

**Najib denies first home scheme is a failure**  
**The Malaysian Insider**  
**March 22, 2012**  
**By Shazwan Mustafa Kamal**

PETALING JAYA, March 22 — Datuk Seri Najib Razak today defended the viability of his administration's My First Home scheme, saying that it had garnered a 36.6 per cent success rate so far.

The prime minister was responding to a question posed by a listener during an interview with Chinese-language radio station 988FM.

He denied reports that the scheme was a failure, saying that the success factor has been "significantly good."

File photo of apartments under construction. The HBA has said the ceiling of RM400,000 under the first home scheme for 'affordable housing' is 'ridiculous'.  
"Report is off the mark, according to Bank Negara success rate is at 36.6 per cent. Hundreds of applications are still under application by various commercial banks," he said.

The PM also said the government was assessing the situation, and would implement measures to improve the scheme.

It is understood that the scheme, launched by Najib a year ago, has come to a grinding halt as banks are unwilling to hand out 100 per cent financing for property worth up to RM400,000 to applicants earning less than RM3,000 a month.

Najib however acknowledged the fact that most banks did not approve a 100 per cent loan for those earning below RM3,000 a month.

The National Homebuyers Association (HBA) had on March 9 labelled the My First Home scheme an "ill-advised" policy after it was reported that not a single loan application has been approved under Putrajaya's home ownership scheme for low-income earners.

HBA honorary secretary-general Chang Kim Loong told The Malaysian Insider that setting a ceiling of RM400,000 under a scheme for "affordable housing" was "ridiculous and somebody must have told the prime minister the wrong facts."

"It is obvious that our honourable PM was ill-advised by parties with vested interest on setting the price range of RM400,000 for income earners below RM3,000," he said in an interview.

He said the association had run checks with banks and found that most applicants were those who had been blacklisted or lacked proper proof of income.

Chang said a 20-year loan of RM400,000 at the industry standard two per cent below base lending rate would require a monthly repayment of RM2,552, or 85 per cent of RM3,000.

He added that a 30-year agreement would still require monthly instalments of RM2,051 or 68 per cent of RM3,000.

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.

He said that based on Bank Negara's guidelines that loan repayments cannot exceed one-third of income, the ceiling for the scheme should be set between RM150,000 and RM180,000.

The prime minister announced in October when tabling Budget 2012 that the initial RM220,000 ceiling would be raised to RM400,000 as property prices continued to spiral.

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

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".

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.

The Malaysian Insider

Copyright © 2012 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/najib-denies-first-home-scheme-is-a-failure/>