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An RTO programme for affordable housing

The programme was touted as a deferred home ownership scheme to help those unable to obtain a bank loan

by OUR REPORTER

A PROGRAMME that helps homebuyers cover the cash portion of the purchase price would be more effective in enabling more lower and middle income families to get on the property ladder, according to a finance practitioner behind the country's pioneering rent-to-own (RTO) programme for affordable housing.

Studies had shown that many prospective first-time and affordable homebuyers were unable to bridge the difference between the loan secured and the purchase price as banks typically capped lending at 90% of the property value.

The problem would be more acute if the bank had approved a lower loan margin which would force the homebuyer to dig deeper into their savings to make up for the financing gap, or worse, call off the purchase.

"The underlying issue is that pro-



Photo by AFP/Abd Halim
Hasleen says a more comprehensive approach to assist 1st time homebuyers is to look into the differing housing needs at various life stages

perty prices are still too expensive for most people," said Datuk Hasleen Isnin, the former CFO of PRIMA Corp Malaysia, a government agency tasked with providing affordable housing for middle income urban families.

He said rising property values and higher cost of living have made

saving for the cash payment more difficult as buying property involved a huge financial commitment usually requiring planning years in advance.

Hasleen, who now works as a business consultant, said a more comprehensive approach to assist first time and affordable homebuyers is to look into the differing housing needs at various life stages, from singles to newly weds, young families to retirees, as well as potential solutions comprising RTO and shared equity home ownership or co-investor schemes, as well as transit homes.

"A single person, and even young families may want to live close to their workplace, but a retiree may not and instead prefers living further away from the city for the lower cost of living," he said.

At its launch in 2014, the RTO programme was touted as a deferred home ownership scheme to help those unable to obtain a bank loan.

Participants could rent their chosen units for up to 10 years before completing the purchase, with an option for a portion of the monthly rental going towards the downpayment.

It is also designed to help those without a proper income documentation to build a credit history to help

them get a loan in the future.

Since then, various private developers have introduced their versions of RTO to help customers close the financing gap amid moves by Bank Negara Malaysia to discourage property speculators from crowding out ordinary homebuyers.

Hasleen had also developed a financing programme with participating financial institutions for up to 110% of the purchase price for the affordable homes offered by the agency, leveraging on the higher market value of these properties compared to the selling price which were at a 20% discount.

Elaborating on the shared ownership scheme, he said it could help to defray the high cost of homes in urban areas, and provide an investment opportunity for state agencies like Selangor State Development Corp and the Rumah Selangorku programme.

He added that having institutions like the Employees Provident Fund to provide home loans was not the answer in helping buyers close the financing gap as long as property prices remained high, relative to income.

Instead, he suggested a more collaborative approach that would

partner homebuyers with the pension funds and cooperatives such as Angkasa.

"Because of the appreciating value of homes, pensions funds and investments funds may be attracted to become a coinvestor in their members' property portfolio, which could help finance the gap with bank loans," he said.

He added that the buyers assistance programme could also be the conduit to promote greater private sector participation in providing affordable housing, which would be critical in boosting supply, such as projects to develop idle wakaf land for transit homes.

On funding for the programme, Hasleen said a centralised buyers' assistance fund could provide a new asset option for the various pension and investment funds that would be backed by residential property, which could be structured like a real estate investment trust.

"The fear that property prices will go even higher is driving people to want to buy now. We need to have a system in place that helps people with the transition, from living with their parents to getting their own place right up to retirement," he said.