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Understanding the Basics of Singapore Home Loan Rates by Geno

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As I write this article, the SIBOR rates in Singapore are at an all time low. This means that many Singaporeans especially the young middle class are buying expensive properties because the current low mortgage rates allow them to afford a huge loan amount. But property experts warn you to not get carried away by this positive trend. The Singapore market cannot remain insulated from what is happening around the world. If current trends are an indication of the things to come, the world is headed for another recession (or probably a depression), and Singapore is sure to become an unwilling participant. The government too has warned that unemployment rates are likely to increase in 2012. Property buyers, especially first time buyers ought to understand the risk factors before committing themselves to a loan that is more than likely to drag for 20 to 30 years. Here are a few things to understand when considering Singapore home loan rates:

â€¢ Banks are not charitable organizations and are here to make money. Do not go hunting for a loan package that is the best in the market; instead choose one that is best suited for you. Factors such as your personal risk tolerance, market impact, and other personal circumstances should be analyzed before buying a property. There are hundreds of packages out there in the market, and each of these is designed to suit the profile of the targeted segment.

â€¢ SIBOR refers to the Singapore Interbank Offered Rate and is the local equivalent of LIBOR (London Interbank Offered Rate). It is determined by the Association of Banks in Singapore (ABS). In Singapore, a fluctuation in SIBOR rates stirs a lot of interest in the market, because a lot of mortgage lenders use SIBOR rates as the benchmark for their loan portfolios. Contrary to popular opinion SIBOR rates fluctuate as well, albeit with much less volatility. And if you have chosen a loan with a minimum lock-in period, you run the risk of being caught adverse SIBOR trend, unless you are willing to pay the redemption penalty.

â€¢ SOR or Swap Offered Rate is also fixed by the Association of Banks in Singapore and depends on complex forex rate calculations. Although SOR rates are traditionally known to be volatile, recent trends have indicated that they are less than SIBOR. Loans based on the SOR benchmark are ideal if you can afford risks.

â€¢ Both SIBOR and SOR are benchmarks that depend on market factors. A change in the market trend is sure to affect these rates, and you cannot be immune to these changes. Fixed interest rates are ideal if you are averse to risk. Thus, you will be paying a fixed price even when the SIBOR and SOR rates fluctuate. But most housing loan packages offer a fixed rate only for a certain time, after which the interest rates are benchmarked at SIBOR or SOR rates.

Before you choose a home loan package, make sure that you understand the basics of the interest rate structure, and other details. You alone know your situation; hence decide for yourself the structure that is best applicable for you.

Geno - About Author:
The author of this article has expertise in a Singapore home loan rates. The articles on a Singapore

home loan rates reveals the authorâ€™s knowledge on the same. The author has written many articles on a Singapore home loan rates as well.

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