

Almost half ineligible for My First Home scheme loan, say BNM
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KUALA LUMPUR, March 14 — Nearly half of the 1,624 applicants thus far have been found ineligible for loans for the My First Home scheme while slightly more than one third were approved by banking institutions for houses up to RM400,000, Bank Negara Malaysia (BNM) said tonight.

To qualify, applicants need to prove they can meet their debt obligations by showing evidence of a sustainable income and a good credit history. The national mortgage corporation Cagamas provides a guarantee for the first 10 per cent of the loan.

“The intention is to ensure young borrowers are not over-burdened by debt obligations that may lead to bankruptcies or foreclosures,” BNM said in a statement.

The central bank’s latest figures on the progress of the scheme, as of end-January, revealed that 1,624 people had applied for the scheme. However, 562 were withdrawn due to multiple applications to various banking institutions.

From a total of 1,062 actual applications, 389, or 36.6 per cent, were approved by banking institutions with 280 getting their 10 per cent deposit guaranteed by Cagamas, while 505, or 47.5 per cent, were rejected. The remaining 168 applications, or 15.8 per cent, are still being processed.

The scheme was launched in March 2011 and aims to allow young working adults to obtain 100 per cent financing from banking institutions for the purchase of their first home, valued at a maximum of RM220,000 (for single applicants) or a maximum of RM400,000 (for joint spousal applicants with a household income of below RM6,000 per month cumulatively).

Chinese-language daily Sin Chew Daily reported in March that the 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 daily said that a 30-year-loan for RM400,00 with a 4.3 per cent interest rate would require a monthly repayment of RM1,780.

“The banking industry finds that with an income of RM3,000, they do not qualify for RM400,000 loans,” it reported, adding that not a single loan under the scheme has been approved.

The scheme’s website also states that to qualify for the programme, the repayment commitment cannot exceed 55 per cent of the applicant’s gross income.

The newspaper also quoted an industry source as saying that “even if the loan is for 80 per cent, the buyer must pay a deposit of RM80,000 and many cannot afford to pay this.”

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