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Azman: Housing loans one of the 'safest'

THE decline in non-performing loans for residential property as per total NPLs is not a reflection of a clampdown on lending to that sector, but is due to timely servicing of instalments by house-buyers.

Refuting suggestions that there was reduced lending to the housing sector which was considered non-productive, Arab-Malaysian banking group chairman Tan Sri Azman Hashim said it was the liquidity crunch that caused overall lending to go down.

He added that housing loans had traditionally been one of the "safest" as the risk was spread out over thousands of loans in small amounts. Lenders are also less likely to default and risk losing their houses.

"This is why the Government is speeding up the approval process. There is a bigger demand than supply, especially for cheaper houses," he said in Kuala Lumpur yesterday at a Press conference on the upcoming Home Ownership Campaign.

According to Bank Negara's monthly statistical bulletin, commercial banks' NPLs for the purchase of residential property for September this year amounted to RM3.06 billion out of a total NPLs of RM42.4 billion (about 7.21 per cent).

In September last year, the NPLs for residential property was 12.2 per cent or RM1.12 billion of total NPLs.

Residential property NPLs for finance companies showed a similar trend. NPLs for September this year declined to 7.79 per cent or RM1.56 billion of a total NPLs of RM19.96 billion.

Malayan Banking Bhd general manager for consumer banking Ashraf Ali Abdul Kadir agreed that there was never a lending clampdown on houses costing RM250,000 and below, saying it was "just a perception".

Ashraf said housing loans made up 13 to 15 per cent of Maybank's total loans portfolio. Of this, more than 70 per cent are for houses costing RM250,000 and below.

Azman also said the home ownership one-month campaign, to be launched by Prime Minister Datuk Seri Dr Mahathir Mohamad, was part of Bank Negara's objective for financial institutions to meet the eight per cent loans growth target.

But he stressed that the exercise was also a profitable one for banks. "Banks will not do it if we lose money," he said, adding that housing loans were the safest and preferred kind of lending for banks.

Commenting on the demand and supply situation of residential property, Azman said there was no over-supply in medium to low-cost housing, contrary to higher cost properties such as condominiums and office space.

Buyers of their second property would not be restricted from enjoying the benefits of the campaign, said Ashraf.

He added that speculation of property was no longer an issue considering today's economic climate.

"Most of the people will probably buy a second house for their parents, for example. And if they are renting for RM800, they may just want to buy and pay instalments instead," Ashraf said.

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