Unbeatable Mortgage

UNBEATABLE MORTGAGE 101:
A Practical Guide to Mortgages in Singapore

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About Us

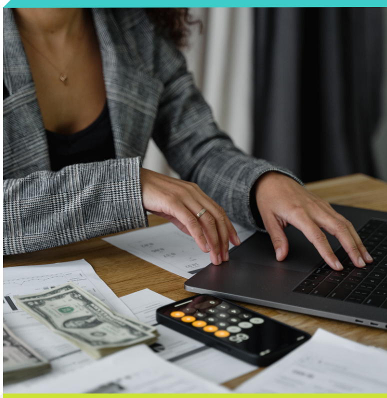
Buying a property is a big financial decision and selecting a mortgage package can feel overwhelming. It is imperative to be well-informed to make the correct mortgage decisions. This is where UNBEATABLE MORTGAGE comes in to support you.

UNBEATABLE MORTGAGE is one of the leading boutique Mortgage Advisory & Strategy brokers in Singapore. It was founded by Ethan, Jason & Esther, whom have a combined experience of 10+ years in the banking & finance, construction and property investment space.

UNBEATABLE MORTGAGE stands head and shoulders above the rest owning to our Mortgage Strategy and knowledge. Every client's financial situation and mortgage needs differ and we tailor our advice and strategy for an optimised solution.

In a short span of time since 2020, we have handled more than hundreds of clients and cases and we are confident that we can get you what is truly best for you. Our consultation and service to you is complimentary so don't feel shy reaching out to us.

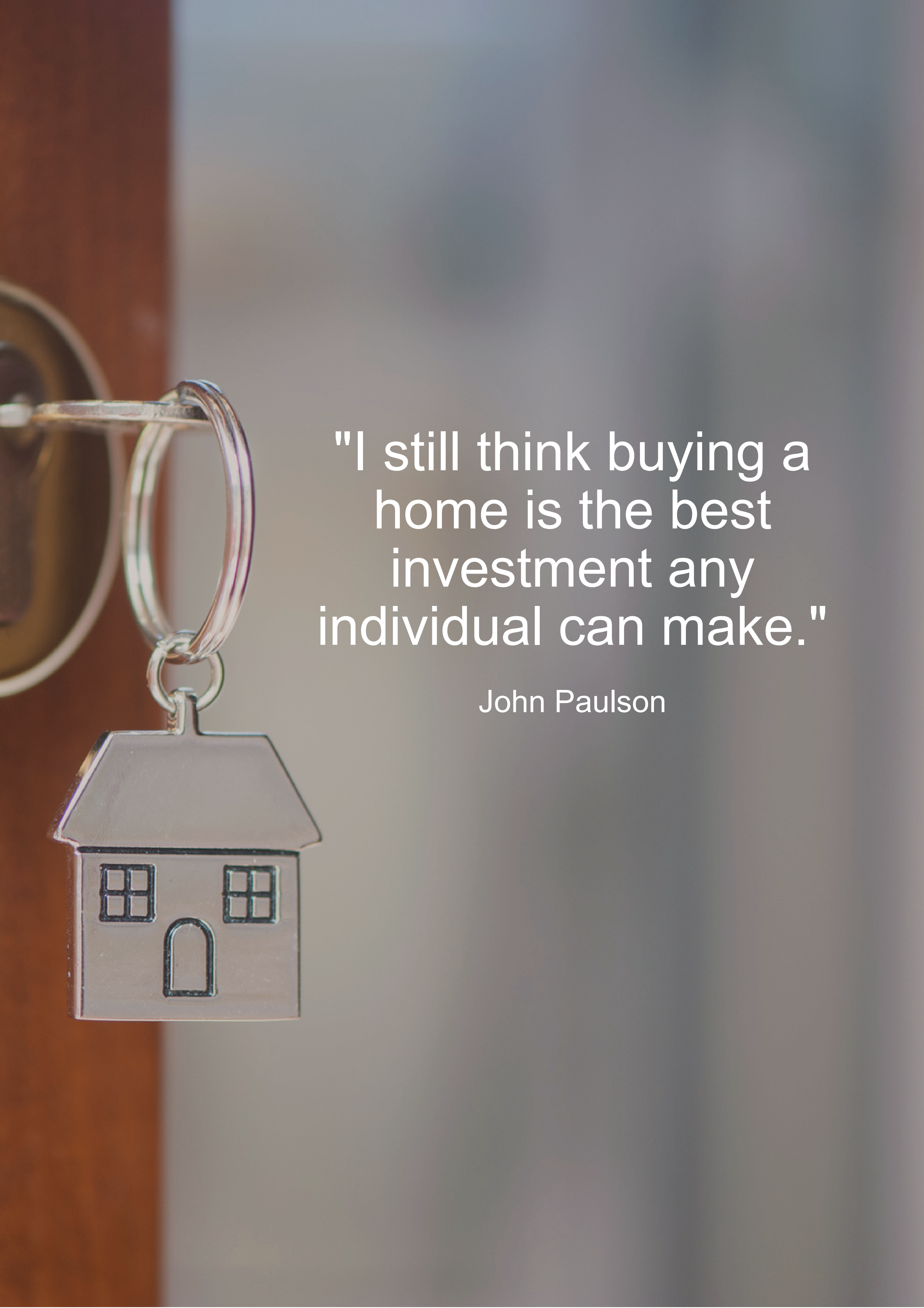
Let UNBEATABLE MORTGAGE be part of your property journey.



