

IMPORTANT NOTES ON OPTION TO PURCHASE

Sellers and buyers of resale HDB flats are advised to read these notes and the clauses of the Option to Purchase before completing the form and entering into a contract for the sale and purchase of the flat.

1 Intent to Sell/Buy

All resale applications are processed via the HDB Resale Portal, which is accessible on the HDB InfoWEB (www.hdb.gov.sg). The HDB Resale Portal integrates all the eligibility checks, provide the essential information to the sellers and buyers, and guide them through the process for the sale or purchase of the flat.

Sellers must register an Intent to Sell in the HDB Resale Portal at least 7 days before granting an Option to Purchase to the buyers.

Buyers must register an Intent to Buy before being granted an Option to Purchase by the sellers.

The resale application for the sale and purchase of the flat will not be accepted by HDB if the sellers and buyers do not register their Intent to Sell/Buy or the timelines for registering their Intent to Sell/Buy are not adhered to.

2 HDB prescribed Option to Purchase

Sellers and buyers of resale flats must use the HDB prescribed Option to Purchase (OTP) as the form of contract in resale transactions. No party is allowed to enter into any other agreement pertaining to the sale and purchase of the flat as it is null and void pursuant to the Housing and Development Act.

3 Option to Purchase Form

The current prescribed OTP form (effective 1 January 2018) shall be downloaded from the HDB InfoWEB. No amendments may be made to the prescribed form. Amendments include (but are not limited to) deletions, insertions or altering any provision in the prescribed OTP form.

4 Option Fee, Deposit and Option Period

These are the prescribed Option Fee, Deposit and Option Period:

Option Fee - An amount not exceeding \$1,000

Deposit - An amount not exceeding \$5,000
(Option Fee + Option Exercise Fee = Deposit)

Option Period - 21 calendar days (including Sat/Sun & public holidays) after the Option Date.
[E.g. If the seller grants an Option to the buyer on 1 January 2021 (Friday), the Option will expire on 22 January 2021 (Friday). The Option expiry time is standardised at 4pm.]

Sellers and buyers must state an amount for the Option Fee and Option Exercise Fee. Neither fee can be \$0. This is to ensure that there is a valid Option or contract. The Option Fee and Option Exercise Fee will form the Deposit for the purchase of the flat.

5 Sellers must meet Minimum Occupation Period before granting the OTP (Clause 3 of OTP)

Sellers must meet the minimum occupation period for the flat before granting the OTP, otherwise the OTP entered into will be null and void. Besides the HDB Resale Portal, sellers can check their eligibility to sell at www.hdb.gov.sg>e-Services>Selling your flat>Request for Confirmation of Eligibility to Sell Your HDB Flat.

6 Housing Loan

Buyers who are eligible for and intend to obtain an HDB housing loan must have a valid HDB Loan Eligibility Letter when the sellers grant them the OTP. The HDB Loan Eligibility Letter is valid for 6 months from the date of issue.

Buyers who are taking a bank loan must have a valid Letter of Offer from a bank/financial institution when they exercise the OTP.

Buyers who are not taking any housing loan are not required to obtain an HDB Loan Eligibility letter from HDB or a Letter of Offer from a bank/financial institution but will have to indicate that they are financing the flat purchase fully with their CPF savings and/or cash when they submit the resale application to HDB.

7 Declared Resale Price

Sellers and buyers must declare to HDB the true resale price of the flat. They must not enter into any supplementary or other agreements or arrangements that may cause the resale price as declared to be inflated or understated.

8 Value of Flat (*Clause 4 of OTP*)

Buyers who are using their CPF moneys and/or taking up a housing loan to finance their flat purchase, will need to submit a request to HDB ("Request for Value") to determine the value of the flat which forms the basis for their housing loan and CPF usage.

The Request for Value may only be submitted by the buyers who have been granted an OTP by the sellers.

The buyers (or their salesperson) must submit to HDB the Request for Value, together with a scanned copy of page 1 of the OTP, by the next working day after the Option Date.

If a valuation of the flat is required by HDB, the flat owners (sellers) must allow the assigned valuer to inspect the flat within 3 working days of being informed by HDB of the assigned valuer.

HDB will inform the buyers via email once the value of the flat is available in the HDB Resale Portal, which will typically be within 10 working days.

