Debt Consolidation Plan: Test Eligibility and the Real Cost

Description

The industry DCP is for Singapore Citizens or PRs earning at least S$20,000 and below S$120,000 a year, with net personal assets below S$2 million and interest-bearing unsecured debt exceeding 12 times monthly income.

Meeting those tests does not guarantee approval.

Calculate the debt-to-income test

Divide interest-bearing unsecured balances by gross monthly income using consistent statement dates. A S$78,000 balance against S$6,000 monthly income is 13 times and crosses the stated threshold. (Association of Banks DCP FAQ)

Citizenship or PR status, annual income, net personal assets and the debt multiple all matter. Bank underwriting still applies after the industry screens.

Situation	What changes
Unsecured debt is 12 times income or less	The published DCP threshold is not met
Income or asset test falls outside the range	Consider other lender or counselling routes
Debt includes renovation, education or business facilities	Separate excluded balances before comparing the plan
An offer is made	Compare EIR, term, total repayment, fees and revolving-credit terms

Related: distinguish the court-referred Debt Repayment Scheme

Remove excluded facilities

Joint accounts, renovation, education, medical and business-purpose facilities are among the listed exclusions. Keep a balance schedule showing what would and would not move. (MoneySense managing debt guide)

The first DCP includes a mandatory allowance of up to 5% for incidental interest and charges. Any shortfall remains the borrowerâ??s responsibility; unused allowance is credited or refunded under the scheme.

Example: S$78,000 of eligible unsecured debt divided by S$6,000 monthly income equals 13 times. That passes the published debt-multiple screen, but not the other tests or bank assessment.

Compare real cost

A lower monthly payment may come from a longer term. Put principal, EIR, total interest, fees, early-payment charges and total repayment side by side.

Existing obligations continue before approval, and accounts may be suspended or closed after consolidation. Do not stop GIRO until the new institution confirms settlement and account treatment.

- Download all unsecured statements
- Calculate the income multiple
- Test citizenship income and assets
- Separate excluded debts
- Compare at least two offers if available
- Keep payments current
- Verify every settlement and account change

Related: prepare a financial dispute file if needed

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