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Credit to Finance a Flat Purchase

The final consideration to our ABCs of financial planning is the need to be aware of the 'Credit terms and conditions' to take a housing loan.

If you need financing, you will have to secure a housing loan from HDB or a financial institution (FI) regulated by the Monetary Authority of Singapore before committing to the flat purchase.

HDB and the FIs offer housing loans with different terms and conditions and you have to meet the eligibility conditions of the mortgage loan provider.



Checking the **C**redit terms and conditions



The housing loan is a long-term financial commitment and may form the biggest part of your budget to buy a flat.

You may take a housing loan from HDB or from the financial institutions (FIs) regulated by the Monetary Authority of Singapore.

Check the terms and conditions to qualify for one

Use the integrated loan application service on the HDB Flat Portal to apply for housing loans with the participating FIs, or approach the FIs directly for advice.



To take up an HDB housing loan, please apply for an HDB Flat Eligibility (HFE) letter on the HDB Flat Portal.

Other considerations when taking a housing loan



The payment of the monthly mortgage instalments may stretch up to 25 years.

Do consider all your current and future expenses and take a housing loan amount that you can comfortably pay in monthly mortgage instalments.

pay in monthly mortgage instalments

Knowing the housing loan amount you are eligible for is important when buying a flat.
Remember to check and not leave anything to chance when
embarking on your home-hunting journey.



Evaluate your options carefully and make an informed financing decision.

Choose your housing loan

Learn about the key considerations to decide whether to take a housing loan from HDB or the FIs.



Housing Loan from HDB

Housing Loan from Financial Institutions (FIs)

Applicable interest rate

To encourage flat applicants to borrow prudently, HDB uses the higher of the following to compute an eligible housing loan amount:

- Interest rate floor (currently at 3.0% per annum); and
- Prevailing HDB housing loan interest rate

Prevailing HDB housing loan interest rate

Concessionary interest rate

Pegged at 0.1%-point above the prevailing CPF Ordinary Account (OA) interest rate and reviewed quarterly.

Varies among different FIs and may change with market conditions

[View and compare housing loan packages offered by the participating FIs](#)

Prevailing HDB housing loan interest rate

Commercial interest rate where charged, for flat applicants taking a second HDB housing loan before disposing of their existing flat

Pegged to the average non-promotional interest rates for HDB flats offered by the 3 local FIs, subject to a minimum of the concessionary interest rate.

The interest rate will be converted to the concessionary rate after the flat applicant has disposed of their existing flat, within 6 months from the legal completion of their flat purchase, and used the CPF refund and 50% of the cash proceeds received from the disposal of the existing flat to reduce the second HDB housing loan amount.

Read more on the conditions to take a [second HDB housing loan](#).

Housing Loan from HDB

Housing Loan from Financial Institutions (FIs)

The interest payable on the HDB housing loan is computed on a monthly-rest basis or such other basis as HDB may decide. Find out more on the [interest rate](#).

Repayment period

Capped at whichever is the shortest:

- 25 years;
- 65 years minus the average age of the applicants; or
- Remaining lease of the flat minus 20 years.

Up to 30 years.

A [lower Loan-to-Value limit](#) may apply if the repayment period exceeds 25 years.

Loan-to-Value (LTV) Limit

Refers to the maximum amount of housing loan a flat applicant may take up, expressed as a percentage of the lower of the purchase price or value of the flat.

The LTV limit and conditions are different when you take a housing loan from HDB or an FI:

	Housing Loan from HDB [^]	Housing Loan from Financial Institutions
New flats	Up to 75% of the flat price	Up to 75% of the flat price
Resale flats	Up to 75% of the lower of the resale price or value of the flat	Up to 75% of the lower of the resale price or value of the flat
Conditions	If the remaining lease of the flat does not cover the youngest applicant to the age of 95 and above at the point of flat application, the LTV limit will be pro-rated from 75%	FIs may have restrictions for purchase of flats with shorter remaining leases; and/ or if your repayment period exceeds 25 years or you have additional housing loan(s)

[^] For complete resale applications received by HDB on or after 20 August 2024 and flat applications for the October 2024 sales exercise onwards.

Applicants who have booked a flat with HDB or submitted a resale application will be provided with a customised financial plan, which will include the applicable LTV limit at the point of the flat application (if they are taking an HDB housing loan), and the payments required at the various milestones of their flat purchase.

Housing Loan from HDB

Housing Loan from Financial Institutions (FIs)

Minimum cash payment

No minimum cash payment if you have sufficient savings in your CPF OA and housing loan for all the payments.

At least 5% of the lower of the flat price or value must be paid in cash. The balance can be paid in cash, CPF savings in your OA, and/ or housing loan.

The minimum cash payment will depend on the applicable LTV limit based on the flat applicants' age and loan period.

CPF utilisation

You may retain up to \$20,000 in your CPF OA.

You may use any amount in your CPF OA for flat purchase (up to the applicable limits).

Remaining CPF savings in your OA must be used for the flat purchase (up to the applicable limits).

