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Housing helpline

KUALA LUMPUR: The Better Malaysia Foundation (BMF), formerly known as the Vincent Tan Foundation, announced yesterday the launch of a new social enterprise programme with one goal - to assist the government to address the home ownership aspirations of low-income Malaysians, namely the B40 households, through innovative and sustainable solutions.

Commenting on the reason behind the initiative, BMF founder Tan Sri Vincent Tan said: "Our government is a caring and benevolent government and is committed to providing affordable housing to the less privileged members of our community and the lower income groups (especially the B40 group) through its various low-cost and affordable housing schemes. However, BMF would like to offer some recommendations and suggestions that can help to improve on the provision of affordable housing which is consistent with the government's affordable housing agenda.

"Owning your own home is a basic need of everyone. It is essential for a person's sense of dignity, safety and inclusion in the community. Owning a house means having a stake in the country. It means that all Malaysians share in the responsibility of taking care of the less privileged members of our society and maintaining the nation's harmony so that everyone can live happily," he added.

"We believe this social enterprise will facilitate the construction of properties with a low monthly cost of ownership, carefully designed for families to grow and prosper. Affordability is a key issue as most, if not all, B40 households will not be able to purchase a home without some form of financial assistance. I understand that in the Klang

Valley, for every 1,000 affordable houses launched, there are something like between 10,000 and 60,000 applicants vying to purchase them. There is a severe shortage of affordable homes to meet demand."

➤ Foundation offers recommendations to put affordable homes within reach of B40 families

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BMF has in the last two years assembled a "brain trust" of like-minded professionals involved in this new social enterprise programme to help formulate innovative and sustainable solutions to address the affordability gap faced by the B40 households in our community. Recently, Prime Minister Tan Sri Muhyiddin Yassin expressed concern that the B40 has now deteriorated to B50 due to the Covid-19 pandemic and this has spurred BMF to even greater efforts to address this issue.

Based on the median house price of RM295,000 in 2Q2020 published by the National Property Information Centre and median household income of RM5,873, the housing price range that is affordable to those with such income level will be RM211,000 and below. Thus, at this price range, most houses are deemed to be "unaffordable" to the average Malaysian buyer.

BMF believes that affordable housing can realistically be priced from RM120,000 to RM300,000 for an apartment, with sizes starting from 450sq ft, 600sq ft, 750sq ft and up to 900sq ft in the Klang Valley.

BMF believes this price range is

achievable with government support in terms of charging lower land premiums and nominal development charges for affordable housing projects. As key partners to this initiative, the federal and state governments' contributions could include selling development land at low cost to developers to build affordable housing projects, especially in urban locations close to transportation hubs, which would translate to lower purchase prices for low-income house buyers.

Banks and financial institutions must also play their part by providing loans with 100% financing to B40 house buyers. According to research by BMF, several banks are already offering 100% financing loans to house buyers with minimum income between RM2,000 and RM3,000 per month, including RHB Bank, Maybank, CIMB, OCBC, MBSB Bank, Bank Rakyat, AmBank and Affin Bank. The government's support for this initiative will give added confidence to the banking community to lend to the B40 category of house buyers.

As government support is key to any

strategic initiative aimed at providing more affordable housing for the B40 group, BMF has proposed the following two key recommendations for the government's consideration, which is believed to be essential to facilitate the successful implementation of this strategic initiative.

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Govt guarantee for loans would enhance success of initiative

FINANCING

Loan applications of 60% of buyers of affordable homes are rejected by banks and financial institutions due to age or poor credit scores. Many first-time buyers from the B40 group are not able to pay the usual down-payment on a home purchase. As such, 100% financing by lenders would resolve this issue. Housing loans should also be "two-generation" loans, with terms of between 40 and 60 years, where loan repayments can be extended over two generations to ensure that monthly repayment instalments are affordable and manageable and there is still sufficient disposable income left to provide the household with a decent standard of living.

