

Bank Negara must help in low-cost home buying
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MP SPEAKS The latest Bank Negara annual report 2013 has revealed that the central bank is short-sighted and uncaring at best, or irresponsible and unprofessional at worst, to the problem of Malaysia having the second highest level of household debt in Asia.

Bank Negara dismissed the rise in the level of household debt in Malaysia from 81.1 percent of the gross domestic product (GDP) in 2012 to 86.8 percent of the GDP in 2013 as no risk to the country's financial stability.

Bank Negara should realise that the reason for that is our income levels are stuck in a "glacial trap", with inflation outpacing wage rises.

This has forced many households to rely on credit loan to make ends meet, and even resort to loan sharks when they are unable to get loans from financial institutions.

With total household borrowing at RM854.3 billion in 2013, the proportion of households having loans with those having monthly earnings of up to RM3,000, accounted for 27 percent of the total household borrowing, at RM230.17 billion.

Bank Negara also said that the aggregate leverage for households earning up to RM3,000 a month at seven times (measured as the ratio of outstanding borrowing to annual income) is high and should be reduced.

This only proves that the incomes of those in the lower income groups cannot keep up with inflation, forcing many to borrow to survive to maintain their living standard.

So, how can they buy their own houses?

With such high rates of outstanding borrowing, at seven times their annual incomes, it is difficult, if not impossible, for people in the lower income groups to get housing loan approvals from banks or financial institutions.

How then can first-time buyers from the lower income groups afford to buy their own houses when Bank Negara has reduced the maximum tenure on loans for property purchases from 45 years to 35 years?

Such a reduction in tenure will only increase the housing instalment payments and make it more difficult for people in the lower income groups to qualify for loans.

Bank Negara should reinstate the Developer Interest-Bearing Scheme (DIBS) for first-time buyers to enable them to realise their dream of owning their own homes.

There have been many complaints about banks not approving housing loans to those in the lower income groups because of their low repayment ability.

For this reason the Penang state government has introduced the Shared Ownership Scheme (SOS) for low-cost houses to help lower income groups.

Under the SOS, the property is jointly owned by the government, which gives out interest-free loans of up to 30 percent of the property price to those in the lower-income groups. Many in these groups are able to qualify if they need to borrow only 70 percent of the property price.

For the sake of housing democracy, DAP urges Bank Negara to introduce the SOS for affordable homes and public housing to help first-time buyers to qualify for loans to buy their own houses.

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