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UNSOLD AFFORDABLE HOMES

'FRAMEWORK HINDERING HOMEBUYERS'

Expert says banks' strict adherence to corporate governance prevents many from getting housing loans

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THE strict corporate governance framework adopted by most financial institutions is one of the contributing factors that resulted in the billions of ringgit in affordable houses remaining unsold.

An economic expert said although corporate governance was complied with to protect fi-

ancial institutions, rigorous practices might hinder aspiring homebuyers from obtaining housing loans.

Associate Professor Dr Aimi Zulhazmi Abdul Rashid said stringent requirements imposed by banks in providing such loans were designed to comply with regulations set by the authorities.

The framework, however, did not help in the approval of housing loans.

"Houses are built according to cost of development and profit margin with little regard to the targeted market requirement and capability to borrow from the banks.

"This explains why there is a high number of unsold units (of affordable homes).

"Hence, the government needs to look into this to change the current scenario as the protection of financial institution makes

it difficult for consumers to obtain loans," he told the *New Straits Times* yesterday.

Financial institutions, Aimi said, should be more creative in offering loans by not just merely extending the tenure of repayment to a maximum of 40 years.

"For example, the loans may be packaged with investment products to assist borrowers to pay the loan," he said.

He said a house project could only be categorised as "affordable" if the price was within the financial means of those in the Bottom 40 per cent (B40) income group.

"Depending on the area, which is determined predominantly by the land price, an affordable house should be priced from RM45,000 per unit onwards.

"For affordable houses, the ceiling price should not exceed an

average of RM200,000, which is consistent with three times the amount of the yearly household income," said Aimi.

National House Buyers Association honorary secretary-general Datuk Chang Kim Loong blamed the poor sales of affordable homes to the location of the residential property.

"Some housing areas are ill-located with no public transportation available, which will require the potential homebuyers to invest in a car.

"Should the acquired property be located far away from their workplace, homebuyers will be burdened with petrol and toll charges," Chang said.

The price of most affordable houses, he said, was beyond the reach of the average household and this led to a mismatch between prices of residential properties and wages.

"The risk of housing abandon-

ment looms. There is no guarantee that houses will be delivered on time as the issuance of EOTs (extension of time) by the Controller of Housing are benefiting the developers, not the buyers.

"This includes shoddy workmanship and use of substandard material for the houses."

Chang said other states should emulate Selangor's capping of affordable house prices.

He said affordable homes should fall into three categories – RM150,000 to RM200,000, RM200,000 to RM220,000, and RM220,000 to RM250,000.

On Thursday, Housing and Local Government Minister Zuraida Kamaruddin said the country recorded a property overhang of RM22.5 billion worth in unsold houses nationwide.

She said 73 per cent of unsold units comprises affordable houses.