

**DAP urges gov't to soften rate hike blow on poor**  
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DAP urged the government to take measures to help first time home buyers in the face of the interest rate hike announced today.

DAP secretary-general Lim Guan Eng reminded Bank Negara that it should reinstate the Developer Interest-Bearing Scheme (DIBS) for first time buyers to compensate for any negative inflationary impact and higher loan repayments arising from the rate increase to 3.25 percent.

"DAP opposes any hike in interest rate that would burden borrowers without any compensating measure to help them to repay or service their loans.

"Reinstating the DIBS for houses below RM400,000 would benefit first-time buyers and promote housing democracy," said Lim in a statement today.

He was responding to Bank Negara Malaysia's announcement today of raising the Overnight Policy Rate (OPR) by 25 basis points to 3.25 percent.

The increase will affect the base lending rate and short-term interest rates among others, and will affect home loan rates.

Lim, who is Bagan MP, cautioned that the interest rate increase would result in inflation.

"The increase in interest rates would have inflationary impact, raise the cost of living as well as dampen consumption spending as more money would be required to service their loans," he said.

This, he said would not only result in less spending money but increase financing costs for first-time buyers.

"One of the main complaints of developers and first-time buyers is the difficulty of getting loan approvals due to the stringent repayment ability requirements imposed by Bank Negara," he added.

Gov't no to DIBS

Lim has been calling for the central bank to reinstate DIBS as low income house buyers have difficulty securing bank loans.

The Bagan MP raised the issue in Parliament in June, but the government in a written reply

said DIBS would not be restored in the interest of ensuring realistic housing prices.

“This measure is to ensure that the buying price of the house would be in accordance to the house appraisal, and not be influenced by any speculation activities by speculators,” the Finance Ministry said in its reply.

“This is to protect the future house buyers from exorbitant price raises and maintain the indebtedness of households as well as to moderate the long term stability of the real estate market,” read the reply.

It added that cheaper housing alternatives was available through the Syarikat Jaminan Kredit Perumahan Bhd (SJKP).

“SJKP has set up financial guarantee for housing loans from financial institutions for low cost and medium cost houses that cost below RM 100,000,” said the ministry.

Stopped to stabilise market

The government discontinued DIBS in November 2013 claiming to protect future investors from inflation in house prices and maintain the real estate market stability.

DIBS is a form of interest capitalisation scheme (ICS) where interest costs are built into the sale price, instead of being paid by the borrower as they are incurred.

The interest costs are borne by the developers during the construction process and an estimated cost of interest payments is then included into the selling price.

Lim argued that this assists buyers as they are not burdened with paying interest and rent at the same time whilst waiting for their houses to be completed.