

## Consumer Guide on **BORROWING**

At some stage in life, one has to borrow money from financial institutions. How do you prepare yourself for this? Let us explain how you can decide what financing product is right for you.

### **What to bear in mind?**

- When you borrow remember that you have to pay it back.
- Borrowing money costs money. So, do not borrow more than you need or can afford.
- You should work out how much you can afford to repay every month based on your income, expenses and other debt commitments. Otherwise, you may have difficulty in repaying in the future.
- In assessing whether you can afford the financing, you should consider future increases in the financing rate or any changes that might affect your income or expenses in the future.

### **Shop around for the best deal**

- Take the time to compare the financing rate, lock-in-period and penalty, product features, fees and charges.
- A small difference in the financing rate can make a big difference to what you have to repay.
- To help you compare products, financial institutions should give you a Product Disclosure Sheet (see the attached sample) containing key information on the financing product.
- You can also refer to the comparative tables on financing products available on the bankinginfo website at [www.bankinginfo.com.my](http://www.bankinginfo.com.my) to help you decide on the right product that meets your needs and requirements.
- Read and understand the key terms, relevant charges and your obligation as a borrower.
- Ask for an explanation on any terms that are unclear to you.
- Know what you are getting into before signing up for a financing product.

### **What information I need to provide with an application?**

- Latest 3 months salary slip and evidence of other income.
- Latest EPF statement or income tax return form.
- If you are self-employed, the latest 6 months bank statement and financial statement.
- Your existing debt commitments (e.g. loan from cooperatives, instalment plan with merchants, etc).

### What is my responsibility as a borrower?

- Provide adequate and accurate information in the application form. Disclosing inaccurate information may affect your risk profile causing the financial institution to impose a higher financing rate. The financial institution may even reject your application if you provide inaccurate information.
- Read the financing documents before you sign them.
- Repay before or by the due date to avoid being charged a late payment penalty.
- Try to pay down your financing if you have excess money to save on interest charges. Check with your financial institution if any fees apply for early repayment.
- Make payments to clear your instalments in arrears first.

### What are my rights?

- Your financial institution must give you at least 21 days notice before changing any terms in your financing agreement (including fees and charges).
- Your financial institution must provide you a statement at least once a year, detailing the payments made and amounts charged to your account.

### What if the financing rate increases?

- If your financing is based on a variable rate, the financing rate may change according to changes in the reference rate or your risk profile.
- When the financing rate increases, your total repayment and total financing costs will be higher at the end of the tenure.
- Assuming you borrow RM250,000 for 20 years with a financing rate of 6%, your monthly repayment is RM1,791. If the financing rate rises by 1% you have to pay an additional RM147 per month. If the financing rate increases by 2% you have to pay an additional RM300 per month.

	Today (rate = 6% )	If rate goes up 1%	If rate goes up 2%
Monthly repayment	RM1,791	RM1,938	RM2,091
Total interest cost at the end of 20 years	RM159,859	RM215,179	RM251, 864
Total repayment amount at the end of 20 years	RM429,859	RM465,179	RM501, 864

### **What if I fail to meet my repayment?**

If you have trouble meeting your repayments, contact your financial institution early to discuss repayment options. It is important to act quickly, if not, your financial institution may:

- Charge you a late payment penalty of 1% per annum on the amount in arrears causing your total outstanding debt to increase.
- Increase the financing rate. The interest on your loan will build up so you end up paying more.
- Set-off any credit balance in your savings account against any outstanding balance in your financing account.
- Take legal action against you. Your financial institution may repossess your car (for car financing) or foreclose your property (for home financing). You have to pay for all the costs related to repossession or foreclosure. If there is a shortfall after your car or property is sold, you are still responsible to pay the balance amount owing to the financial institution.

You may also seek the assistance of Agensi Kaunseling dan Pengurusan Kredit (AKPK). AKPK is an agency set up by Bank Negara Malaysia to provide free services on financial management, credit counselling, financial education and debt restructuring for individuals. You can contact AKPK at:

Level 8, Maju Junction Mall  
1001 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : **1-800-88-2575**  
Email : [enquiry@akpk.org.my](mailto:enquiry@akpk.org.my)  
Website : [www.akpk.org.my](http://www.akpk.org.my)

### **Where do I go if I have a complaint?**

- If you have any query or problem regarding your financing contract, contact your institution's customer service or complaint unit first.
- You may also contact Bank Negara Malaysia LINK or TELELINK at

Block D, Bank Negara Malaysia  
Jalan Dato' Onn  
50480 Kuala Lumpur.  
Tel : **1-300-88-5465**  
Email : [bnmtelelink@bnm.gov.my](mailto:bnmtelelink@bnm.gov.my)

## SAMPLE - Product Disclosure Sheet for Housing Loan / Home Financing

<p><b>PRODUCT DISCLOSURE SHEET</b></p> <p><b>(Read this Product Disclosure Sheet before you decide to take out the &lt;Name of Product&gt;. Be sure to also read the terms in the letter of offer. Seek clarification from your institution if you do not understand any part of this document or the general terms)</b></p>	<p>&lt;Name of Financial Service Provider&gt;</p> <p>&lt;Name of Product&gt;</p> <p>&lt;Date&gt;</p>
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### 1. What is this product about?