What is a Mortgage?

A mortgage is a type of loan that is used to finance property. Majority of property purchases will involve a mortgage. Comparing to other loan types such as automobile loans, personal loans etc, mortgage loans' interest rates are much lower. It is therefore opportunistic to leverage on mortgage rates in Singapore when buying property. One can potentially save on interests by redirecting their financing. Eg. Borrowing more on their mortgage loan and lesser on the higher interest-bearing loans such as automobile loan.

Singapore mortgage interest rates have historically been considered low. There are periods of high interest rates with the most recent one started in 2022 owning to a global high inflation rate environment. Nonetheless, one may be able to mitigate high interest rate scenarios if proper planning of repricing and/or refinancing was taken.


"I still think buying a home is the best investment any individual can make."
John Paulson

6 Tips for first-time home buyers

1. What are you eligible to buy?

There are numerous types of residential properties that one can buy in Singapore: HDB public housing, Executive Condos (ECs), Private property (private condominiums, apartments and landed housing). For public housing, the eligibility conditions will vary depending on your citizenship, household income, ownership/interest in Singapore or overseas properties other than HDB, remaining lease of flat etc.

For public housing one can obtain a housing loan from HDB, with concessionary interest rate pegged at 0.1% above prevailing CPF Ordinary account (CPF-OA) interest rate. Currently, CPF-OA interest rates are 2.5%, therefore the HDB loan interest rate is 2.6%. The HDB loan interest rate is fixed and can offer a peace of mind with a predictable mortgage repayment. However there are other criterion one must fulfil in order to qualify to apply for a HDB loan, so for some cases, HDB loans may not be applicable for you and bank mortgage financing would be your only choice. There are pros and cons to choosing the mortgage from HDB or banks thus it is imperative to understand which suits your financial calculations and objectives better.

For private property purchases, all mortgages will be from the banks. One can make an informed decision and comparison of the different banks' packages and rates easily by engaging the services of a Mortgage Broker.

2. Spend time to work out your financial calculations

When buying a property, it is important to work out the financial calculations to ensure the purchase is financially feasible and to understand the full cost of the purchase. It is prudent not to overstretch oneself as a property purchase is typically meant for a long-term hold. The affordability and the budgeting of the property purchase can be worked out by taking into account your income/ household income, other debt commitments, living expenses, CPF funds, downpayment amount, monthly mortgage repayment, loan tenure etc.

3. Choice of property location

There are many factors that will influence the choice of your intended property location. Some of the main factors include:

Proximity to work, school, family: Many people prefer to live close to their place of work or their children's school to reduce commuting time and cost. Living near family members such as parents also form part of the location's consderation.

Amenities and Services: The availability of amenities and services as such shopping malls, hospitals, public transportation, eateries etc for convenience.

Access to nature and recreation: Some people may prefer to live near parks, hiking trails, or other outdoor recreational amenities.

Property value and Market trends: The property value and market trends of the area can be an important consideration when choosing a property location as it can impact the value of the property in the long run.

Future Development: The future development of the area, such as upcoming infrastructure projects like MRT stations, parks, hospitals etc will positively impact the future value of the property.

Lifestyle preferences: The lifestyle preference of the intended buyer such as living in a quiet area or a bustling neighbourhood should also be considered.

