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# Lenders not to blame for housing loan rejections

*Financial institutions are only conforming to BNM's guideline on responsible lending policy, says economist*

by IZZAT RATNA

**LENDERS** should not be blamed for the failures of potential house buyers to acquire the necessary financing to purchase their homes and the over RM8.4 billion property overhang in the market.

Over the last six years, Bank Negara Malaysia (BNM) had tightened the requirements for borrowers to stem the rise of the country's household debts.

It had also pulled the brakes on the Developers' Interest Bearing Scheme, an easy purchase scheme which had rocketed property sales. The moderating loans growth due to the

challenging business outlook had forced banks to be prudent in their lending business.

MIDF Research chief economist Dr Kamaruddin Mohd Nor said financial institutions were only conforming to BNM's guideline on responsible lending policy — especially in today's challenging environment.

"The guideline is seen as a positive impetus against market volatility. It has worked with household debt declining from 89% to 85% in the first-quarter of 2017.

"The guideline may not favour the high-risk group, but generally it does benefit the whole system. We have to look at the bigger picture and the benefits for the long term," he told *The Malaysian Reserve*.

Loan applicants' credit worthiness is based on their debt service ratio. Those who exceeded the ratio would not be allowed to borrow as they were

deemed as a credit risk in the event of an economic shock.

Meanwhile, the Real Estate and Housing Developers' Association (Rehda) had blamed credit huddles for homebuyers behind the glut in the industry.

The association — which represents over 1,000 developers from Peninsular Malaysia — had claimed that only about 50% from the total household debts comprised property purchases. It left room for the bank to continue to lend, especially for residential purchases.

Rehda had also said buyers' house bookings were not translated to sales, as banks were only giving 70% of financing.

Property consulting firm CBRE-WTW MD Foo Gee Jen said the high-risk group should be educated on the importance of having the appropriate documents to

facilitate loan approvals.

"We need to educate them on the importance of having a good income tax return history, as the lack of a payslip does not necessarily mean they cannot borrow money from the bank.

"As long as proper income tax returns are filed and in place, banks would be in a better position to determine whether to lend them money," he said. On another note, the National House Buyers Association (HBA) has backed a call for banks to be more lenient in vetting housing loan applications.

HBA said banks should conduct their own evaluations of applicants' other incomes.

According to the National Property Information Centre's Malaysian Property Market Report 2016, 87,550 applications for housing loans from the total 168,154 submissions to lenders were approved last year.