**Loan To Value Singapore – Going Higher With LTV**

Loan-to-value (LTV) is basically a notion used to describe the loan amount a mortgage lender is willing to offer you based on the value of the property. When calculating loan to value, It is common practice to replace the property value with the buying price if the buying price is lower than the property value. These circumstances can occur when the seller is in a hurry to sell of his piece of real estate, the property in question had faced foreclosure due to defaults, etc.

Loan to value is the most common factor that a lot of real estate buyers use to decide whether to take up a house loan. The lowest of interest rates is irrelevant if the mortgage lender is not willing to finance your desired loan amount. How are you going to cough up another 10% of property price in cash if a lender offers you 70% loan to value instead of your required 80% loan to value?

Typically an individual in Singapore can borrow up to 80% loan to value on their first mortgage loan. These borrowers can be citizens, foreigners and permanent residents. With recent government intervention, a second mortgage loan is capped at 60% loan to value. This is to keep a lid on property speculation driving up prices artificially high.

An undesirable situation that property investors want to avoid is when the appraised value of a property does not match up to the initial indicative value. As lenders will only offer a house loan based on the lower valuation, the difference has to be covered by the borrower.

For example.

An initial property value is at $300,000 and the lender had offered to finance 80% LTV. This comes to $240,000. However, the appraised value comes back at only $280,000. This will result in the lender only providing financing for $224,000. The home buyer has to top up the $16,000 difference from his own pocket or other means.

The home buyer can also consider going to another lender to explore their valuations and offered LTVs. At this point, when you are short of time, it is a good idea to engage the help of a mortgage broker. Brokers keep track of all the available market home loans and have good contacts with many lenders. You can choose to tap on their resources to find an alternative house loan.

The number 1 factor to increase your LTV is your personal income. Whether a mortgage lender is willing to offer you a good home loan always come down to whether you can afford to repay the loan comfortably. No party will want to get into a situation of defaults. So if you cannot qualify for your loan to value limit, you should consider getting a trusted third party to be a third party guarantor for the home loan. This party preferably has a significantly high income.

Also note that your personal financial commitments are taken into consideration when determining your loan to value ratio. You may still end up with a lower LTV limit when you have a high income of $100,000 but has outstanding loans that take up $80,000. Financial commitments that can be taken into consideration are car loans, education loans, credit facilities, personal loans, etc. The best scenario is that you have little financial facilities under you.

Every bank and financial institution have it’s own internal policies of doing business. When it comes to property mortgages, there may be many different classifications for different types of properties. There can be different loan to value limits set on particular property types. These are things that you may not have control over. An example of this is – some banks will not finance 2-room HDB flats.

Lenders always want clients with a proven credit conduct. This can be assessed by analyzing your credit report for the credit bureau. Always be mindful of making prompt payments on your credit facilities especially when you know that you are going to apply for a home loan in the next 6 months. Your credit score as determined by the credit report can greatly affect your loan to value ratio and loan to value limit. Do not miss payments so that you have a satisfactory score.

**Loan Tenure For Your Home Loan In Singapore**

A house loan tenure is something that borrowers don’t put enough thought in. The choice of a home loan tenure is not a straight forward answer. While most people go for a tenure that goes as long as the lender will allow, it is not always the best choice.

You may have also deferred the purchase of a house because you were not confident of getting a significant house loan Singapore to finance your home purchase. It is possible that you can get a high housing loan amount if you choose a longer loan tenure while only getting a low loan amount when you choose a shorter one. Although in some instances, the loan tenure you choose for your mortgage can determine your loan amount, there are other things that you should consider when deciding on your home loan tenure.

In effect the maximum house loan tenure depends on your age. If you are at the age of 35 now, and the official retirement age is 65, your maximum tenure is 30 years. There may also be instances that you are offered a better interest rate if you take up a longer loan tenure. Do note that the longer loan tenure you choose, the more total interest you will pay. So if you are comfortable with that over the long term, the total interest you will pay for your house loan Singapore will be of little issue.

The main reason most people take up home loans with extended loan tenure is to pay a lower monthly installment. Again, you generally pay more total interest with a longer loan tenure. So if you do have cash on hand, you should consider making a greater down payment and obtain a house loan Singapore with a shorter loan tenure so that you can pay off the loan sooner. The monthly installments may be higher, but you will be paying less total interest on your mortgage. When you do make a higher down payment, the loan lender may also see it as your commitment and financial strength. This can result in the best terms offered to you.

If you are reaching retirement age and is certain that your children will be taking over the payments for the Singapore housing loan, it makes sense to include them when you apply for the housing loan. This can potentially get you a longer loan tenure resulting in lower monthly payments that you have to make now. When you retire, your children will also have to only service a lower monthly payment.

High networth investors

If you are going to build up your own property empire, you may want to use a different approach to choosing your property loan. A common approach used by seasoned property investors to leverage their finances is to stretch out the house loan Singapore loan tenure. Stretching out can gain better terms and concessions from the lender. With lower monthly payments, the investor uses less cash to gain control to a house. When the lock-in period of the home loan expires, the property guru refinances the house that has appreciated in market valuation while cashing out on the appreciated home equity. Gaining access to more cash with the cash out refinance, the investor uses it to purchase another property and repeat the process. Although this method of increasing your wealth seem desirable, it is not for the faint-hearted and those that are risk adverse.

[House Loan Singapore](http://www.houseloansingapore.com/)

**House Loan Singapore Interest Rates**

When you are looking around for the best house loan Singapore that suits you, the natural first thing that comes to your mind would be the interest rates that you are going to pay for the Singapore house loan.

Before you go about deciding that you only want the lowest housing loan interest rates in Singapore, it would help you a lot in your search by having a little knowledge about how housing loan interest rates can work.

Generally, there are 2 types of interest rates. There is the fixed interest rate and the floating interest rate. Fixed interest rates are easier to comprehend for the layman. It basically means that interest rates will be fixed for the life of the mortgage.

Because of the fluctuation of the market interest rates, many people are going for floating interest rates when it comes to their housing loan in Singapore. Depending on the loan package that you decided to take up, the period of housing loan interest rates can vary according to the stipulated terms of the mortgage loan offer.

The market interest rates that your house loan is benchmarked to is most commonly the SIBOR or SWAP rate. These are rates determined by the Association of Banks in Singapore. The rates are publicly available. So don’t have to worry about whether your bank is pulling a fast one on you. When your home loan is pegged to SIBOR or SWAP, a margin will be added onto the pegged interest rate. An example is SWAP + 0.5%. In this case the interest will be the SWAP rate + 0.5%. Note that there are also different variations on SIBOR and SWAP. They are categorized from a time frame. You can be on a 1-month SIBOR or 3-month SIBOR, etc. So be aware of which variation your housing loan is structured.