4. Hidden cost

When buying a property, there are several hidden cost that may not be obvious at the first instance but will add up and increase the overall cost of the property purchase. Some of these hidden costs include Buyer's Stamp Duty (BSD), Additional Buyer Stamp Duty (ABSD), legal fees, property valuation fees, repairs and renovation cost, property management fees, property tax etc. It is important to be mindful of these when budgeting for a property purchase, so that you can plan accordingly and make an informed decision.

5. Key consideration factors of Mortgage

There are 3 key consideration factors pertaining to the mortgage package you take: type of rate structure, loan tenure and the lock-in period.

Type of rate structure: Mortgage interest rates are typically either fixed or floating rate. For fixed rates, the interest rate is fixed during the lock-in period of the tenure. It is ideal to adopt a fixed rate package when interest rates are low or are expected to increase over time. It also allows for ease of monthly cashflow budgeting since the monthly mortgage repayments does not change. For floating rates, the interest rates may fluctuate periodically pending on Banks' prime lending rate, SORA (Singapore Overnight Rate Average). It would make more financial sense to adopt a floating rate mortgage if one expects the SORA to decrease over time. SORA is based on either the 1M or 3M compounded SORA plus a spread.

Loan Tenure: Another important component of the entire mortgage loan structure is the tenure. It refers to the specified length of time during which one must pay off your entire home along including interest, and most importantly it has a direct impact on your monthly mortgage repayment amount and your cashflow. With bank financing, the maximum loan tenure for first time purchase based on LTV 75% is 25 years for HDB properties and 30 years for private properties. Loan tenure can be increased if LTV drops to 55%, and capped at 30 years and 35 years for HDB and private properties respectively. it is important to understand how leverage can work for you and maximise or optimise your loan tenure to fit.

Lock-in period: The lock-in period for a mortgage loan in Singapore is typically between 1 to 5 years. After which, the borrower would be able to either reprice or refinance the property loan for potentially a better rate or package. How long a lock-in period to choose may not always be obvious as it depends on one's view on future interest rate movements, thus speaking to a mortgage specialist is always ideal as we are able to provide insights on where interest rates are expected to move and then selecting the most appropriate lock-in period to complement.

6. Mortgage Insurance

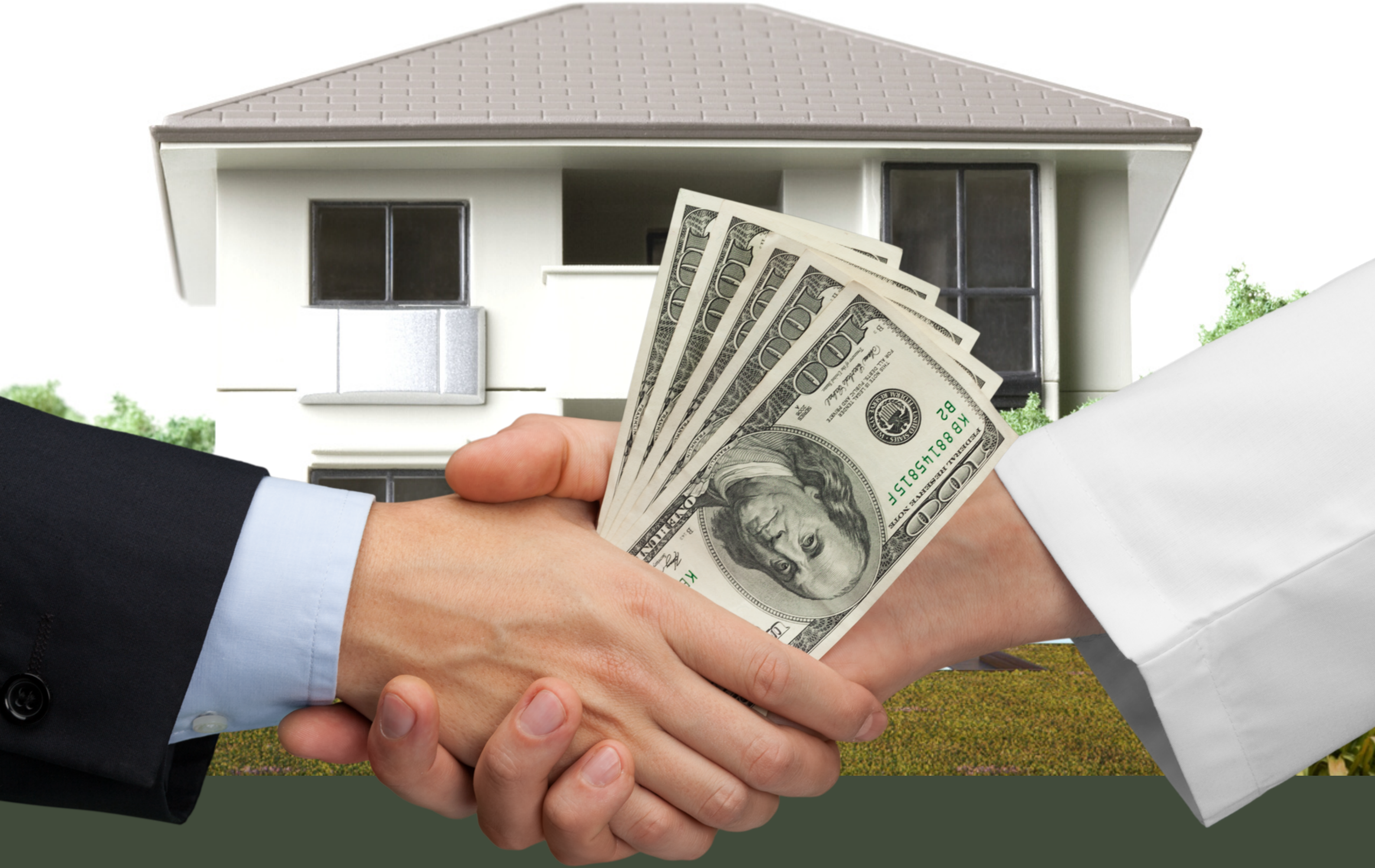
It is wise and vital for property owners to purchase Mortgage Term Insurance as a form of protection for your loved ones against huge property loan repayments should anything happen to you. This is typically payable as a lump sum upon death, Total permanent disability (TPD), or terminal illness (TI) during the term of the plan. It is meant to cover the insured who is the loan bearer of the property. In Singapore, reducing Mortgage Insurance is not as commonly adopted as it is no longer as competitve. Instead, a Term Insurance is used to cover the Mortgage.

