

NewStraitsTimes . THURSDAY, MARCH 29, 2018

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BANK NEGARA 2017 ANNUAL REPORT

FINANCING FOR HOUSES EXPANDS 8.9PC

Sustained demand for affordable housing provided support for expansion last year

NABIL BASARUDDIN
KUALA LUMPUR
bt@mediaprima.com.my

DESPITE the soft housing market conditions, a sustained demand for local affordable housing has provided support for expansion of end-financing by banks.

Bank Negara's Financial Stability and Payment Systems Report 2017 showed that banks' financing for the purchase of residential properties as at end of last year expanded 8.9 per cent compared with 9.2 per cent in 2016, and averaged at 12.5 per cent between the 2010-2016 period.

The report, which was released together with Bank Negara's annual report 2017, showed a total of 515,021 housing loan applications were received by banks last year compared with 450,924 applications in 2016.

A majority, or 61 per cent, of the applications were for the purchase of houses priced below RM500,000.

The rejection rate of housing loan applications stood at 23.1 per cent, below the 2012-2016 average of 26.1 per cent.

Key reasons for housing loan rejection included insufficient income to support debt repayment, adverse credit history and inadequate income or financial



Banks received a total of 515,021 housing loan applications last year, with 61 per cent applying for the purchase of houses priced below RM500,000, according to Bank Negara. PIC BY LUQMAN HAKIM ZUBIR

documentations.

The improvement reflected the greater alignment between bank lending standards and borrowing behaviour, in line with the Policy Document on Responsible Financing, the report added.

On the overall property market, Bank Negara report showed the existence of a vibrant rental market as a viable alternative to home ownership, especially for the lower-income groups, was also important to address the affordable housing issue.

The report said the govern-

ment's 2018 Budget proposal to enact the Residential Rental Act was a step in the right direction.

Over the long term, the introduction of "rent-to-own" schemes would complement this scheme.

In November last year, a domestic Islamic bank, partnering with several property developers, launched a "rent-to-own" scheme for a range of residential properties.

The scheme, which rides on the Islamic finance concept of Ijarah (leasing), provides house buyers

the option to first rent and later purchase the house.

During the year, Bank Negara launched Housing Watch (<http://www.housingwatch.my>) to disseminate important information on the housing market, including home-financing schemes, conditions in the housing market and consumer aids.

Housing Watch serves as a credible source of information to assist potential house buyers to make informed purchasing decisions, thereby complementing information offered through other sources.