

Bank Negara: Loan criteria review won't resolve affordable housing issue

PETALING JAYA: Access to financing is not the main issue in affordable housing, said Bank Negara.

Referring to media reports on calls to review housing loan criteria for potential buyers of affordable houses, the central bank said in a statement that the comments had caused confusion and were not based on facts and accurate information.

"If the issue of affordable housing is to be resolved, all parties must be clear on the root cause of the matter and honestly strive to

help those affected by it," it said.

Based on engagements with banking institutions, it found that housing loans rejected by banking institutions mostly involved borrowers with high levels of pre-existing debt obligations that would expose them to severe financial risk if further debt were extended.

"For such borrowers, the risk of foreclosure is significantly higher and they are much more likely to fall in financial hardship in the event of income shocks or large medical expenses," it said.

According to Bank Negara, eligible home buyers will continue to have access to financing.

In the first five months of 2017, RM40bil of housing loans were approved to more than 152,000 borrowers. Three quarters of these borrowers were first-time house buyers.

The approval rate for housing loans had also been stable at 74%, it said.

Banks had also introduced more flexible financing solutions to improve affordability, such as that offered for PR1MA homes.

Outstanding housing loans had continued

to outpace overall loan growth, increasing by 8.6% year-on-year to RM493bil as at end-May 2017, the central bank pointed out.

"The responsible financing guidelines are in place to protect the interests of borrowers by ensuring that those who borrow are within their capacity to honour their financial obligation. Financial institutions will offer financing to all eligible borrowers and only reject loan applicants who are clearly over-extended in terms of the ability to take on more debt."