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Cagamas ready to support housing loan market

CAGAMAS Bhd anticipates housing loan finance to increase albeit at a moderate pace as the relaunch of the Home Ownership Campaign helps boost the property market.

The national mortgage corporation's president and CEO Datuk Chung Chee Leong said some first-time homebuyers may adopt a wait-and-see approach amid job security concerns in the current uncertain economic conditions triggered by Covid-19.

"Nevertheless, we expect pent-up demand from those with secured jobs to continue as people may find some properties are being offered at attractive prices. Some developers recently revealed that they recorded a substantial amount of bookings for houses priced RM500,000 and below even during the Movement Control Order period, hence, we

believe innovative selling programmes and embracing digitalisation are key to boost demand," he told *The Malaysian Reserve*.

Cagamas plays a role by purchasing housing loans and home financing from banking institutions to support their generic liquidity requirements.

In 2019, Cagamas purchased loans worth RM5 billion with a number of approved loans/financing for My First Home Scheme (SRP) and Youth Housing Scheme (SPB) extended to 15,492 borrowers worth RM3.2 billion.

Cumulative guarantee exposure for mortgage guarantees to SRP/SPB schemes last year was RM706.5 million.

Chung said the group aims to purchase RM8 billion worth of loans with an increase of approved loans

/financing for SRP and SPB to 17,040 in 2020 from a base of 33,236 in 2019, with a value of RM4.4 billion.

"The target for cumulative guarantee exposure in 2020 is RM826.9 million," he said.

Currently, residential property overhang in the first quarter of 2020 (1Q20) is at 47,045 units (1Q19: 52,203 units), with higher demands for properties worth RM500,000 and below, which accounted for 75% of total transactions, according to the National Property Information Centre.

"Cagamas will continue to work closely with the government and their stakeholders to promote homeownership through various affordable housing schemes like SRP and SPB with Bank Simpanan Nasional.

"For Cagamas, this means leveraging a range of digital levers such

as the introduction of digital SRP by partnering selected property technology (proptech) firms," Chung added.

Digital SRP will make it easy for eligible first-time home buyers to apply for SRP online once they have selected their homes on the proptech's website or mobile application.

On another note, Chung stated the six-month loan moratorium may pose liquidity strain on the banking sector as funding commitments of lending institutions need to be met in the absence of loan repayments during that period.

Although banks have a healthy deposit base to weather through this period, in the absence of active economic activity, cashflow generation is also curtailed which could result in a diminishing bank deposit balance.

"The recent move by Bank Negara Malaysia to reduce Statutory Reserve Requirement (SRR) and easing of regulatory approach in complying with SRR and net stable funding ratio allows the banking institutions to access a longer liquidity buffer.

"Having said that, Cagamas is well placed as a source of funding for banks with different liquidity needs to meet their respective liquidity requirements," he said.

In addition, Cagamas has the capacity to support affordable housing liquidity of banks through its sustainability framework.

"The small and medium enterprises sector is not left out either as we are able to work with banks on their liquidity needs for this sector," he added. —by NURHANANI AZMAN