By way of illustration and for a better understanding of the quantum of monthly instalment payments for loans of differing amounts and tenures, BMF presented a monthly mortgage repayment schedule showing the amounts of monthly repayments based on different amounts of housing loans taken out over a term ranging between 20 years to 60 years at an interest rate of 3% per annum with 100% financing.

From the figures, the monthly repayment for a 100% financed, 60-year RM300,000 loan to purchase a 900sq ft unit costing RM300,000 is only RM899, which is relatively manageable for a B40 house buyer.

BMF also conducted a survey of 1,700 employees of a private business organisation who fall within the income range of the B40 group, i.e. those having a combined household income of less than RM5,000 per month. The survey focus was on the amount of rental such B40 employees were paying for the rental of a room or a house.

From the survey, it was ascertained that the B40 employees were paying an average rental of RM900 per month for housing in the Klang Valley. From the example above, it is evident that the RM900 rental paid each month covers the monthly loan repayments of RM899 had the employee been able to obtain a 100% financed, 60-year loan of RM300,000. The key takeaway from this is that the monthly rentals can be "converted" into monthly loan repayments and a B40 person can then buy his own home. It is imperative that housing loans for the B40 group must therefore be 100% financed for a term of 40 to 60 years so that monthly repayments are affordable, and the two-generation feature adopted so that age and duration of the



The show unit at Berjaya Times Square in Kuala Lumpur. – NORMAN HIU/THESUN

borrower's earning capacity will not be an impediment to loan approval.

GOVERNMENT GUARANTEE

BMF called on the government to guarantee the repayment of housing loans applied for by borrowers from the B40 group for the purchase of affordable homes, as this will ensure financial institutions extend housing loans to them without fear of assuming the credit risk and taking on bad debts. The government will not be financially exposed by providing its guarantee as it will have the security and right of foreclosure over the property should the guarantee be enforced.

Many developers are also reluctant to build affordable homes because many lower income buyers are unable to obtain home loans and as such, developers will end up with cash flow problems when a significant proportion of the properties remain unsold as development costs still need to be paid regardless of the level of sales being made. If the government were to provide such guarantees, the supply of affordable housing could be increased exponentially as developers would be keen to build more affordable homes to meet the demand since there would be a large market of B40 buyers with the available financing to purchase

their properties.

The affordable housing shortage for the B40 group must be addressed urgently. Those who are now able to rent a property may not be able to keep up with their rental payments when they retire or are no longer gainfully employed for whatever reason. In such a situation, many B40 households may become homeless and this will lead to social problems and even an increase in crime rate. This situation must be avoided and the private sector must work together with the government to ensure the success of the initiative.

BMF, working together with Berjaya Land Berhad, an established property developer, has designed a 900sq ft 5-bedroom 4-bathroom show apartment specifically for this initiative. Having more bedrooms in a single housing unit will comfortably accommodate B40 families with more family members, providing enough space for their individual needs. There is also a show unit of 900sq ft with dual keys so that spare rooms may be rented out to generate additional income for the household. The show unit may be viewed by appointment at Berjaya Times Square, Kuala Lumpur.

For those who are keen to support or be a part of BMF's initiative in bringing about much needed innovative changes to resolve the issue of affordable housing, please contact Felix Miller (felix.miller@berjaya.com.my) or Yap Far Loon (farloon.yap@alevar.com).

For media queries, contact Felix Miller (017-2387 900) or Datin Seri Sunita Rajakumar (012-2860 877 or via sunita_rajakumar@yahoo.com).

MONTHLY MORTGAGE REPAYMENT SCHEDULE

Interest rate : 3% per annum
Financing margin: 100%

Unit Size (sf)	Property Price (MYR)	Loan Amount (MYR)	Down Payment (MYR)	Repayment Period (Years)						
				20	25	30	35	40	50	60
450	120,000	120,000	0	666	569	506	462	430	386	360
600	160,000	160,000	0	887	759	675	616	573	515	479
750	200,000	200,000	0	1,109	948	843	770	716	644	599
900	240,000	240,000	0	1,331	1,138	1,012	924	859	773	719
900 (KL)	300,000	300,000	0	1,664	1,423	1,265	1,155	1,074	966	899