



Headline	RAM Banks' housing credit quality to remain stable
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RAM: Banks' housing credit quality to remain stable

KUALA LUMPUR: RAM Ratings expects the credit quality of banks' housing loans to stay relatively stable in 2017 despite the spiralling cost of living, thanks to the low gross impaired loan ratio for residential property loans (1.2% as at end February 2017) and debt-servicing ability of households supported by Malaysia's healthy economic growth, and low interest and unemployment rates.

"Even for properties priced below RM250,000 at origination, which typically exhibit poorer credit quality, the weakening has not been significant," observes

Wong Yin Ching, co-head of financial institution ratings.

The residential property sector is envisaged to remain sluggish in 2017, checked by depressed consumer sentiment and selective lending by banks. As such, transaction volumes are likely to stay muted. Nonetheless, the availability of affordable housing has been gathering momentum.

RAM estimates that the new, more accessible end-financing scheme for People's Housing Programme (PRiMA) units could contribute about 1-2 percentage

points to the banking system's overall loan growth over the next two years. The new affordable housing end-financing scheme features interest-only payments for the first five years of the loan.

"Some of them (this new segment of borrowers) may face repayment issues when the interest-only period ends and the full repayment of principal and interest kicks in," said Wong.

On the other hand, banks' credit risk will be partly mitigated by their ability to call on the government guarantee of up to RM100,000.