

EPF in talks with FT agency over RM300m home loan
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By Debra Chong

KUALA LUMPUR, Feb 8 — The Employees Provident Fund (EPF) said today it is in talks with a government agency to provide loans to city renters to buy homes but that the deal has not been inked.

It also said that the terms involve lending an initial sum of RM300 million to the federal government through a special purpose vehicle linked to the Federal Territories Foundation (SPV FT Foundation), and that the firm will act as the middleman to grant the home loans to potential home buyers.

The EPF added that its investment panel will review the loan plan 12 months from the date of the last drawdown to decide if it will continue with the scheme it called "Ijarah".

"The EPF would like to assure its members that all loans provided by the EPF to the Government of Malaysia or its agencies are made on commercial terms and with appropriate security to protect the interests of our members," EPF's deputy chief executive and investment head, Datuk Shahril Ridza Ridzuan, said in a statement.

He was responding to questions raised by the public over the controversial EPF loan.

He explained that the special purpose vehicle will retain ownership of the homes until the individual borrowers from the Ijarah scheme pay off the loan.

"The terms of the loan agreement are within the risk appetite of the EPF as it is secured against assets and cash flow with a suitable guarantee on repayment of the loan made," Shahril said.

He also said the EPF has asked the special purpose vehicle to put aside 25 per cent in cash reserves in an EPF account together with the assignment of all cash flows.

He said the loan to the special purpose vehicle will be safe as each housing unit will be charged by the SPC FT Foundation to the EPF and that the security cover will, at the very least, be twice the loan amount.

He added, "We understand that the SPV FT Foundation will only select participants with a good track record."

Shahril said that under the conditions of the proposed deal, City Hall will buy back the houses to get back its cash flow should the borrowers fail to repay their loans.

"The EPF has also requested that the SPV FT Foundation engage a suitable financial institution to manage the credit administration of this scheme to ensure good conduct of the individual accounts," the EPF official said.

"Based on the terms and the security arrangements that we have put forth, the EPF is well protected and the annual 5.5 per cent profit rate imposed on the loan is fair," he added.

Shahril said, "The EPF is always mindful of members' concerns and would like to reiterate that their retirement savings are invested prudently within a framework of good governance and adopting a conservative risk-return profile."

Federal Territories and Urban Welfare Minister Datuk Raja Nong Chik Raja Zainal Abidin triggered a huge public outcry when he disclosed the proposed loan scheme will allow some 20,000 unqualified City Hall tenants to buy homes in the national capital with money from the EPF, which is meant to safeguard the pension funds of some 5.7 million contributors.

Raja Nong Chik previously said the loan would be secure as it is guaranteed by City Hall, a government agency, and that the EPF would earn 5.5 per cent interest per annum from repayments by the new home owners.

The Umno senator also said he expects "not more than 10 per cent (of the borrowers) will default".

The Barisan Nasional (BN) federal government was forced last week to address fears that the housing loan scheme would result in losses for active EPF contributors.

But neither the government or EPF's management has yet to explain why pension money is being used to help finance those who cannot qualify for commercial bank loans to buy homes.

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