

Rules of Thumb for CPF Home Buyers

Buying a home is serious business. Unless you are cash-rich, you'll be servicing the mortgage loan on your home for years to come.

Thus, if you're using CPF to buy your home, it is important that you should familiarise yourself with these information:

1. Know what you can afford before going home-hunting. The more you spend on housing, the less you will have for old age needs. For loans taken from banks and HDB to purchase HDB flats, the monthly repayment instalment for all property loans cannot exceed 30% of a borrower's gross monthly income.
2. It is prudent to plan to pay off the loan by age 55. If you are using CPF for the instalments, remember you will have [lower CPF contributions from age 50](#).
3. Generally, it is better to choose a shorter loan repayment period if you can. The longer the repayment period, the more interest you are paying.
4. You must understand how interest rates will affect your loan repayments. Ask your loan provider to show you examples using different loan interest rates.
5. Changes in your income and in CPF contribution rates may affect your ability to pay your loan. You should have emergency cash savings of about six times your monthly salary to help tide you through unexpected events.
6. Take the time to discuss your housing loan needs with financial advisers and banks. At the same time, educate yourself so that you are able to assess what they tell you.
7. Get a few quotations, and spend time to study the different loan packages. Don't make hasty decisions based on advertisements or brochures.
8. Make sure you understand the terms and conditions before taking up the loan, eg. is there a lock-in period or can you make capital repayments? Ignorance is not an excuse if disputes arise later on.
9. For peace of mind, get a mortgage insurance cover. Consider taking up the maximum cover for co-player of the loan.
10. Finally, keep up with changes that may affect the use of CPF for housing. Read the information in our website. It is in your own interest to be an informed CPF member.