

Additional credit facilities would keep house prices high

THE MALAYSIAN RESERVE | Tuesday, August 27th, 2019



THE government's good intentions of easing homeownership among the less affluent segment of the society by planning six new home loan schemes could be detrimental to the buyers in the long run as house prices might remain on the higher spectrum.

Institute for Democracy and Economic Affairs senior fellow Dr Carmelo Ferlito (*picture*) said the additional credit is "dangerous at two levels".

"One, it fuels a credit-oriented mentality, when it is necessary for Malaysians to learn how to live according to actual possibilities, rather than on borrowed money.

"Two, it puts Malaysians at risk in the long run, as low-income classes are more fragile from the financial perspective. Further credit will spread in the medium and long run, where the risk of facing difficult moments increases," he told *The Malaysian Reserve*.

Ferlito said a high level of financial exposure would not help the masses in facing more difficult economic conditions as it would raise the risk of instability and crackdown.

He added that while having more credit facilities would further support the industry that has over-expanded in the past years, it might be detrimental to those in the middle- and low-income classes.

Malaysia's household debt is already high, at around 85% of GDP, he said.

"My fear is that these new measures, while surely good-hearted, might damage the people they want to help. I would rather focus on educational initiatives to improve financial literacy and on affordable rent schemes," Ferlito added.

Asiacap Valuer & Property Consultants Sdn Bhd property valuer Kit Au Yong said the market should be wary of the fact that if the new loan schemes are to loosen the criteria for financing, it will only increase the loan commitment versus their income.

"With that, this measure will not be addressing the issue of 'unaffordability', but instead, it only increases the debt-to-income ratio.

"It will be good if the government can look deeper by targeting the supply and demand issues and the driving forces that affect those issues," Au Yong said.