

EPF housing loan 'comes with 2.67 times guarantee'

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Although not all their questions have been answered, Pakatan Rakyat MPs are somewhat comforted by the Employees Provident Fund's (EPF) clarification on the RM1.5 billion home-loan plan.

"It will not be loaned directly to house buyers... it's given to the government and backed by a surety 2.67 times the value of the total loan amount given by EPF," Petaling Jaya DAP MP Tony Pua said today.

"We were also made to understand that it's not up to RM1.5 billion as announced by Federal Territories and Urban Wellbeing minister... for the time being EPF is only lending RM300 million."

In their memorandum, however, the Pakatan MPs urged EPF's directors and investors to reject the loan scheme.

"EPF's purpose is to prepare retirement interest for their members... therefore Pakatan Rakyat is of the opinion that it is wrong, cruel and immoral to gamble and expose hard-earned savings to such risk to parties with weak credit levels," they said in the memorandum.

The minister, Raja Nong Chik Raja Zainal Abidin, had said last week that the money would be used as an "easy financing scheme" for 20,000 eligible Public Housing Project (PPR) tenants and potential buyers who cannot obtain bank loans.

According to Prime Minister Najib Abdul Razak, the scheme is designed to help the lower-income group who have failed to obtain housing loans from financial institutions.

Pakatan, then accused the government of encouraging "sub-prime" lending.

Pua, together with parliamentarians Nurul Izzah Anwar (PKR-Lembah Pantai) and Dzulkefly Ahmad (PAS-Kuala Selangor) submitted a memorandum listing out their qualms to EPF's deputy chief executive officer of investments Shahril Ridza Ridzuan, who briefed the MPs on the proposed loan scheme.

According to Nurul Izzah, EPF will monitor how well the plan is meted out before channelling the rest of the fund in trenches.

Dipping into retirement funds

"We have the assurance from EPF that they will impose strict terms and conditions to ensure the funds of contributors will be protected and defended," Pua told reporters after the 45-minute meeting at the EPF headquarters in Kuala Lumpur.

On top of the surety, EPF funds will also be managed and distributed by a financial institution and not the Federal Territories Foundation, he said.

"So that the work will be transparent, loans will not be given to those who don't qualify and (there is) disciplined collection."

However, Pua posed a question to Raja Nong Chik asking for the rationale on dipping into retirement funds entrusted to EPF when commercial banks can also impose stringent terms before giving out loans.

"Why can't commercial banks also set similar regulations and directly disperse loans to house buyers just like for a regular housing scheme," he quizzed.

The opposition MPs have been staunch opponents of the move saying that EPF's role was to ensure the

financial security of the retirement funds of its contributors.

Both Pua and Nurul Izzah suggested turning to Bank Rakyat and Malaysia Building Society Bhd for the purpose instead.

Nurul Izzah also demanded to know why, when the proposal was mooted in 2010 Raja Nong Chick had announced that the government had identified nine banks which would be dispersing loans to house buyers who qualify.

“We will continue to monitor the situation, our main concern is how the funds are used.

“With asymmetric information how are we to know for sure that the people’s money with not be wasted?” she added.

Stressing that the institution should not be exposed to risks, Dzulkefly reminded the government that the EPF “is not in the business of doing micro-credit lending or retail lending to individuals”.

“We would like to assert that we are always in support of those who need to buy houses but not in this manner... but with the explanation today, we have been vindicated and consoled,” he said.

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