

Financial institution must manage loans for unqualified buyers, says EPF
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KUALA LUMPUR, Feb 8 — The Employees Provident Fund (EPF) has said it will only finance a controversial home loan scheme for public housing if this is administrated by a financial institution.

EPF officials told Pakatan Rakyat (PR) lawmakers today that the institution would also only lend money directly to the federal government for the scheme, which has been criticised for being a potential sub-prime loan facility as the intended home-buyers are low-income earners who do not qualify for conventional bank financing.

Citing EPF's deputy chief executive Datuk Sharil Ridza Ridzuan, the MPs also said EPF clarified that the proposed loan amounted to RM300 million and not RM1.5 billion as previously reported.

"One of the conditions is that the loans are not managed by the Yayasan Wilayah Persekutuan [Federal Territory Foundation], who is the owner, but to a financial institution," the DAP's Tony Pua told reporters today, relating the explanation given by Shahril to three opposition MPs earlier.

Pua added that Shahril said the proposal only stated that RM300 million would be given out for the first batch of potential home owners — and not RM1.5 billion as previously reported.

The PR bloc has been at the forefront in demanding the government explain why it is pushing to use money meant for retired workers, to help finance those who cannot qualify for commercial bank loans to buy homes.

Federal Territories and Urban Welfare Minister Datuk Raja Nong Chik Raja Zainal Abidin triggered a huge public outcry recently when he disclosed the proposed loan scheme to some 20,000 unqualified City Hall tenants to buy homes in the national capital with money from 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 the Kuala Lumpur City Hall (DBKL), a government agency, and that EPF would earn 5.5 per cent interest per annum from the repayments from 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.

Under the scheme, applicants will receive a 100 per cent loan, with a repayment period of up to 25 years to allow borrowers to make "smaller" monthly repayments.

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