

RM40b housing loans approved in 5 months

> Bank Negara Malaysia says it again – access to financing not main issue in affordable homes segment

PETALING JAYA: Bank Negara Malaysia (BNM) yesterday reiterated that access to financing is not the primary issue in affordable housing with a stable housing loan approval rate of 74% and about RM40 billion housing loans approved in the first five months of the year.

The central bank was responding to calls by some quarters to review housing loan criteria for potential buyers of affordable houses.

“The comments made by some parties 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 in a statement.

BNM noted that the RM40 billion of housing loans approved were for more than 152,000 borrowers in the first five months of 2017, of which three quarters were first-time house buyers.

The central bank said banks have introduced more flexible financing

solutions to improve affordability, such as that offered for iMalaysia People's Housing (PRiMA) homes.

Outstanding housing loans have continued to outpace overall loan growth, increasing by 8.6% year-on-year to RM493 billion as at end-May 2017, according to BNM.

The central bank said based on engagements with banking institutions, 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 is extended.

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

The central bank is of the view that there is a need to address the shortage of affordable houses and the high house prices relative to income.

“Housing affordability has not improved significantly where average

national house prices remained at 4.4 times of median income (affordable range is 3.0 and below), with lower affordability recorded for some major states and urban cities.”

Given that, BNM is urging the housing developers, authorities and relevant stakeholders to intensify efforts to reduce costs and accelerate supply.

Based on National Property Information Centre's data, less than 30% of new housing launches in 2015-2016 were for houses priced less than RM250,000, compared with 70% during the 2008-2009 period.

BNM explained that the responsible financing guidelines are in place to protect the interests of borrowers by ensuring that those who borrow have the 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 and have adverse credit repayment histories. It is worth reminding that banking institutions' core business is to provide financing.”