



FREQUENTLY ASKED QUESTIONS (FAQs)

1) What is Total Debt Service Ratio?

It is the ratio of total debt obligations to net monthly income.

2) How is the Total Debt Service Ratio calculated?

Total Debt Service Ratio is calculated as follows:

$$\frac{\text{Monthly total debt obligations}}{\text{Net monthly income}} \times 100\%$$

3) There have been recent amendments to the TDSR Notices, what are these amendments?

AMBD has made two (2) amendments to TDSR Notices in 2017:

- I) Effective from 10th August 2017, banks and TAIB are allowed to increase customers TDSR from 60% to 70% for loan applications for the purchase or construction of immovable properties.
- II) Effective from 9th November 2017, banks and TAIB are allowed to exceed the maximum 60% TDSR policy and will be subjected to the banks and finance companies' internal TDSR policy for the following loans:
 - (a) Any type of retail loan to an individual with net monthly income of BND10,000 and above;
 - (b) Retail mortgage equity loan subject to the following conditions:
 - (i) The immovable property being charged shall not be the sole property owned by the customer or jointly owned with another;
 - (ii) The customer does not currently reside in the immovable property; and
 - (iii) The immovable property charged shall be income-generating where rental/business income is credited into the customer's account.
 - (c) Retail credit facilities that are fully secured by cash/fixed deposit under lien or by principal protected investment product under lien.

4) What is an immovable property?

Immovable property refers to real estate such as residential property, commercial property or land.



TDSR AMENDMENT AS OF 10 AUG 2017

- 5) **My mortgage loan was granted before the amendment of the existing TDSR policy, am I allowed to utilise the 70% TDSR limit under restructuring/consolidation facility?**
Any restructuring or consolidation of mortgage loan is subject to a maximum TDSR of 60% only.
- 6) **Currently, I have some financing facilities such as personal loan, hire purchase and mortgage loan which was granted before the amendment. My current TDSR is 50% and I wish to apply for an educational loan for my children. Since, I already have a mortgage loan, am I allowed to increase my TDSR limit from 50% to 70% for an educational loan?**
This is not allowed since the purpose to exceed the 60% TDSR limit to 70% is for the purpose of purchase or construction of immovable property (both residential or commercial property) only.
- 7) **Is this amendment applicable to mortgage loan transfer to other bank?**
Any transfer of mortgage loan to other bank is still subject to a maximum TDSR limit of 60% only. This is not considered as a new credit facility for the purchase or construction of immovable property.



TDSR AMENDMENT AS OF 9TH NOVEMBER 2017

8) What is Mortgage Equity Credit Facility?

Mortgage Equity Credit facilities refer to credit facilities secured on the borrower's equity in the immovable property.

9) What is the financing amount that a customer would be entitled under Mortgage Equity Credit Facility(ies)?

The entitlement amount of financing under Mortgage Equity Credit Facility would be the difference between the market value of the immovable property and the outstanding balance on the secured credit facility, subject to the bank's loan-to-value policy.

10) What happens if the source of income from the immovable property being charged under Mortgage Equity Credit Facility is discontinued?

When granting Mortgage Equity Credit Facility, bank's main assessment on the customer shall be on the repayment capacity where the net monthly income of the customer is sufficient to cover his/her total debt obligations in the event of any loss of rental/business income.

11) What is bank's internal credit policy?

Every bank has its own internal credit policy for maximum debt service ratio depending on their risk appetite.

12) Does the flexibility on Mortgage Equity Credit Facility apply to existing Mortgage Equity Credit Facility before this amendment?

Yes, the amendment is applicable to both existing and new Mortgage Equity Credit Facility, subject to the stipulated conditions.

13) Can a bank grant cash to the customer under the Mortgage Equity Credit Facility?

Yes. There are no restrictions on the form of financing granted under Mortgage Equity Credit Facility.

14) How does the bank determine the market value of a customer's immovable property?

The valuation of an immovable property must be carried out by an independent professional valuer whom are registered with Ministry of Development.

15) Is rental income from the immovable property included in the net monthly income computation?

Yes, only 70% of the rental income is recognised as part of the TDSR calculation.



16) What are the other sources of income besides rental income?

The income generated from the immovable property may be in the form of rental income where the immovable property is let out or any income generated by businesses conducted within the immovable property.