

MEMBERS' CIRCULAR 3/2020

To : All REHDA Members

From : Ir Tiah Oon Ling
Secretary General

Cc : REHDA Branch Chairmen
REHDA Branch Secretariats

Date : 13 January 2020

RE : Issues raised by Bank Negara Malaysia (BNM) and Association Bank Malaysia (ABM) on:-
- Loan Compression; and
- Transparency of Selling Price

Dear Fellow Members,

Kindly be informed that REHDA Malaysia has been in constant engagements with Bank Negara Malaysia (BNM) to discuss financing issues pertinent to the housing and property industry. Among the main concerns highlighted by BNM recently are loan compression issues and transparency of property prices declared by property developers.

REHDA was informed that banks/financial institutions have reported cases where purchasers applied loans for multiple units with various Banks but made declaration that the purchase was for one/the same unit (loan compression). As CCRIS can only capture the number of applications submitted without any indication of whether it is for the same unit or multiple units, some banks have proceeded to assess and offer margin of financing as though it is for the purchase of one unit. The intention of the borrowers was to obtain approval for end-financing with higher margin of financing for multiple units of properties. As more than one bank may provide financing to the multiple applications submitted, this may have risks in the loans being impaired (NPL).

Pursuant to this, REHDA has been requested to advise member developers to notify the bank(s) in the event of purchaser applying for end-financing for multiple units. BNM views such cases very seriously and has even suggested that house purchaser be required to make the necessary declaration if the matter continues to persist.

Another issue highlighted by BNM and ABM is the transparency of the selling price declared by developers, whereby the Sale and Purchase Agreement (SPA) must reflect the net price of the properties after considering rebates and discounts offered by developers. There have been cases, where developers purposely inflated the selling price so that their purchasers can obtain higher margin of financing.

REHDA would like to remind all members the importance of good governance and practices and caution that banks may decline end-financing facilities for developers involved in any misconduct. We trust all members will take the necessary action on this matter to ensure greater compliance in your business, a small step on our part which we hope will help prevent the introduction of more stringent laws and regulations for the housing industry in the future.

Thank you.

Yours sincerely

REAL ESTATE & HOUSING DEVELOPERS' ASSOCIATION MALAYSIA



IR TIAH OON LING
SECRETARY GENERAL