

The CPF Requirements Relating to the Disposal of Flats With A Housing Loan From a Private Lender

1. Sections 15(15), 15(6) and 21B of the Central Provident Fund Act (Cap.36) (the “CPF Act”) and the provisions of the Central Provident Fund (Approved Housing Scheme) Regulations (Rg 12) together with the provisions of the Central Provident Fund (New Minimum Sum Scheme) Regulations (Rg 31) / the Central Provident Fund (Revised Minimum Sum Scheme) Regulations (Rg 2) / the Central Provident Fund (Minimum Sum Scheme) Regulations (Rg 16) govern the use and refund of the requisite CPF monies and the maintenance and refund of the CPF Minimum Sum where CPF monies are used for HDB housing purposes.
2. Generally, the requisite CPF refund that has to be refunded when a member gives up his flat ownership is:-
 - (a) the CPF principal amount withdrawn together with accrued interest if the flat is sold during the member’s lifetime and **before** he/she attains the age of 55 years; or
 - (b) the Minimum Sum deficiency or the CPF principal amount withdrawn plus accrued interest thereon, whichever is lower¹. The Minimum Sum deficiency is the Minimum Sum applicable to the member when he/she attains age 55 years less the cash set aside or topped-up in his/her Retirement Account in respect of his/her Minimum Sum up to the time of the disposal of the flat since age 55 (excluding interest earned in his/her Retirement Account and Government cash grants credited to his/her Retirement Account). [This is applicable where the member **attained age 55 years on or after 1 July 1995**².]
3. Section 21B(11) of the CPF Act provides that the statutory charge shall continue in force until one of these events occurs:
 - (a) all the moneys secured by the charge have been repaid; or
 - (b) all the moneys secured by the charge are no longer required by any regulations made under section 77(1) to be repaid to the Fund; or
 - (c) if the Board is satisfied of the occurrence of any of the events mentioned in section 15(15)(e).
4. In respect of paragraph 3(b) above, nothing is refundable in respect of the member if he
 - (a) is entitled to withdraw his CPF moneys under section 15(2), (3) or (4) of the CPF Act and has complied with the requirements for such withdrawal [one

¹ If the Flat is pledged in lieu of the Minimum Sum and the pledged Minimum Sum is higher than the CPF principal amount withdrawn plus the accrued interest thereon, then the amount refundable is the lower of the Minimum Sum deficiency and the pledged Minimum Sum.

² A member who had attained age 55 years before 1 July 1995 is required to refund the Minimum Sum pledged (or any part thereof) plus accrued interest thereon, if the Flat is pledged in lieu of setting aside the requisite Minimum Sum or any part thereof in his/her Retirement Account.

example is where member has reached age 55 years as at the date of sale and does not have any Minimum Sum deficiency]; or

- (b) has passed away prior to the date of sale of the flat.
5. Where a member applies to withdraw his/her CPF upon attaining age 55 years, he/she is required to set aside the Minimum Sum in his/her Retirement Account for retirement purposes [see sections 15(2)(a) and 15(6) of the CPF Act]. If the member does not have sufficient moneys in his/her CPF Account as a result of using the moneys for housing purposes, the moneys secured by the section 21B charge on the flat will be taken into consideration towards setting aside part of the Minimum Sum in his/her Retirement Account [see regulations 2, 4 and the Second Schedule of the Central Provident Fund (Revised Minimum Sum Scheme) Regulations/ Central Provident Fund (New Minimum Sum Scheme) Regulations].
6. Where the member has sufficient CPF monies to set aside his/her CPF monies in his Retirement Account at age 55 years, but he/she has chosen to pledge the flat under section 15(10) or (10A) of the CPF Act in lieu of the Minimum Sum or any part thereof in cash and to withdraw the balances in excess of the Minimum Sum cash component, he/she would have to refund the pledged Minimum Sum upon disposal of the flat, if no CPF monies has been used for the purchase of flat³.
7. The priority for distribution of proceeds of sale as provided in regulation 14A of the Central Provident Fund (Approved Housing Scheme) Regulations is as follows:
- (a) settlement of outstanding private housing loan; and
- (b) settlement of requisite CPF refunds to all outgoing members' respective CPF accounts.

