

FACT SHEET ON CHANGES TO CPF PROPERTIES SCHEMES

1. Lowering of Minimum Lease Period from 60 to 30 years Minimum Lease Period (MLP) refers to the length of lease remaining below which CPF cannot be used to purchase private residential properties.	
Previous Policy	CPF cannot be used to buy private residential properties with remaining leases of less than 60 years.
Change	<p>CPF can now be used to buy residential properties with remaining leases of 30-59 years. This is subject to the following conditions:</p> <ul style="list-style-type: none"> i. The remaining lease must cover the member at least up to the age of 80 years; and ii. Properties with leases between 30 and 59 years will have lower CPF Withdrawal Limits based on the residual value of the property at the member's CPF withdrawal age of 55 years old (see Annex A).
Rationale for Change	The MLP was previously set at 60 years to ensure that most CPF members would own properties with a lease sufficiently long to cover their average life expectancies. However, this may be unnecessarily restrictive for older members who may prefer to have the flexibility of purchasing cheaper residential properties with a shorter lease remaining. Lowering the MLP thus gives members this flexibility so that more funds can be set aside to meet their retirement expenditure. In this way, both their housing and retirement needs are better met.
Effective Date	19 July 2005
Other Implementation Details	<p>The lower MLP will apply to:</p> <ul style="list-style-type: none"> i. All new purchases made on or after the effective date; and ii. Repayment of outstanding housing loans for properties that had been purchased without using CPF before this policy change (provided that members satisfy the age-based criteria). <p>In cases of joint purchases, the age of youngest owner using CPF will be used to determine the MLP and Withdrawal Limit. This is to ensure that the younger member would have a home till at least age 80 and have sufficient CPF savings for retirement should the property be sold.</p>

2. Use of CPF for Non-related Singles to Jointly Purchase Homes

Previous Policy	Non-related singles cannot use their CPF to jointly purchase private residential properties. Only immediate family members are allowed to jointly use CPF to purchase of private residential properties.
Change	All non-related singles (unmarried, divorced or widowed) will be allowed to use CPF to jointly purchase their first private residential properties. There is no age restriction.
Rationale for Change	The change will give singles more housing options and is aligned to the HDB's Joint Singles Scheme where singles aged 35 years and above can jointly buy HDB flats.
Effective Date	19 July 2005
Other Implementation Details	The new policy will apply to applications received for i. New purchases on or after the effective date; and ii. Repayment of outstanding housing loans for properties purchased without the use of CPF before this policy change.

3. Simplification of Available Housing Withdrawal Limit (AHWL)	
Previous Policy	AHWL was set at the lower of: <ul style="list-style-type: none"> i. 80% of gross CPF savings in Ordinary Account and Special Account in excess of the prevailing Minimum Sum <u>or</u> ii. the available Ordinary Account balance after setting aside the Minimum Sum cash component; for members below age 55.
Change	For CPF members aged below 55 years, the AHWL will be simplified to: the available Ordinary Account balance after setting aside the Minimum Sum cash component (i.e. criterion (i) above has been done away with). For CPF members aged 55 years and above, the AHWL will be: Available Ordinary Account balance less the Minimum Sum cash component shortfall.
Rationale for Change	The previous criteria were complex and difficult for members to understand. The change is a simplification of the policy and a relaxation of the current rules. The change will enable a small number of CPF members to withdraw more CPF overall for their housing. The majority of CPF members will not be affected.
Effective Date	19 July 2005.
Other Implementation Details	The new policy will apply to all members subjected to the AHWL i.e. new applicants as well as those currently under the CPF property schemes.

4. Restriction on Use of CPF to purchase Multiple Properties

<p>Previous Policy</p>	<p>The CPF withdrawal rules applicable to second and subsequent properties are the same as those for the first property. Members are allowed to use at least 100% of the Valuation Limit for <u>each</u> property without setting aside any cash in their CPF accounts.</p>
<p>Change</p>	<p>The use of CPF for the second and subsequent properties would be limited to the net amount of Ordinary Account savings in excess of the Minimum Sum cash component.</p> <p>Withdrawals for the second and subsequent properties will also be subject to a Withdrawal Limit of 100% of the Valuation Limit for properties with at least 60 years of lease, and the applicable Withdrawal Limit for properties with more than 30 years but less than 60 years of lease.</p>
<p>Rationale for Change</p>	<p>The revised policy supports the objective of retirement adequacy. It would ensure that CPF members set aside at least the Minimum Sum cash component for retirement before investing in the second and subsequent properties.</p>
<p>Effective Date</p>	<p>1 July 2006.</p> <p>The new policy would only apply to second and subsequent property purchases on or after 1 July 2006. Members who own multiple properties before 1 July 2006 will not be affected by the policy change.</p>
<p>Other Implementation Details</p>	<p>A grace period will be granted to members who have bought the second or subsequent property with the intention of selling the existing property so as to meet the rules. The grace period for the sale of the existing property will be:</p> <ul style="list-style-type: none"> i. For completed properties – 6 months from the completion of purchase of the second property ii. For uncompleted properties – Up to Temporary Occupation Permit (TOP) + 6 months <p>Once the grace period is up, they should either own only one property, or satisfy the MS cash requirement if they own more than one property. If the MS cash requirement is not met, CPF will stop CPF withdrawals for the new property.</p>

