

DAP wants housing-interest scheme reintroduced, Putrajaya says no
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The DAP has called for the reinstatement of the Developer Interest-Bearing Scheme (DIBS) for eligible first-time buyers of properties valued below RM400,000.

Party secretary-general Lim Guan Eng said the DIBS would help the new buyers to compensate for any negative inflationary impact and higher loan repayments.

Lim was referring to Bank Negara's decision yesterday to raise its key interest rates from 3% to 3.25% to help temper inflation and rising consumer debt.

"The increase in interest rates will have an inflationary impact, raise the cost of living and dampen consumer spending, as they need more money to service their loans," Lim said in a statement today.

"This will give existing loan borrowers less money to spend and increase the financing cost of businesses which will lead to higher prices.

"More importantly, it will make it more difficult for first-time buyers to get loan approvals," he said.

Lim said new buyers usually complain that getting loans approved is difficult due to stringent repayment requirements imposed by Bank Negara.

"DAP opposes any interest rate hike which burdens borrowers without any compensating measure to help them repay or service their loans.

"Housing democracy would be promoted if DIBS was reintroduced by Bank Negara for any property valued below RM400,000," Lim said.

DIBS is a scheme where the developer will bear the interests of the loan during the construction period.

To offer DIBS, developers include the cost-of-interest payments into their selling prices. This allows buyers to purchase their houses by just paying the 10% down payment.

Buyers also have breathing room as they do not need to make both interest and rent payments at the same time, while waiting for their houses to be completed.

"Unfortunately, both the Finance Ministry and Bank Negara have rejected the proposal to reinstate DIBS," Lim said.

In a written reply, the ministry said that in the first four months of this year, a total of 50,224 housing loan applications had been approved.

The applications, which totalled RM10.3 billion, were for the purchase of affordable properties valued at RM400,000 and below.

During the same period, a total of 34,662 applications for loans totalling RM7.3 billion were rejected by financial institutions and banks.

Last year, banks approved a total of 170,886 applications for loans totalling RM34.5 billion for purchasing properties valued at RM400,000 and below.

A total of 120,921 applications were rejected last year for loans totalling

RM24.8 billion.

The finance ministry explained that the rejected loan applications were mainly due to the applicant failing to fulfil the required conditions.

"These conditions include no fixed income, an unsatisfactory credit record and high commitments or debts," the ministry said.

"In evaluating a loan application, the financial institution has to evaluate an individual's capability to make repayment before approving the loan."

DIBS had been disallowed as part of measures to protect buyers from rising property prices and to preserve the stability of the property sector in the long term.

At the same time, the central bank also wanted to control the level of household debt, hence both ICS and DIBS were disallowed since November 2013.

The finance ministry said this would ensure that properties purchased reflected the actual value and at the same time, discourage speculators.

"The government has no intention of reintroducing DIBS at this point in time," the ministry said. – July 11, 2014.

- See more at: <http://www.themalaysianinsider.com/malaysia/article/dap-wants-housing-interest-scheme-reintroduced-putrajaya-says-no#sthash.wx1sXj8g.dpuf>

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