

EPF home loan scheme at standstill
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KUALA LUMPUR, March 5 — Putrajaya's controversial plan to lend an initial RM300 million from the Employees Provident Fund (EPF) to unqualified homeowners in the capital has hit a deadlock over security conditions demanded by the country's largest pension fund.

The Malaysian Trades Union Congress (MTUC), the umbrella body that represents 800,000 workers from 390 labour unions, told The Malaysian Insider that negotiations between EPF and Kuala Lumpur City Hall (DBKL) have stalled since early this month.

"EPF chief executive Tan Sri Azlan Zainol told me that DBKL cannot agree to these conditions. We were briefed on February 16 on the proposal and up to now, there have been no developments," MTUC secretary-general Abdul Halim Mansor said.

According to MTUC president Khalid Atan, EPF has insisted that 25 per cent of the loan must be held in security by the pension fund while land titles must not be handed over to the 20,000 city dwellers who are still renting and unable to borrow from banks until they have serviced 20 years of the EPF loan.

However, Khalid said he was unclear over the function of the 25 per cent security as "we have not seen the actual black-and-white proposal."

"Although we sit on the board, the investment panel appointed by the Finance Ministry handles negotiations and decides on EPF's portfolio," he said of the fund which is worth nearly half a trillion ringgit.

The EPF had said on February 8 that it is in talks with the federal government but a deal has not been inked for the initial sum of RM300 million to be loaned to a special purpose vehicle linked to the Federal Territories Foundation (FTF).

The foundation is directly controlled by Federal Territories and Urban Well-being Minister Raja Datuk Nong Chik Raja Zainal Abidin.

It is unclear why DBKL has refused to accept the conditions but handing over land titles to city dwellers before elections that must be called by April next year would boost the ruling Barisan Nasional (BN) in the capital where it won just one of 11 seats in Election 2008.

Raja Nong Chik triggered public outcry when he disclosed the proposed loan scheme will allow some 20,000 unqualified City Hall tenants to buy homes with up to RM1.5 billion from the EPF, which is meant to safeguard the pension funds of some 5.7 million contributors.

He previously said the loan would be secure as it is guaranteed by City Hall, a government agency, and that the EPF would get 5.5 per cent return on investment annually 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".

But neither the government nor EPF's management has yet to explain why pension money, instead of funds from the federal treasury, is being used to help finance those who cannot qualify for commercial bank loans to buy homes.

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