

EPF Is Not Govt's Private Piggy Bank
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Nurul Izzah Anwar

I refer to the Prime Minister and his FT& Urban Wellbeing Minister's announcement on the Special Loan Scheme, utilizing EPF funds amounting to RM1.5 billion .

While I commend the underlying intention of the initiative to reduce incidence of homeless Malaysians especially in urban areas, I am alarmed by the manner the BN Govt intends to execute this special home-financing scheme. Hard-earned worker's retirement savings at EPF, whose original objective is "to provide financial security for contributors' retirement purposes" is certainly not the private piggy bank of the BN government.

As such, I pose the following questions to be answered by either BN leader:

1. Although the so-called "guaranteed returns" of 5.5% seem rather high, do they commensurate with the risks undertaken in the best interest of EPF contributors? EPF contributors have every right to question whether this venture will maximize returns at the lowest possible associated risks and whether the EPF, as a trustee, safeguards their savings that they will greatly need to finance their retirement life.

All Malaysians are fully aware of the EPF's commitment "to preserving and growing savings of its members in a prudent manner in accordance with best practices in investment and corporate conduct". If these potential SPK applicants have difficulty to secure commercial banks' home loans because of their very limited repayment capability and falling under a category of high probability of default, it would be risky for the EPF to assume that they would suddenly be able to repay their home loans under this scheme without hiccups.

2. Despite the Minister of FT & Urban Well-Being's (FTUWB) claims that the EPF will get "clean and guaranteed" returns of 5.5% p.a. from a Govt agency i.e. DBKL, that is contingent upon the premise of timely loan repayment by each and every house owner. What will happen if a huge number of - i.e. more than 20 percent of home buyers - fail to service their loans and this shortfall exceeds the amount of the reserve redemption account? Will DBKL be then able to buy back all houses for resale later? In this case, will DBKL be able to offer the guaranteed returns to EPF? What classification will be used to qualify this special home loan as non-performing? A cursory glance at past government budgets will highlight the amount of yet unpaid loans to the EPF.

Apart from signaling the abject failure of the Government to provide proper home ownership assistance to the needy using its own funds, this is a case of blatant abuse of public funds in the form of workers' retirement savings for political mileage especially to win votes among the urban poor and low-income earners ahead of GE13. The EPF is not the personal piggy bank of the BN Government. After all, the EPF is a social security organisation for the protection of workers' retirement savings as opposed to a social welfare organisation. Abuse or misuse of public funds, disguised as a social welfare programme is despicable and disgraceful.

Besides, channeling retirement savings of EPF contributors into such an easy home financing scheme may create a situation of serious moral hazard, similar to circumstances surrounding the US sub-prime crisis that plunged the world into "Great Recession" in 2008/2009.

Instead, the Government should make full use of the existing financial institutions with social welfare penchant such as Bank Rakyat and Malaysia Building Society Bhd or even Bank Simpanan Nasional in implementing this noble initiative. The Government can channel its own funds or specific Government allocations for housing purposes under the Federal Government's annual budget's "social services" bracket to these financial institutions that will act as a conduit to extend Government soft loans to the underprivileged for home purchase purposes.

NURUL IZZAH ANWAR is MP for Lembah Pantai

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