This housing loan / home financing is calculated on a variable rate basis and you are offering your house as a security for this financing.

### 2. What do I get from this product?

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| <ul style="list-style-type: none"> <li>• Total amount borrowed: RM xx (k% of house price)</li> <li>• Tenure: [20] years</li> </ul> | <ul style="list-style-type: none"> <li>• Base lending rate (BLR) / Base financing rate (BFR): k%</li> <li>• Interest rate / profit rate :             <ul style="list-style-type: none"> <li>Year 1-3: x%</li> <li>Year 4-5: BLR / BFR + y%</li> <li>Thereafter: BLR / BFR + z%</li> </ul> </li> <li>• Effective lending rate: xx%</li> </ul> |
|--|---|

### 3. What are my obligations?

- Your monthly instalment is **RM xx**
- Total repayment amount at the end of [20] years is **RM zz**

**Important:** Your monthly instalment and total repayment amount will vary if the BLR / BFR changes.

Rate	Today (BLR=k% )	If BLR goes up 1%	If BLR goes up 2%
Monthly instalment	RM xx		
Total interest cost at the end of 20 years	RM yy		
Total repayment amount at the end of 20 years	RM zz		

- *State whether the borrower has to service interest/profit during construction period for a property under construction. Explain how the interest/profit is calculated.*

#### 4. What other charges do I have to pay?

##### a) Stamp Duties

As per the Stamp Act 1949 (Revised 1989)

##### b) Disbursement Fee

Include fees for registration of charge and other related charges

##### c) Processing Fees

One time fee charged for approved financing

Rate (RM)	Range (RM)
50	Up to 30,000
100	30,001 - 100,000
200	100,000 and above

#### 5. What if I fail to fulfil my obligations?

- Late payment charges of 1% p.a. on the amount in arrears, causing the total outstanding to increase.
- If you fail to pay 3 monthly instalments consecutively, we may increase the financing rate.
- We may set-off any credit balance in account maintained with us against any outstanding balance in this financing account.
- Legal action will be taken if you fail to respond to reminder notices. Your property may be foreclosed and you will have to bear all costs. You are also responsible to settle any shortfall after your property is sold.
- Legal action against you may affect your credit rating leading to credit being more difficult or expensive to you.

##### *To highlight other key terms and conditions*

#### 6. What if I fully settle the loan during the lock-in period?

- Lock-in period: **k years** (to start from xx)
- Early termination fee: x% of outstanding amount or original financing amount

#### 7. Do I need any insurance / takaful coverage?

- Indicate if mortgage reducing term assurance (MRTA) / mortgage reducing term takaful (MRTT) is required.
- Indicate if other insurance coverage is required.

#### 8. What do I need to do if there are changes to my contact details?

It is important that you inform us of any change in your contact details to ensure that all correspondences reach you in a timely manner.

## 9. Where can I get assistance and redress?

- If you have difficulties in making repayments, you should contact us earliest possible to discuss repayment alternatives. You may contact us at:

ABC Bank Berhad

Tel:

Fax:

E-mail:

- Alternatively, you may seek the services of Agensi Kaunseling dan Pengurusan Kredit (AKPK), an agency established by Bank Negara Malaysia to provide free services on money management, credit counselling and debt restructuring for individuals. You can contact AKPK at:

Tingkat 8, Maju Junction Mall

1001, Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 1-800-22-2575

E-mail : enquiry@akpk.org.my

- If you wish to complaint on the products or services provided by us, you may contact us at:

ABC Bank Berhad

51, Jalan Sultan Ismail

50122 Kuala Lumpur

Tel:

Fax:

E-mail:

- If your query or complaint is not satisfactorily resolved by us, you may contact Bank Negara Malaysia LINK or TELELINK at:

Block D, Bank Negara Malaysia

Jalan Dato' Onn

50480 Kuala Lumpur.

Tel : 1-300-88-5465

Fax : 03-21741515

E-mail : bnmtelink@bnm.gov.my

## 10. Where can I get further information?

Should you require additional information about taking a housing loan, please refer to the *bankinginfo* booklet on 'Housing Loans', available at all our branches and the [www.bankinginfo.com.my](http://www.bankinginfo.com.my) website.

## 11. Other housing loan / home financing packages available

- Abc
- Xyz

**IMPORTANT NOTE: YOUR HOUSE MAY BE FORECLOSED IF YOU DO NOT KEEP UP REPAYMENTS / PAYMENTS ON YOUR HOME FINANCING.**