



**Property slowdown:** Potential buyers checking out properties at a recent property fair. For the last couple of months, there has been pressure on banks to relax lending rules to boost the property sector.

STARBIZ  
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11/8/2016

# Options for first time house buyers

They are encouraged to apply for Govt schemes such as SRP

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**PETALING JAYA:** In the wake of increasing pressure on banks to relax lending rules, the Association of Banks in Malaysia (ABM) is asking first time home buyers to consider applying for Government schemes such as "Skim Rumah Pertamaku" (SRP) for assistance in their property purchase.

An ABM statement said 11 commercial banks and 11 Islamic financial institutions in Malaysia were participating in the SRP scheme. The full list is on SRP's website (<http://www.srp.com.my/>).

According to the website, 100% financing is available for houses capped at RM500,000.

Applicants must have a combined gross income of RM5,000. They must meet other conditions. "Homebuyers are reminded that there are various financing options for them.

"Commercial banks have been offering housing loans to applicants who are eligible," the statement said.

While ABM is encouraging first time house buyers to consider government schemes, it also drew attention to the perils of obtaining more credit, which might not be sustainable in the long term. It also discourages house buyers from "over-stretching" themselves financially. "There may also be hidden costs or charges which may not be apparent," the ABM statement said.

ABM also advised first time house buyers to shop around as each financial institution

offers different financing packages. It is, therefore, important to get loan estimates from multiple lenders before making a decision to make a purchase.

"The borrower may also want to consider getting pre-approved for a housing loan before looking at purchasing a property," ABM said.

Monthly home loan instalments and other long term monetary commitments, such as hire purchase loans, should not exceed more than 40% of gross monthly income, ABM said.

ABM said first time housing loan applicants should work with their financiers when making the suitability and affordability assessments for any facility applied.

Only by doing so can the country pave the way for "a more robust" financial management system. Member banks are committed to playing their role in this process, ABM said.

ABM has 27 members, comprising commercial banks that currently operate in the country with the main objective to establish and promote a sound banking system in cooperation and consultation with the regulators. The ABM statement comes a couple of days after Penang Chinese Chamber of Commerce calls on lending rules to be relaxed.

For the last couple of months, there has been pressure on banks to relax lending rules to boost the property sector. The property sector was particularly buoyant starting from 2009 until 2014 but this period also coincided with tremendous speculation in the sector.

A source told *StarBiz* in April that there was a difference between a house purchase and house ownership.

"A borrower may be able to buy a house, but this need not result in house ownership.

"There is no point doing a cursory credit assessment and a borrower services loan for only three to four years only to have it auctioned off later. Our objective is to make sure only those who can afford loan can get a loan," the source said.

That objective remained, the source said, adding that while the bank was protected because it could auction the property, the borrower was left with a debt he could ill afford. Malaysia's household debt over GDP (gross domestic product) declined to 89%, or RM1.04 trillion, at the end of March this year, from 89.1% at the end of 2015, Deputy Finance Minister Datuk Chua Tee Yong said in May.

He said 62.6% from the total household debt as of March this year was intended for assets collection which included property acquisition and investment in financial assets. In July, Second Finance Minister Datuk Johari Abdul Ghani said Malaysia's household debt was among the highest in the world.

"Ultimately, the people will suffer because if we look at our household debt, we are among the highest in the world." Johari said housing loan, car loan, credit card loan, personal loan, investment loan came under household loans and were subject to interests which would burden the people in the long run.