Below example presents how we would structure a typical Mortgage Term Insurance, covering Death/TPD/TI as a form of protection for one's mortgage.

Buyer bought a property for $2mil. With Loan-to-value (LTV) of 75%, his loan amount would be $1.5mil. Assuming his mortgage tenure granted is 28 years, a mortgage term insurance covering $1.5mil for 28 years suffices. If the annual premium for the mortgage term insurance is $1600, the total premium payable for 28 years would be $44,800 (The annual premium is fixed at $1600 during the term of the insurance). Comparing the total premium payable of $44,800 for a sum assured of $1.5mil, it is financially worthwhile to be covered with mortgage term insurance to have a peace of mind.

The premiums for the Mortgage Insurance would vary, depending on key factors such as insurer, the sum assured (ie the mortgage amount to be covered), tenure, insured's age etc. Nonetheless, the calculations would usually still make financial sense.

Speak to us on this as we have helped and adviced many clients on their Mortgage Insurance.



"Not all debt is bad. From time to time we should get into debt when there's a good reason for that."

Dan Ariely

Common mistakes of first-time home buyers

Below are some common mistakes first-time home buyers make pertaining to mortgages:

1) Neglect to conduct an initial loan assessment to ascertain their property budget and changing jobs around the time of your property hunting and purchase. An initial loan assessment is always recommended to obtain an idea of how much the banks are willingly to loan you. If the loan amount falls short of what you require, there are possible solutions to address this. Thereafter one can start filtering and hunting the property based on your affordability.

2) If you are at a stage of intending to purchase a property, it is ideal not to change jobs as it may negatively affect your loan assessment. Financiers would prefer that you have a stable job in the last 12 months for ease of loan approval.

3) Not starting their property journey when they are younger. The older you are, the shorter the loan tenure period will potentially be, resulting in higher monthly mortgage repayment and making property less affordable.

Increase your credit rating

Be Stress-free

Stop worrying about credit

Be accepted for a mortgage

Mortgage Broker Vs Mortgage Banker

A mortgage broker is an independent consultant that acts as a middleman between the mortgagor (borrower) and the banks (lender). Mortgage brokers are property loan subject-matter experts and work with a wide panel of banks and can assist the borrower to find and select the most appropriate mortgage terms and interest rates package. If one goes directly to the bank, he/she will only be presented with that particular bank's mortgage packages. Thus, obtaining one's mortgage through a mortgage broker is typically a better option as it allows for a flexibility of choices and comparison. Below is a quick comparison of mortgage brokers and banks.

