

Zero approvals for My First Home scheme
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KUALA LUMPUR, March 5 — Putrajaya's 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 last March 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 today 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."

However, the government had said that a state-owned mortgage agency would put up the initial 10 per cent deposit required to purchase the houses.

Prime Minister Najib announced in October when tabling Budget 2012 that the RM220,000 ceiling would be raised to RM400,000 as property prices continued to spiral.

The National House Buyers Association (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.

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 grew slower 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".

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