

ANNEX A

Recommendations of the Advisory Committee on Moneylending

S/No	Recommendation
1	<p>Moneylenders should only be allowed to charge borrowers the following:</p> <ul style="list-style-type: none">(i) Upfront administrative fee of not more than 10 per cent of loan principal;(ii) Interest of not more than four per cent per month;(iii) Late interest of not more than four per cent per month; and(iv) Late fee of not more than \$60 per month. <p>Total borrowing costs capped at 100% of loan principal. Caps to be reviewed when better data is available from the Moneylenders Credit Bureau (MLCB).</p>
2	<p>Borrowers earning less than \$20,000 a year should be allowed to borrow only up to an aggregate of \$3,000. For other borrowers, they are allowed to borrow up to six times their monthly salary in aggregate. These caps should be independent of the Monetary Authority of Singapore's caps on unsecured borrowings from financial institutions.</p>
3	<p>Moratorium on grant of new licences should be lifted.</p>
4	<p>Research should be conducted into the classes and characteristics of borrowers who should not be borrowing from moneylenders. Alternative forms of support, such as counselling, debt restructuring, etc. can then be tailored to these groups of borrowers.</p>
5	<p>A formalised debt restructuring regime with collective representation of the moneylenders should be introduced.</p>
6	<p>The Registry of Moneylenders should monitor the situation of moneylenders operating in the heartlands and ensure that the situation is not aggravated.</p>
7	<p>Credit information on borrowers should be aggregated so as to allow better decision-making by moneylenders.</p>
8	<p>Borrowers who are excluded from the local casinos should be flagged out to moneylenders through the MLCB before the loan is granted.</p>
9	<p>Moneylenders should adhere to a set of standardised loan terms and practices. Repayments should be aligned to a borrower's wage cycle, and</p>

	should be set on a monthly basis by default. Interest should be calculated on a reducing balance basis.
10	Moneylenders should be required to incorporate and should have a paid-up capital of at least \$100,000. They should be required to submit annual audited accounts to the Registry.
11	Moneylenders could be allowed to advertise in the newspapers using strict templates designed by the Registry so as to prevent misleading advertisements. The number and frequency of such advertisements can also be controlled.
12	Guidelines on acceptable debt collection behaviour should be introduced.
13	Effects of late repayment should be explained to borrowers in dollar terms.
14	Business loans, defined as loans to businesses which have been registered for at least two years, should not be subject to the loan quantum and borrowing costs caps.
15	The Registry should collect a better set of data on both borrowers and moneylenders. The Committee has recommended a list of data items that may be useful.