers with the ability to write in the Singapore perspective preferred)