Only thereafter can the balance net proceeds of sale be used to settle the costs, expenses, charges, commissions and disbursements relating to the sale of the flat and division between the parties.

8. Should the sales proceeds after deducting the outstanding private housing loan be insufficient to effect the abovementioned requisite CPF refunds in full and provided that the flat is sold at fair market value (i.e selling price is at market valuation or above), the Net Sales Proceeds as apportioned below is required to be refunded to the members' respective CPF accounts. Net Sales Proceeds is the selling price less the outstanding private housing loan. In such an event, the members need not make good the shortfall in cash.
9. The Net Sale Proceeds is apportioned as follows:
- (a) Refund to Member A's CPF Account:
- $$= \frac{\text{Requisite CPF Refund of Member A}}{\text{Requisite CPF Refunds of Member A + Member B}} \times \text{Net Sales Proceeds}$$
- (b) Refund to Member B's CPF Account:
- $$= \frac{\text{Requisite CPF Refund of Member B}}{\text{Requisite CPF Refunds of Member A + Member B}} \times \text{Net Sales Proceeds}$$

³ If the member had attained age 55 years before 1 July 1995, he/she would have to refund the pledged Minimum Sum plus accrued interest thereon.

10. Where it is a sale of part share and the part share selling price, after settling the outgoing member's (Member A in the example below) share of the outstanding housing loan, is insufficient to effect his requisite CPF refund in full, his refund amount will be the higher of the two amounts calculated by the formulae below, provided the sale of part share is at fair market value:

Formula 1	Part share Selling Price – x% of outstanding housing loan <i>Where x% = share of flat</i>
Formula 2	$\frac{\text{Member A's requisite CPF refund} \quad \times \text{Balance Proceeds}}{\text{Total requisite CPF refund for Member A \& B}}$ <i>Balance Proceeds = Selling price for whole flat - Outstanding housing loan</i>

The refund is capped at the part share selling price or the requisite CPF refund, whichever is lower. This is provided the flat is sold at fair market value.

11. Unless the requisite CPF refunds is effected to the members' respective CPF accounts as above, the statutory charge on the flat shall not lapse and the members would not be able to proceed with the sale, transfer or otherwise disposal of the flat.
12. As the CPF housing refund or non-refund depends on the member's age and living status **at the time of the sale, transfer, assignment or otherwise disposal of the flat**, the order of court should adequately provide for the appropriate scenarios and the parties' obligations/entitlements.

For example, if the parties are seeking an order for:

- (a) *the refund of the CPF principal amount withdrawn plus accrued interest thereon (P+I), then parties should obtain further orders directing:*
- (i) *that the sale, transfer, assignment or otherwise disposal of the flat is to take effect **before** the outgoing member attains 55 years of age (where possible) and during hi/hers lifetime ;and*
 - (ii) *should the sale, transfer or otherwise disposal of the flat take place after the outgoing member attains 55 years of age, how the balance sale proceeds after the CPF requisite refunds are made should be divided, taking into consideration that the outgoing member only needs to refund the Minimum Sum deficiency which may be less than the P+I;*
- (b) *the requisite CPF refund to be effected and if the member dies **before** the sale, transfer, assignment or otherwise disposal of the flat or if the outgoing member is able to set aside the requisite Minimum Sum in his Retirement Account, then parties should consider obtaining further orders on who is to benefit*

*from such moneys since nothing is payable to the member's CPF account
[see paragraph 4 above].*

NOTE:

The above is subject to the provisions of the CPF Act and the subsidiary legislation made thereunder as well as any amendments that may be made from time to time.

The CPF Board will not be involved in the distribution of any monies in excess of either/both the requisite CPF housing and Minimum Sum Scheme refunds. The appropriate parties/beneficiaries are to deal with the distribution of such excess moneys upon the sale, transfer, assignment or otherwise disposal of the flat.

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