9 Procedure in granting and exercising the Option to Purchase

The procedure for entering into a binding contract for a resale transaction is as follows:

a. Sellers grant the OTP

The sellers grant an OTP to the buyers to purchase the flat at the agreed resale price and for an **Option Period** of 21 days during which the sellers cannot sell the flat or make an offer to other buyers. The OTP must be signed by all the sellers (*on page 8 of the OTP*) before it is granted to the buyers. If the buyers are getting an HDB housing loan, the sellers must check that the buyers have a valid HDB Loan Eligibility Letter before granting them the OTP.

b. Buyers pay the Option Fee

In exchange, the buyers pay an **Option Fee** (preferably in a cheque) to the sellers. The buyers have up to 21 days to exercise the OTP. During that period, the buyers can apply for a bank's Letter of Offer (if they are getting a bank loan) or make other arrangements/enquiries relating to the purchase.

c. Buyers exercise the OTP

If the buyers decide to purchase the flat, the buyers must exercise the OTP within the Option Period. To exercise the OTP, the buyers must do the following:

- (i) **sign** the **Acceptance** portion in page 8 of the OTP (if the buyers are getting a bank loan, the buyers must ensure that the date of issue of the bank's Letter of Offer is before the date of Acceptance),
- (ii) **deliver** the signed OTP to the Sellers*, and
- (iii) **pay** a sum called the **Option Exercise Fee** to the Sellers.

The Acceptance must be signed by all the buyers. For record purposes, the buyers are advised to obtain a signed acknowledgement from the sellers on the buyer's copy of the Acceptance, stating the date and time of exercise of the Option.

Upon exercise of the OTP, the sellers and the buyers enter into a binding contract for the sale and purchase of the flat.

*The sellers can appoint another person or a firm (e.g. solicitor's firm or estate agent) to receive the signed OTP and the Option Exercise Fee by completing the Authorisation Form (Form A) provided in the OTP. The appointed person or firm should be easily contactable. If the authorised party is a salesperson of an estate agent or a solicitor/solicitor's firm, it is advisable that the payment of the Option Exercise Fee be made in a cheque payable to the sellers, as salespersons and solicitors are not allowed to receive cash for their clients or hold their client's money.

The buyers are advised not to wait till the last hour to exercise the OTP as the OTP will expire if the buyers for any reason fail to exercise the OTP within the Option Period. If the buyers decide not to proceed with the purchase, they can let the OTP expire and lose only the Option Fee.

10 Witness for Signature

A witness to the signing of the OTP can serve as proof that a contract has been entered into. Sellers and buyers can get their salesperson (if they have engaged one) or anyone above the age of 21 to witness their signatures. The witness need not be present for the HDB appointment.

11 English version to be signed by parties

Sellers and buyers must ensure that they sign only on the English version of the OTP. HDB will only accept the English version of the OTP.

12 Inventory List (Clause 10.2 of OTP)

An inventory list (optional) on movable property, fittings and other items (e.g. furniture or other movable items) may be completed and signed by the sellers and buyers. The prescribed form is available in the Schedule attached to the OTP.

13 Liability of Payment for Upgrading Cost (Clause 11 of OTP)

For flats under HDB's Upgrading Programmes, whoever is the flat owner as at the date of billing has to pay the upgrading cost.

- If the date of billing is before completion of the resale transaction, the seller has to pay the upgrading cost.
- If the date of billing is after completion of the resale transaction, the buyer has to pay the upgrading cost.

Sellers and buyers may check the schedule of billing dates for the completed precincts at the respective HDB Branch or at www.hdb.gov.sg under Home>Living in HDB Flats>Upgrading Programmes.

14 Submission of Resale Application and Completion Date (Clauses 12 and 13 of OTP)

Sellers and buyers are to mutually agree on when to submit their portion of the resale application to HDB and ensure that the complete resale application is submitted within the timeframe they have agreed.

The completion date will be within 8 weeks from the date of HDB's acceptance of the resale application, unless extended by HDB. As this is the earliest possible date to complete the transaction, HDB will not be able to accede to any request to advance the completion date. Any request to extend the completion date can be considered, subject to the request being made jointly by the sellers and buyers.

15 Sellers' and Buyers' Obligations (Clauses 14 and 15 of OTP)

Sellers and buyers are to keep to the timelines to endorse the resale documents, make the necessary payments, and fulfil the conditions of the resale approval, as requested by HDB. Any delay in complying with the timelines for the endorsement or payment, or in fulfilling the approval conditions may result in the resale completion being postponed or the cancellation of the resale application.

The postponement of the resale completion or cancellation of the resale application shall not in any way prejudice the rights of the sellers or buyers to take such action (if any) as they may deem fit pursuant to the contract for sale and purchase as evidenced by the Option to Purchase, including but not limited to any late completion interest. HDB shall not be responsible or liable to any party for any action, proceeding, claim, demand, liability, loss, charge, damage, cost and/or expense which may be brought against, become payable by and/or incurred by any party arising from or in relation to the postponement or cancellation (as the case may be).

16 No Supplemental Agreement

Sellers and buyers must not enter into any other agreement or supplemental agreement relating to the sale and purchase of the flat. They must also not make any arrangement or promises or enter into any agreement for the:

- a. payment of any further sums of money while waiting for the completion of the resale of the flat; or
- b. purchase or disposal of the flat with any other person.

