

UOB survey: More than 60 per cent of property loan customers say they are drawn to the stability of SORA-based interest rates

Singapore, 6 April 2021 – Consumers and corporates in Singapore like the stability of Singapore Overnight Rate Average¹ (SORA)-based interest rates, with more than six in 10 respondents to a recent UOB survey² saying they are open to choosing SORA-pegged products.

Respondents to the survey said the certainty, transparency and stability of the reference rate of their loan were the key considerations when choosing a loan package. The survey also found that more than half of the respondents said they would consider choosing a SORA-pegged loan. However, as consumers are still familiarising themselves with SORA-pegged products, seven in 10 (70 per cent) said they would only apply for one within six to 12 months of the product becoming available.

The increasing awareness and acceptance of SORA-pegged products bode well as the financial industry intensifies a coordinated shift to SORA this year. Financial institutions, including banks, will cease to reference the Swap Offer Rate (SOR) in new products by end of April 2021 and actively help their customers with legacy SOR contracts transit to SORA. The use of SIBOR in new loan products will also cease by end of September 2021³ to reinforce the shift for the Singapore dollar financial markets to a SORA-centred interest rate market.

Mr Eddie Khoo, Head of Group Retail, UOB, said, “UOB has been working closely with the industry on Singapore’s transition to the new reference rate SORA. We understand consumers and small- and medium-sized enterprises want transparency and stability in the reference rate of their loan packages, as this helps them plan their finances better. As a leading provider of property loans in Singapore, our SORA-pegged

¹ SORA is an interest rate benchmark based on the average rate of unsecured overnight interbank Singapore dollar transactions brokered in Singapore. For more information on SORA, please refer to The Association of Banks in Singapore’s (ABS) website: <https://abs.org.sg/benchmark-rates/about-sora>

² Source: UOB conducted an online survey in January 2021 on more than 300 individuals, including business owners, to understand public awareness and acceptance levels of SORA

³ The Steering Committee for SOR & SIBOR Transition to SORA (SC-STs) published a report announcing new industry timelines to cease issuance of SOR derivatives and SIBOR-linked financial products by end-September 2021. Source: [“New timelines to cease issuance of SOR derivatives and SIBOR-linked financial products”](#), joint media release by ABS and SC-STs, 31 March 2021.

property loans offer customers greater certainty and clarity, which will help to increase their confidence in and adoption of more SORA-based financial products.”

In support of the market transition to SORA-based interest rates, UOB launched its first SORA-based residential and commercial property loan solutions in December 2020. The Bank’s three-month compounded SORA-pegged property loans come after the Bank’s issuance of Singapore’s first dual tranche SORA-SOFR corporate loan to CapitaLand in September 2020⁴.

Offering customers greater stability and flexibility

The interest rates of UOB’s SORA-pegged property loans will be reviewed and set every three months, offering customers more stability on their monthly loan repayments. For example, a homeowner or small business who begins their loan in January will have clarity on their interest rates and repayment amount until April, when the next rate review will happen. In contrast, SOR and SIBOR are forward-looking term rates which are more prone to higher volatility.

Homeowners can choose UOB’s SORA-pegged home loan for their completed private properties or HDB flats. With a lock-in period of just one year, UOB’s first SORA-pegged home loan provides customers with greater flexibility to reprice their home loan or to sell their property without any penalty should they wish to do so. During the lock-in period, customers with spare funds also have the option to make early repayments up to a minimum outstanding principal amount of S\$200,000.

In addition, customers applying for a loan for their completed residential properties can opt for a fixed rate-SORA combination package that will give them greater peace of mind in managing their home loan repayments. Under this loan package, there will be two components in customers’ monthly loan instalments. The first portion will be based on a fixed interest rate with a lock-in period of two years and the second will be based on the three-month compounded SORA with the flexibility to make early repayments during the one-year lock-in period. Alternatively, customers may also apply for a home loan package with fixed interest rate during the lock-in period and then a three-month compounded SORA for the remainder of the loan tenor.

⁴ Please refer to UOB media release: [UOB collaborates with CapitaLand on Singapore’s first dual tranche SORA-SOFR loan](#), 3 September 2020.

As part of the Bank's digitalised application process, customers can apply for their SORA-pegged home loans online using MyInfo and receive instant approval in less than five minutes.

For its SME customers, UOB's SORA-pegged commercial property loans come with a maximum tenor of between 25 and 30 years and are available for purchases of new properties or refinancing.

To find out more information on UOB's property loans, please visit www.UOB.com.sg.

– Ends –

Appendix – UOB’s 3-Month Compounded SORA Home Loan Package

Reference rate	3-Month (3M) Compounded SORA as at 5 April 2021
Year 1	1.44 per cent (3M SORA + 1.25 per cent)
Year 2	1.44 per cent (3M SORA + 1.25 per cent)
Subsequent	1.59 per cent (3M SORA + 1.40 per cent)
Lock-in period	One year
Rate review	Every three months
Partial prepayment during lock-in period	Flexibility to prepay up to a minimum outstanding principal amount of S\$200,000
Conversion	One free conversion after lock-in period

About United Overseas Bank

United Overseas Bank (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world’s top banks: Aa1 by Moody’s Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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