The following limits for CPF usage are applicable to both housing loan options:

- The total amount of CPF savings that can be used to buy or take over the flat and pay the monthly mortgage instalments will depend on the extent the remaining lease of the flat can cover the youngest applicants up to the age of 95; and
- Applicable CPF usage limits for the purchase of:
 - New flats
 - Resale flats

When the allowed CPF amount is used up, you need to pay for the balance purchase price and/ or the monthly mortgage instalments in cash.

Use CPF Board's housing usage calculator to estimate the amount of CPF savings you can use for your flat purchase, and their home purchase planner to understand how financing a home purchase impacts your retirement savings. For more information on the use of CPF savings, please visit CPF Board's website.

Mortgage Servicing Ratio (MSR) and Total Debt Servicing Ratio (TDSR)

- MSR: Up to 30% of your monthly income
- TDSR: Not applicable

- MSR: Up to 30% of your monthly income
- TDSR: Not more than 55% of your monthly income (your financial commitments, e.g., credit card bills, car loans and housing loans are part of the 55%)

Housing Loan from HDB

Housing Loan from Financial Institutions (FIs)

Conditions to take a second HDB housing loan

The HDB housing loan will be granted only after paying for the flat purchase with full CPF refund and part of the cash proceeds received from the disposal of your:

- existing or last-owned HDB flat;
- last-owned private residential property disposed of for at least 30 months from the legal completion date, before [HFE letter application](#).

Find out more on the conditions to take a [second HDB housing loan](#).

Not applicable

Early repayment of housing loan

No fees payable.

Find out how to [manage the payments](#) of your HDB housing loan.

Fees may be payable, depending on the terms and conditions of the FI's housing loan package (e.g., lock-in period).

Refinancing

You may [refinance](#) the HDB housing loan with one from an FI without any penalty.

You may refinance the FI housing loan with one from the same or a different FI. Do check with the FI on the terms and conditions (e.g., lock-in period).

You cannot refinance to an HDB housing loan.

When applying for an HDB Flat Eligibility (HFE) letter, do apply for an In-Principle Approval (IPA) from the participating FIs via the [HDB Flat Portal](#). The IPA will provide you with a preliminary assessment of your housing loan eligibility. Before you sign the Agreement for Lease with HDB or exercise an Option to Purchase for a resale flat, you may request to convert your IPA into a Letter of offer via the HDB Flat Portal.

Check your eligibility and apply for a housing loan

[Find out how much you can borrow and the financing requirements.](#)



Apply for an HDB Flat Eligibility (HFE) letter for a holistic understanding of your housing and financing options before you embark on your home buying journey. The HFE letter will inform you upfront of your eligibility to purchase a new and/or resale flat, as well as the amount of CPF housing grants and HDB housing loan that you are eligible for.

As part of the [integrated loan application service](#), you can concurrently request for In-Principal Approvals (IPA) from the participating FIs to find out your eligibility for a housing loan, when you apply for an HFE letter. After you have secured a flat, you can request an Letter of Offer (LO) for the confirmed loan amount from your chosen FI through the HDB Flat Portal.

Apply for the housing loan from your preferred financier early to find out how much you can borrow before proceeding to find a flat that is within your housing budget. Do note that there is no mortgage loan for the purchase of a [short lease 2-room Flexi flat or Community Care Apartment](#); you have to pay for the flat using your cash and/ or CPF savings.

Find out the financing requirements to apply for:

- [Housing loan from HDB](#)
- [Housing loan from FIs](#)

Considerations for financial sustainability

Minimise the housing loan amount and repayment period to save interest costs.



As the purchase of a flat is a long-term commitment and payment of the monthly instalments may stretch up to 25 years or more, it is important to exercise prudence to minimise borrowing and ensure that the monthly payment is what you can sustain.

Take a long-term view by considering the following:

Cater for future changes

Your ability to keep up with the monthly loan instalments may be affected by:

- Increase in household expenses (e.g., children's education, healthcare for aged parents)
- Unforeseen circumstances that may lead to reduction in income (e.g., retrenchment, business failure, medical conditions)
- Changes in mortgage loan interest rate, CPF contribution rates, or the applicable limits for [CPF usage](#) over the years. This means that you may need to use more cash to meet future loan instalments.

Hence, consider paying in cash upfront to reduce the loan amount required to give yourself more flexibility to deal with emergencies and future expenses. You can also save on interest payments by taking a smaller housing loan amount or shorter loan period.

Choose a shorter repayment period

A longer repayment period means that the mortgage loan amount will be repaid at a slower pace and more interests will have to be paid.

Opting for a shorter loan repayment period is more prudent as there is a shorter period of exposure to fluctuations in loan interest rates, incomes and expenses, etc. In addition, you will also save on the interest payments.

Target to pay off your mortgage loan as soon as possible so that you can start saving more for retirement. It may be a stretch if you are paying off your mortgage loan and preparing for retirement at the same time.

NEXT STEPS

Housing Loan Options

Understand the different terms and considerations between taking a housing loan from HDB and the financial institutions, for an informed financing decision.

Application for an HDB Flat Eligibility (HFE) Letter

Find out more about the HFE letter and how to apply for one to confirm your eligibility. You may also concurrently apply for an In-Principle Approval from the financial institutions for a housing loan.

Finding a Flat

Find out more about the types of HDB flats available for sale and design features of new flats.

Housing & Development Board

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