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Written reply to Parliamentary Question on support for borrowers at risk of financial stress

Date: For Parliament Sitting on 7 October 2025

Name and Constituency of Member of Parliament

Mr Yip Hon Weng, Yio Chu Kang SMC

Question

Mr Yip Hon Weng: To ask the Prime Minister and Minister for Finance gives MAS' finding that one percent of borrowers, mainly lower income, middle-aged HDB residents, could face negative cash flow with savings before six months of the stress-tested income shortfall. (a) how many households does this represent; and (b) how will MAS work with banks and agencies to identify them early and provide loan restructuring, employment and temporary financial support before arrears arise.

Answer by Mr Gan Kim Yong, Deputy Prime Minister and Minister for Finance, Trade and Industry (Trade) and Chairman of MAS

1. MAS' latest financial sector stability stress test estimates that the vast majority of borrower households with housing loans from financial institutions (FI) would remain resilient under a severe adverse scenario involving a significant rise in mortgage rates, and a sharp reduction in income. The results also indicate that under the severe shock scenario, around 1% of these borrowers could face cash shortfalls, whereby their overall monthly expenditures exceed income, and they are unlikely to have sufficient savings to cover these monthly shortfalls. This vulnerable group is estimated at around 4,000 households. The share of these vulnerable households has remained relatively stable across the annual stress test exercises. These numbers are not estimates of households currently under stress, but of those who could come under stress if a severe adverse shock scenario were to come to pass.

4,000 home-loan households could run short of cash in MAS's severe stress test

Description

4,000 households with housing loans from banks and other financial institutions could run short of cash if mortgage rates rose sharply and incomes fell at the same time, in the latest stress test by the [Monetary Authority of Singapore](#) (MAS), set out in a written parliamentary reply on Wednesday, 7 October.

Written reply to Parliamentary Question on borrowers at risk of financial stress

Date: For Parliament Sitting on 7 October 2026

Name and Constituency of Member of Parliament

Mr Yip Hon Weng, Yio Chu Kang SMC

Question

Mr Yip Hon Weng: To ask the Prime Minister and Minister for Finance given MAS' findings that middle-aged HDB residents, could face negative cash flow with savings depleted, (a) how many households does this represent; and (b) how will MAS work with banks on loan restructuring, employment and temporary financial support before arrears accumulate.

Answer by Mr Gan Kim Yong, Deputy Prime Minister and Minister for Energy, Trade and Industry

1. MAS' latest financial sector stability stress test estimates that the vast majority of financial institutions (FIs) would remain resilient under a severe adverse scenario involving a severe shock to income. The results also indicate that under the severe shock scenario, around 1% of overall monthly expenditures exceed income, and they are unlikely to have sufficient cash flow. This group is estimated at around 4,000 households. The share of these vulnerable households is small in the stress test exercises. These numbers are not estimates of households currently under stress. A severe adverse shock scenario were to come to pass.

Screenshot: Monetary Authority of Singapore (written reply, 7 October 2026)

That is 1 per cent of borrowers with such loans. Deputy Prime Minister Gan Kim Yong, who chairs MAS, gave the figure in answer to Yio Chu Kang MP Yip Hon Weng, who had asked how many households sat behind MAS's finding that 1 per cent of borrowers could face negative cash flow.

What the 4,000 figure measures

The number comes from MAS's latest financial stability stress test, which runs a severe adverse scenario of a significant rise in mortgage rates and a sharp fall in income. Under that scenario, MAS counts a household as vulnerable when its monthly spending exceeds its income and it is unlikely to have enough savings to cover the gap.

The figure is not an estimate of households under stress now, but of those that could come under stress if the severe scenario happened. The share has stayed relatively stable across the annual stress tests, and the vast majority of borrower households would remain resilient under the scenario.

The count covers loans from financial institutions, not HDB concessionary loans. 60 per cent of HDB households with outstanding loans hold HDB concessionary loans. Those loans are pegged to the CPF Ordinary Account interest rate rather than to market rates.

Where rates stand now

Three-month compounded SORA, a key benchmark for domestic loans, stands at 1.2 per cent. Its 10-year average is 1.5 per cent.

The 10-year Singapore Government Securities yield stood at 2.5 per cent, against a 10-year average of 2.2 per cent. Its discount to the 10-year US Treasury yield widened from 170 basis points in January 2025 to 250 basis points in September 2026.

6. MAS has safeguards to ensure that households do not overextend themselves when borrowing for housing. These include:
- a. The Total Debt Servicing Ratio framework caps a borrower's total monthly debt repayments at 55 per cent of monthly income. For specified public housing purchases, the Mortgage Servicing Ratio also caps monthly mortgage payments at 30 per cent of monthly income.
 - b. Importantly, banks assess whether borrowers can afford a housing loan when interest rates are lower. This provides a buffer against increases in interest rates.
 - c. In addition, about 60% of HDB households with outstanding loans have concessionary loans, which is mitigated by the peg of the HDB mortgage loan to the CPF Ordinary Account interest rate, which moves in line with movements in market mortgage rates.

Screenshot: Monetary Authority of Singapore (oral reply, 7 October 2026)

The buffers built into every loan

Three safeguards sit behind every loan. The Total Debt Servicing Ratio caps a borrower's total monthly debt repayments at 55 per cent of monthly income. For specified public housing purchases, the

Mortgage Servicing Ratio caps the monthly mortgage repayment at 30 per cent of income. And banks assess whether a borrower can afford the loan at an interest rate of 4 per cent, even when actual mortgage rates are lower.

On a S\$500,000 bank loan for an HDB flat over 25 years, the monthly instalment at the 4 per cent assessment rate is S\$2,639. Under the 30 per cent Mortgage Servicing Ratio, that needs a monthly household income of at least S\$8,797.

The 4 per cent test is a buffer against rate increases. A borrower approved today has been assessed at a rate more than three times the current 1.2 per cent SORA benchmark.

Where borrowers can go

Financial institutions monitor repayments and engage borrowers who show signs of stress early. HDB homeowners who fall behind can ask HDB, if they took an HDB loan, or their bank, if they took a bank loan, to discuss restructuring, and HDB can refer them to social service agencies. Borrowers already in debt difficulty can approach Credit Counselling Singapore.

The macroeconomic outlook remains highly uncertain, including for global and domestic interest rates. MAS's advice to households is to exercise prudence in taking on debt, borrow within their means, keep adequate savings and liquidity buffers, and factor in the possibility of higher interest rates.

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