17 Advice for Sellers and Buyers

Sellers must:

- a. Ensure that they are eligible to sell their flat in the open market, e.g. they must have met the minimum occupation period and their buyers can comply with the Ethnic Integration Policy and Singapore Permanent Resident Quota Policy when submitting the resale application.
- b. Calculate the estimated proceeds they will get from the sale. Take note that:
 - (i) If the resale price is not enough to settle the outstanding loan in full, the sellers will have to pay the shortfall in the loan amount in cash before the resale transaction can proceed.
 - (ii) If the resale price can cover the outstanding loan in full but is not enough for the full refund of the sellers' CPF moneys, the cash deposit received by the sellers will have to be used for refund to their CPF account(s).
- c. Settle any outstanding upgrading cost in full before the resale transaction can complete. For flats undergoing resale, CPF members are not allowed to withdraw their CPF savings to pay for the outstanding upgrading cost. The amount will be deducted from the cash proceeds, if any.
- d. Plan for their next housing before selling their flat. Please note that ex-HDB flat owners are not eligible to apply for a rental flat from HDB immediately after selling their flat. HDB rental flats are meant for low-income citizen households who cannot afford to buy flats and have no other housing options.

Buyers must:

- a. Ensure that -
 - (i) They can buy a resale flat under one of the eligibility schemes and that they comply with the Ethnic Integration Policy and Singapore Permanent Resident (SPR) Quota Policy when submitting the resale application.
 - (ii) They have sufficient funds (CPF/cash/housing loan) to buy a flat. Take note that the amount of CPF moneys and HDB loan will be pro-rated if buyers are buying a flat where the age of the youngest buyer and the remaining lease of the flat is less than 95 years. Banks/financial institutions also take this into account when granting home loans. Buyers must do their financial planning and buy a flat which they can afford.
- b. Consider carefully before they and their parent/child buy a flat together. If subsequently, one owner wishes to relinquish his/her interest in the flat, the remaining owner(s) will need to meet an eligibility scheme and has the financial means to complete the following in order to retain the flat:
 - (i) discharge the outstanding mortgage loan (if any),
 - (ii) pay cash consideration (if any) to the outgoing owner,
 - (iii) refund the CPF monies used (including accrued interest) to the outgoing owner; and
 - (iv) pay the fees involved in the transaction.
- c. Check if they are eligible for an HDB housing loan, or if they would need a housing loan from a bank/financial institution to finance their flat purchase. If buyers are getting a housing loan, they should find out the loan amount they can get by obtaining an HDB Loan Eligibility Letter or a bank's Letter of Offer before they commit to the purchase (see Note 9), as credit assessment will be carried out.

d. Take note that -

- (i) SPR households may only buy a flat after they have obtained their SPR status for at least 3 years.
- (ii) Owners and ex-owners of private residential properties locally or overseas are required to wait out a period of 15 months after the disposal of their properties before they are eligible to buy a resale flat without a CPF housing grant. The wait-out period if they are first-timers and wish to apply for the CPF Housing Grant and Enhanced CPF Housing Grant remains at 30 months.

The 15-month wait-out period will not apply to seniors (and their spouses) aged 55 and above (at the point of resale flat application) who are moving from their private housing to a 4-room or smaller resale flat.

- (iii) Design, Build and Sell Scheme (DBSS) flats are HDB flats which were designed, built and sold by private developers under Part IVB of the Housing and Development Act. Any reference to an HDB flat shall include a DBSS flat. Each DBSS development is characterised by its own distinctive external features. To maintain the aesthetic appearance of each development and to be in line with URA's Gross Floor Area (GFA) Incentive Scheme, specific renovation restrictions apply to DBSS flats. This may include renovation restrictions that apply to the balcony, air-conditioner ledge, planter boxes and service yard.

Buyers must check the HDB InfoWEB (www.hdb.gov.sg) for all the renovation guidelines and restrictions that apply to DBSS flats, including but not limited to the type of renovations they can or cannot do at/to the balcony, air-conditioner ledge, planter boxes, bay window and service yard, before they exercise the OTP. Once the OTP is exercised, the buyers are deemed to have read and understood all the applicable renovation guidelines and restrictions and shall be bound by all the renovation restrictions applicable to the DBSS flat. HDB reserves the right to amend the applicable renovation restrictions in line with the prevailing policies of HDB and the relevant authorities without prior notice.

Giving False Information

It is an offence under the Housing & Development Act 1959 for any person to give false information relating to the buying or selling of an HDB flat. Any person who gives false information shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 6 months or to both.

HDB also reserves the right to debar any person who makes a false statement from buying a flat[^], taking over ownership of a flat[^] by way of transfer, being included as an essential occupier of a flat[^] or taking up an HDB housing loan for a period of 5 years from the date of cancellation of the resale application or the date of approval to compulsorily acquire the flat. Any existing application registered in the HDB's rental waiting list will also be cancelled.

([^]includes a unit under the Executive Condominium Housing Scheme)