

**First home scheme is like building 'castles in the air'**

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My First Home scheme, the house ownership plan launched by Prime Minister Najib Abdul Razak with much fanfare last March, is on the brink of a complete failure as no application for a full housing loan under the scheme has been approved by any bank.

The crux of the government scheme is to provide 100 percent housing loan for young house buyers who have a monthly income of less than RM3,000, to purchase houses worth up to RM400,000.

The Chinese daily Sin Chew Daily today frontpaged an exclusive report, quoting bankers as saying that providing such loan facilities is impossible, while those who are supposed to benefit from such a scheme describing it as "castles in the air".

A financial planner explained to the daily that a RM400,000 loan will translate into a monthly installment of RM1,780 on a 30-year repayment period, which will eat up more than half of the income of those earning RM3,000 monthly.

"Even if the bank only approves 80 percent of the loan, the buyer also has to pay RM80,000 of the down payment which is not affordable to many."

To make it worse, Bank Negara has tightened loan conditions, directing banks to base loan approval on borrowers' net income, which is the income after deducting contribution to EPF, income tax, credit card debt and other liabilities.

Last October, Deputy Finance Minister Donald Lim said that government was mulling to review the income cap from RM3,500 to around RM6,000-RM7,000.

However this has raised the question whether it will defeat the scheme's objective, which is to facilitate low-income buyers to own their first homes.

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