

**Najib ill-advised on 'ridiculous' first home scheme, says house buyers' group**  
**The Malaysian Insider**  
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**By Shannon Teoh**

KUALA LUMPUR, March 9 — A house buyers' group has labelled the My First Home scheme an "ill-advised" policy after it was reported this week that not a single loan application has been approved under Putrajaya's home ownership scheme for low-income earners.

The scheme, launched by Datuk Seri Najib Razak 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.

National Homebuyers Association (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 have been blacklisted or lack proper proof of income.

"The feedback was simply that if people can't afford it, then don't buy. How can you take a 100 per cent loan for such an amount without commitment?" he asked.

Chang said that 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.

"It is not surprising there have been zero approvals as borrowers would be living beyond their means and default in a matter of time."

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.

Chang suggested that if the government was serious about affordable housing, it should "go into a joint venture with reputable developers and not cronies" that want to keep prices closer to RM400,000.

He said the government should write-off land cost by "unlocking strategic locations" such as its landbanks in Sungai Besi and the Rubber Research Institute's acreage in Sungai Buloh.

"Instead of pushing for these lots to be 'high-value,' go for affordable housing," he said.

Chang added that qualified applicants must live in the homes bought for at least 10 years and only be allowed to resell them to the government so it can then be reallocated to "the next generation of qualified buyers who need affordable housing."

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.

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