

**Standardised Documentation for Description of Key Terms for
Housing Loan / Home Financing Agreements of RM500,000 and below**

Frequently Asked Questions (FAQs)

1. What is the rationale for the standardisation of the key terms for housing loan / home financing agreements?

- The Association of Banks in Malaysia (ABM) in collaboration with its 13 Council bank members have embarked on an exercise to standardise the key provisions for housing loan / home financing agreements for the following reasons :-
 - a. To ensure that such provisions are presented in a manner that is consistent, clear and easy to understand.
 - b. To promote consumers' understanding of their rights and obligations.
 - c. To enable consumers to make informed decisions that best meet their financial circumstances and needs.
 - d. To enable consumers to make a more direct comparison of the financial products and services offered.
 - e. To improve the turnaround time for the processing of housing loans.

2. When are the banks expected to adopt the standardised template?

- Commercial banks are expected to adopt the standardised template commencing from Tuesday, 1 January 2013 in respect of loans granted on or after that date.

3. Will the standardised template apply to all types of housing loans / home financing?

- The standardised template will apply to agreements for housing loans / home financing involving a principal sum of RM500,000 and below and which are:-
 - a. Extended to individuals;
 - b. For the purpose of financing the purchase of residential property by the borrower(s); and
 - c. Not combined with another different type of facility or facilities.
- The limit would be a good start as most housing loans/home financing are generally for a principal sum of RM500,000 and below.
- Banks may however elect to adopt the standardised provisions for any housing loan or home financing agreement which is to say, agreements which:
 - a. May have a principal sum in excess of RM500,000; or
 - b. Are combined with another different type of facility or facilities.

4. How does one determine the principal sum of RM500,000?

- For purposes of determining the principal sum of RM500,000 and whether or not the standardised template is to apply, only the loan amount to be applied towards the purchase price of the residential property is to be taken into account. The loan or financing may, however, extend to cover:-
 - a. Renovation costs;
 - b. Mortgage Reducing Term Assurance (MRTA) or such other insurance premium as may be permitted by the banks; and
 - c. Legal fees incurred in connection to the purchase of the property.

5. How will the standardisation be implemented?

- The standardisation will take the form of a 3-part agreement as follows:-
 - a. Part A which will contain the standardised terms – in this respect a template has been introduced by ABM for adoption by the participating banks;
 - b. Part B which will contain other terms not covered in Part A; and
 - c. Part C which will have attached the respective bank's Letter of Offer.

6. What are the terms which can be found in the standardised template (Part A)?

- The standardised provisions include terms for payment of interest, calculation of interest, repayment, pre-payment, events and consequences of default.
- Banks may refine the wordings of the terms subject to their own individual banking practices.

7. What would be the expected timeline for banks in processing a housing loan application?

- A general timeline for straight-forward housing loan applications can be found [here](#).

8. Will the standardised template be made available in Bahasa Malaysia?

- The template can be made available in Bahasa Malaysia upon request. Barring any unforeseen circumstances, the Bahasa Malaysia version will be made available no later than 30 October 2013.