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First-time homebuyers spoil for choice with a slew of housing schemes

The Malaysian Reserve, Malaysia



REHDA

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First-time homebuyers spoil for choice with a slew of housing schemes

The govt is aiming to introduce 6 new home loan schemes by mid-October this year

by MARK RAO

THE Home Ownership Campaign (HOC) 2019 has four months remaining and prospective first-time homebuyers still 'wet behind the ears' may be surprised to find an abundance of housing schemes, services and incentives available in the Malaysian property market today.

As online advisory services and personal finance blogs are creating greater awareness among homebuyers, the government is moving quickly to provide their own set of initiatives in the market.

Fuelled by its election pledge to address the issues of home ownership and affordability — especially among low-income earners — numerous initiatives such as stamp duty exemptions and flexible financing options were launched for the year.

The Housing and Local Government Ministry is further aiming to introduce six new home loan schemes by mid-October this year on top of Bank Negara Malaysia's (BNM) own RM1 billion affordable home fund.

Questions remain on how these new schemes will affect the property market in terms of pricing and if flooding the market with easy credit will only exacerbate household debt among Malaysians.

While this urges caution as investing in a home needs to be balanced against an individual's financial capability, home ownership is perceived as both a right to shelter and as an important investment for the future.

Where to Start?

Government-led efforts to increase home ownership, while reducing the number of unsold properties in the market, is best exemplified by the HOC 2019.

The initiative was first announced during the budget tabling last year and provides stamp duty exemptions for Malaysians purchasing a home throughout 2019.

Under the campaign, successful applicants will be fully exempted from paying stamp duty on instrument of transfer for any residential purchase of up to RM1 million in value, while only a 3% stamp duty is to be paid for homes priced between RM1 million and RM2.5 million.

A minimum 10% discount from the selling price is also applicable to all units that are not already subject to government price control.

Note that the property to be purchased must be registered with the Real Estate and Housing Developers' Association (Rehda) Malaysia for



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Pic by Hasrin Shahrudin

homes domiciled in Peninsular Malaysia and registered with the respective agencies in Sabah and Sarawak for home purchases in East Malaysia.

The list of properties eligible for the stamp duties can be accessed via Rehda's website.

BNM also recently expanded the criteria for its RM1 billion fund for affordable homes which is aimed at helping lower-income earners finance the purchase of their first home.

Effective at the start of next month, the financing scheme is eligible for households earning a maximum monthly income of RM4,360 compared to only RM2,300 when the fund was first launched in January this year.

The maximum property price allowed to be purchased under the fund will also be increased to RM300,000, while the repayment duration is to be set at 40 years from 30 years previously.

Participating banks under the scheme are AmBank (M) Bhd, Bank Simpanan Nasional (BSN), CIMB Bank Bhd, Malayan Banking Bhd and RHB Bank Bhd.

In the first half of 2019, a total of 296 applications worth RM31 million were approved under the fund which will be available for two years from January or until the RM1 billion allocation is fully utilised.

Other government-led home financing schemes to look out for includes Skim Jaminan Kredit Perumahan — a scheme targeted for applicants above 18 years of age without a fixed income, but have good repayment capabilities.

My First Home Scheme, meanwhile, allows eligible applicants to obtain



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100% financing from banks for residential purchases of up to RM500,000 in value. Note that banks typically only finance 90% of the property price.

Lastly, BSN My Home is a financing facility to assist single or married youths between 21 and 45 years of age and with a monthly income of up to RM10,000 to own their first home.

Further information on these financing schemes can be found on their respective websites.

Similar initiatives to aid first-time homebuyers — but developed by private players include — EdgeProp Sdn Bhd's FundMyHome and DepositKu.

Under the former, buyers will pay 20% of the property price of a residential home, while the balance 80% will be contributed by participating insti-

tutions who then share the returns from changes in the future value of the home.

This allows buyers to avoid paying a mortgage towards the property.

The latter, meanwhile, allows first-time homebuyers to opt for a loan of up to RM30,000, which will be repaid after five years and will account for a portion of the 20% payment to own a home under FundMyHome.

Alternatively, first-time homebuyers may want to make use of the upcoming property crowdfunding platform after Securities Commission Malaysia released a new framework for the alternative financing avenue in May this year.

Among others, the homebuyer needs to be at least 21 years old and the financing limit for the property to

be purchased — valued at no more than RM500,000 at the primary offering — is up to 90%.

Raising Awareness on Home Loan Eligibility

Among the most common grouses cited by Malaysians looking to purchase a home is their inability to secure a loan, with the rejection rate for housing loans reported at close to 60% last year.

But this was at the same time that Malaysia's household debt to GDP came in high at 83% or RM1.18 trillion, with housing loans accounting for 53.2% or RM628 billion of the total.

Housing loan applications are typically rejected if a borrower is highly leveraged with weak credit history, while insufficient documentation to support their ability to meet repayment obligations is also a cause for rejection.

BNM's recently launched Khidmat Nasihat Pembiayaan (MyKNP) advisory service is aimed at increasing awareness and raising the eligibility of prospective applicants looking to secure financing for their home purchases or their small and medium enterprises (SMEs).

The platform is a joint collaboration with Credit Guarantee Corp Malaysia Bhd (CGC) and the Credit Counselling and Debt Management Agency (AKPK) with the support of the financial industry.

Applicants who were unsuccessful in securing home or SME loans can contact MyKNP at either CGC or AKPK to obtain free advisory services.

Home loan eligibility typically differs from bank to bank and accounts for, among others, an applicant's income, repayment behaviour, individual risk profile and personal debt servicing ratio.

Repayment behaviour and individual risk includes credit history and capacity to repay debt, while debt servicing ratio refers to the amount a borrower's personal income will go towards paying debt instalments.

Prospective applicants can make use of third-party platforms such as *iProperty.com.my's* LoanCare which compares a borrower's eligibility from up to 17 banks, while most major Malaysian banks have their own eligibility calculators on their respective website.

The PropertyGuru Home Loan Pre-Approval was also launched this year to improve applicants' possibility in securing a home loan by determining their qualified loan amount with a 99.9% degree of accuracy.

The free-to-use service then offers the applicant a range of relevant home loan options from the platform's banking partners.

It certainly appears to be a good time to invest in a home, especially for the first-time homebuyer, but note that all investment decisions will ultimately have to be balanced against one's own financial capability.



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SUMMARIES

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