	Unbeatable Mortgage	Other Mortgage Brokers	Banks
Dedicated Mortgage Advisor	✓	✓	✓
Access to different financier packages and rates	✓	✓	✗
Fully independent and unbiased advice	✓	✓	✗
Keep tabs and help you monitor rates	✓	✓	✗
Creative financing solutions & tailored strategy	✓	✗	✗

Why choose UNBEATABLE MORTGAGE?

Fully independent and complimentary advice	UBEATABLE MORTGAGE partners with the major banks such as DBS, OCBC, UOB, Maybank etc in Singapore and is able to extend to clients the best possible package and rates in the market. We are independent and unbiased in our advice to our clients and aim to recommend the most suitable mortgage package to suit your needs. Importantly, we do not charge our clients any consultation fees as the financers will pay us a fee on successful closure of the loan. So let us do the heavy lifting and save you time, effort and without the stress.
Experienced and Expertise	UNBEATABLE MORTGAGE has a combined experience of more than 10+ years in the property-related, banking and mortgage industry and we aim to recommend a holistic solution and the most suitable mortgage package to suit your needs.
Optimise your loan structure and assessment	At UNBEATABLE MORTGAGE, our goal is to provide our clients with the best possible mortgage structure and optimised loan assessment. We take into account your financial situation, credit score, property type, company structure if any etc to ensure that the mortgage terms are affordable and sustainable. Additionally, we assist our clients to navigate the mortgage application process and provide guidance on how to secure the mortgage that is tailored to their specific needs.
Dedicated advisor for the long term	Your journey with UNBEATABLE MORTGAGE does not stop after we first engaged and successfully obtain your mortgage approval. As a property loan tenure averages 25-30 years for first-time home buyers, there will be many occurrences for repricing and/or refinancing after the lock-in/ claw back period is over. We remain dedicated to serving and assisting throughout the entire period of your property ownership.

10 Key Mortgage Glossary

1) Claw-back Period - The period during which, if you fully redeem your mortgage, the bank will reclaim the cost of "freebies" issued to you when you took on a loan with them. These typically include the legal subsidy and in some cases, valuation fees and fire insurance premiums.

2) Fixed Rate Housing Loans - The interest rate on such loans is fixed for a set period, during which charges are often imposed for early redemption. Being protected against interest rate increases allows for easy monthly budgeting. However, if market rates were to fall during the fixed interest period, you may be left paying a comparatively higher rate.

3) Floating or Variable Rate Housing Loans - The interest rate on such loans may fluctuate or change periodically, often in relation to a reference rate. When the reference rate changes, payments may increase or decrease accordingly. Examples of reference rates are the Banks' prime lending rate, SORA (Singapore Overnight Rate Average) or rates offered by the CPF Board.

4) In-principle Approval (IPA) - Also known as Approval In-principle, this is an indication by the Bank of the amount of home loan that a prospective purchaser is eligible for. However, an AIP does not equate to a formal approval. The purchaser must still submit a Home Loan application, and the Bank's approval is dependent upon various factors, including property valuation, credit checks and other criteria. It is advisable to know your AIP amount before committing to a property.

5) Loan Tenure - The period of time that you may take to fully repay your loan.

6) Loan-to-value (LTV) Ratio or Limit - The housing loan amount represented as a percentage of the property's value.

7) Lock-in Period -The time period during which you will have to pay an early redemption charge (usually expressed as a percentage of the loan quantum) if you repay your loan in full. Banks may also impose a charge for partial payments beyond your monthly instalments within this period.

8) Singapore Overnight Rate Average (SORA) - The volume-weighted average rate of borrowing transactions in the unsecured overnight interbank SGD cash market in Singapore between 8am and 6.15pm local time (both timings inclusive). It is administered by the Monetary Authority of Singapore (MAS), and published at 9am on the next business day in Singapore.

SORA is the new benchmark interest rate introduced by the MAS that will replace SIBOR and SOR when they are phased out by 2024.
The version most used by Banks for their floating home loans packages is the 3M Compounded SORA. This is the average of SORA rates published in the last three months.

9) Refinancing - Moving a loan (including any undisbursed amount) from one bank to another bank. Before refinancing your loan, you should check on the charges you may incur (e.g. lock-in period, claw-back period) upon cancellation of your existing loan.

10) Repricing - This commonly refers to the switch from one interest rate package to another with the same bank.

Get In Touch

We look forward to assisting and helping you on your property journey so contact us for a non-obligatory consultation.

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