5. Phasing Out of Non-residential Properties Scheme (NRPS)	
Previous Rule	CPF can be used to buy non-residential properties up to the purchase price or 70% of the value of the property, whichever is lower. These include office premises, shop units, factories and warehouses.
Change	CPF members can no longer use CPF to buy non-residential properties.
Rationale for Change	NRPS was intended to help members enhance the return on their CPF savings by investing in property. As CPF members are now allowed to invest in property funds under the CPF Investment Scheme, NRPS is less relevant. Property funds offer diversification, are more liquid and do not require large capital commitment. In addition, the take-up rate of NRPS has been low and the number of new NRPS applicants has also been generally declining.
Effective Date	1 July 2006. Any NRPS applications received on or after 1 July 2006 will not be approved. Members who are using CPF to service their non-residential properties before 1 July 2006 will not be affected by the policy change.
Other Implementation Details	From 1 July 2006, CPF will allow CPF to be used only for the residential component of shop-houses under the Residential Properties Scheme. Hence, approval on the use of CPF will only be given for shop-houses with leases/titles which can be subdivided into the residential and commercial components. Members will need to subdivide the lease/title before they can apply to use CPF for the residential component.

6. Transfer of Medisave Account Overflow to Special Account/Retirement Account Instead of the Ordinary Account

Previous Policy	Contributions into Medisave Account (MA) in excess of the Medisave Contribution Ceiling (termed “MA overflows”) are transferred into the Ordinary Account.
Change	<p>For members aged below 55 years, MA overflows will be transferred to their Special Account (SA). Once the SA balance (inclusive of amounts withdrawn under CPFIS-SA) has reached the prevailing Minimum Sum (MS), excess MA overflows would then go into their Ordinary Account (OA).</p> <p>For members aged 55 years and above, MA overflows will be transferred to their Retirement Account (RA) to top-up any MS shortfall. Once the RA has been topped up to cover any MS shortfall, MA overflows would go into their OA.</p>
Rationale for Change	This change will improve retirement adequacy of CPF members as they will enjoy a higher interest on their MA overflows (interest rate for the SA and RA is higher than for the OA).
Effective Date	<p>1 July 2006.</p> <p>Changes will apply to all contributions received on or after 1 July 2006.</p>
Other Implementation Details	<p>As savings in the SA and RA cannot be used for property purchases, some members who currently rely on their MA overflows to finance their mortgages in properties may be affected.</p> <p>CPF members who are using MA overflows to service housing mortgages may appeal to the Board to continue to use the overflowed amount to SA to service their loans, if their OA is depleted. They can tap on their SA savings to the extent that their mortgage payments are affected by the policy change.</p>

Allowed Withdrawal Limits (in %) for Properties with Remaining Leases between 30 and 59 Years

		Member's age																																		
		21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
Leasehold	59	42	44	46	47	49	51	53	54	56	58	59	61	63	64	66	68	69	71	73	75	76	78	80	81	83	85	86	88	90	92	93	95	97	98	100
	58	-	43	45	47	48	50	52	53	55	57	59	60	62	64	66	67	69	71	72	74	76	78	79	81	83	84	86	88	90	91	93	95	97	98	100
	57	-	-	44	46	47	49	51	53	54	56	58	60	61	63	65	67	68	70	72	74	75	77	79	81	82	84	86	88	89	91	93	95	96	98	100
	56	-	-	-	45	46	48	50	52	54	55	57	59	61	63	64	66	68	70	71	73	75	77	79	80	82	84	86	88	89	91	93	95	96	98	100
	55	-	-	-	-	45	47	49	51	53	55	56	58	60	62	64	65	67	69	71	73	75	76	78	80	82	84	85	87	89	91	93	95	96	98	100
	54	-	-	-	-	-	46	48	50	52	54	56	57	59	61	63	65	67	69	70	72	74	76	78	80	81	83	85	87	89	91	93	94	96	98	100
	53	-	-	-	-	-	-	47	49	51	53	55	57	58	60	62	64	66	68	70	72	74	75	77	79	81	83	85	87	89	91	92	94	96	98	100
	52	-	-	-	-	-	-	-	48	50	52	54	56	58	60	62	63	65	67	69	71	73	75	77	79	81	83	85	87	88	90	92	94	96	98	100
	51	-	-	-	-	-	-	-	-	49	51	53	55	57	59	61	63	65	67	69	71	73	75	76	78	80	82	84	86	88	90	92	94	96	98	100
	50	-	-	-	-	-	-	-	-	-	50	52	54	56	58	60	62	64	66	68	70	72	74	76	78	80	82	84	86	88	90	92	94	96	98	100
	49	-	-	-	-	-	-	-	-	-	-	51	53	55	57	59	61	63	65	67	69	71	73	76	78	80	82	84	86	88	90	92	94	96	98	100
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	47	-	-	-	-	-	-	-	-	-	-	-	-	53	55	57	60	62	64	66	68	70	72	74	77	79	81	83	85	87	89	91	94	96	98	100
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	41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	63	66	68	71	73	76	78	80	83	85	88	90	93	95	98	100
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34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74	76	79	82	85	88	91	94	97	100	
33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76	79	82	85	88	91	94	97	100	
32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	78	81	84	88	91	94	97	100	
31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81	84	87	90	94	97	100	
30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83	87	90	93	97	100	