Give leeway to house buyers

THE furore over affordable housing and the inability to secure bank loans (even by first-time house buyers) continue to rage on with various parties appearing to give conflicting views.

Yet the obvious pain/point here, i.e difficulty in securing a bank loan, still remains unaddressed. This problem persists not only for properties in the primary market (new houses sold by developers) but also in the secondary market, i.e second-hand houses.

In the Klang Valley, it may be rare to find residential properties going for below RM200,000. But in other areas such as Ipoh and Melaka, there are still many residential properties priced at below this amount.

This is especially so in the secondary market. These properties are all definitely within the "affordability range" of most genuine, first-time house buyers.

Yet, despite the countless denials issued by the local banks through the Association of Banks Malaysia (ABM), most of these eligible buyers/borrowers continue to be spurned by the banks' overly rigid credit evaluation policies, especially at headquarters level.

Discreet checking with most property agents/agencies will reveal that the primary stumbling block for first-time house ownership especially outside the Klang Valley is not the lack of affordable houses but rather the extreme difficulty in securing a bank loan.

As a former bank employee (having served as head of a branch loans department) and subsequently a registered senior property negotiator for the past 25 years, I would like to propose the following measures for all the banks to consider to help ease the burden faced by thousands of genuine first-time house buyers around the country.

> **Banks can adopt a more realistic and just credit grading system to genuine first-time house buyers.**

1. Banks can formulate a "special package" for genuine first-time house buyers by doing away with "overly cautious" internal loan assessment and approval guidelines. This may be packaged along the lines of the many products they roll out to assist small medium enterprises (SMEs).

2. Do away with rigid, across-the-board net disposable income (NDI) computation. Instead, for genuine first-time house buyers, banks may give branch loans officers and managers the discretion to calculate a fair and reasonable "living expenses deduction" instead of adopting a fixed formula. Likewise, in calculating an applicant's total net income, banks are to give reasonable weightage to overtime, allowance and other incomes. I have discovered that some banks tend to suppress this, thereby affecting the NDI, which then adversely affects the loan applicant's "score-sheet" and ultimately disqualifies him/her.

3. It's no secret that many banks assign "grades" to their loan applicants. These grades may be based on the applicant's nature/type of job or sometimes by his/her income threshold. For example, I am given to understand that some banks automatically categorises an applicant as a "vulnerable client" or "grade D" once the monthly income falls below RM5,000. Because of this, the client's application will then be either declined or at best the margin of financing (MoF) will be slashed to as low as 70%, in which case the poor applicant will be unable to accept the loan (even though the sale price of the house may be well within the affordability range, i.e below RM200,000). To address this anomaly, banks can adopt a more realistic and just credit grading system by giving a special leeway to genuine first-time house buyers.

4. It's a well-known fact among most property practitioners that nowadays most housing loan applications have to be submitted to the respective bank's headquarters for management's approval (even for "small" loans with an applied limit of less than RM100,000 for purchase of low-cost properties). There is a need here for banks to review this procedure as most headquarters are located within the Klang Valley and, as such, the officers/managers there may not have the necessary knowledge/nous or "sensitivity" to peculiarities or market situations outside their particular region.

To address this, banks could "decentralise" the approving authority to their regional centres or even to their branches. However, this flexibility may only be accorded to first-time housing loan applicants. Conversely, banks may upskill their HQ loans officers via secondment to regions/branches outside the Klang Valley so that they can be better accustomed to assess the realities outside their region.

5. Lastly, the authority that is best positioned to compel the banks to act is Bank Negara Malaysia, the regulator of the financial industry in this country. Therefore, it is with Bank Negara that the buck should stop. To date, Bank Negara has done a sterling job in ensuring that banks do not step out of line when dealing with the public. There is now an urgent need for it to play a more active and assertive role in resolving the woes of the poor, genuine first-time house buyers in this country.

Towards that end, Bank Negara has to adopt a more balanced stance in controlling the risks associated with banks' non-performing loans (NPL) while at the same time also ensure that eligible first-time house buyers are not deprived of a loan. To their credit, Bank Negara did conduct a study recently whereby it identified the need to maintain a centralised registry for first-time house buyers. That registry in tandem with the existing CCRIS report should provide banks with a reliable database to launch their special loan package to urgently help the thousands of genuine first-time house buyers who have been unfairly let down by the banks' stringent policies these past few years.

The onus is now on the banks and Bank Negara. Indeed, by urgently committing to this special loan package to help first-time house buyers, not only will it help to clear up the overhang of unsold affordable houses around the country, it will also help "liven up" several sub-sectors of the property market which has remained depressed for the past few years.

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