

Cuepacs wants lower interest for homebuyers in EPF loan scheme
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KUALA LUMPUR, March 13 — Putrajaya must lower the proposed 6.5 per cent annual interest for homebuyers getting city flats under the new Employees' Provident Fund (EPF) home loan scheme, says Cuepacs.

The country's umbrella group representing government servants said it is "concerned" that the "high interest rate" would profit the special purpose vehicle (SPV) set up by the government instead of helping poor homebuyers who are also EPF members.

Cuepacs president Datuk Omar Osman told The Malaysian Insider that "6.5 per cent interest is too high. The purpose is not to make profits, it is to help them purchase low-cost homes."

"These people are part of KWSP (EPF). The interest repayment rate should be between 3.5 to four per cent at the most. We do not want them to suffer having to repay such high rates.

"We hope that the high interest rate is not for the SPV involved to make a profit... we are concerned," he added, referring to the special purpose vehicle linked to the Federal Territories Foundation.

The foundation's scheme will be overseen by Federal Territories and Urban Well-being Minister Datuk Raja Nong Chik Raja Zainal Abidin and the firm will act as the middleman to grant home loans to potential home buyers. The EPF has been promised an annual return of 5.5 per cent for the money loaned to the scheme.

The federal opposition has, however, accused Barisan Nasional (BN) of abusing monies from the pension fund to hide its current debt levels under the guise of offering a purportedly "noble" housing loan to lower-income earners.

The foundation's scheme will be overseen by Federal Territories and Urban Well-being Minister Raja Nong Chik. — file pic
Civil servants and private sector unions have said they were not consulted over the plan to utilise EPF funds.

Raja Nong Chik has declined to comment on the scheme or why federal funds could not be used for the project.

The EPF clarified last month 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 the special purpose vehicle.

Another Putrajaya home ownership scheme for low-income earners has come to a grinding halt just a year after it was launched as banks are unwilling to risk loans with monthly

repayments worth more than half the applicant's salary.

The My First Home scheme launched by Datuk Seri Najib Razak in March 2011 offers 100 per cent financing to those aged below 35 and earning less than RM3,000 per month to purchase homes worth up to RM400,000.

But Chinese-language daily Sin Chew Daily reported earlier this month that a 30-year-loan for RM400,000 with a 4.3 per cent interest rate would require a monthly repayment of RM1,780.

Property prices in urban areas, such as Penang and Kuala Lumpur, rose by up to 40 per cent in 2010, fuelled by low interest rates and a surge in speculative buying, although prices slowed last year due to dampened sentiment from tightening measures such as a hike in the real property gains tax for early disposals.

Some reports have also estimated that property prices jumped from 5.9 times income in 1989 to 10.9 times in 2010. The Demographia International Housing Affordability Survey rates markets whose property prices are 5.1 times median income or more as "severely unaffordable".

The HBA last year warned that an entire generation of young adults are at risk of being locked out of the property market due to runaway house prices.

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