

Headline	Relaxing home loan rules will boost property market
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# Relaxing home loan rules will boost property market

**H**OUSING loan borrowers say it is difficult to obtain approvals but commercial banks say those who are eligible will have no problem getting them.

But ask developers and they will tell you that the loan rejection rate is still high with up to 30% of applicants turned down. That's much higher than four years ago when the rejection rate was less than 10%.

In July 2013, Bank Negara Malaysia introduced stringent measures on borrowers to avoid excessive household indebtedness. The measures included reducing the maximum property loan tenure from 40 years to between 15 and 35 years. The basis for calculating net income of applicants was also tightened. Those with more than one

housing loan were also subject to smaller loan-to-value ratios.

The measures succeeded in cooling the excessive speculation and spiralling property prices, especially in urban areas. Based on Bank Negara's data, non-performing loans for residential properties have declined from 1.66% of total outstanding loans in July 2013 to 1.11% currently.

But after four years, it's time to relook the measures. The Association of Banks in Malaysia (ABM), in response to recent criticism, reiterated that loans are being given to eligible borrowers. From January to May, commercial banks disbursed RM24.6 bil worth of loans for home purchases.

On loan rejections, the ABM cited factors such as high debt service ratio, credit history and insufficient income. But the

one on "credit history" raises questions.

It implies that borrowers need to establish some form of repayment track record prior to the loan application. Surely, first-time buyers or those joining the workforce won't have a track record?

This ruling can have significant repercussions on the property market. Even those applying for financing for medium- or low-cost homes will be affected.

For example, it was reported that over half of the 500 units of a Batu Kawan affordable housing scheme in Penang are still not sold because buyers can't secure loans.

According to the National Property Information Centre's Property Market Report 2016, the housing overhang in the country grew to 14,792 units last year, up by 44% from 2015. The value of these units increased by 71% to RM8.6 bil.

It is time for the central bank to ease some of its measures. Allow the banks to pour funds back into the economy as otherwise the poor property market sentiment won't improve anytime soon. **FocusM**