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Let EPF finance members' home purchase, urges association

The National House Buyers Association says this could overcome the problem of house buyers being unable to get bank loans or forcing banks to relax lending guidelines.

The National House Buyers Association says a home is a better form of savings or investment than cash in the EPF account. (Reuters pic)

PETALING JAYA: A consumer group has urged the government to let the Employees' Provident Fund (EPF) finance members seeking to buy homes, particularly in the affordable housing category.

Speaking to FMT, the National House Buyers Association (HBA) said this was to overcome the problem of house buyers being unable to get bank loans or forcing banks to relax stringent lending guidelines.

"Our preliminary thoughts are for EPF to disburse 15 to 20-year loans to a member who has been contributing for at least five years and earning less than RM5,000," said HBA secretary-general Chang Kim Loong.

"The home purchased by the member will include a 10-year lock-in period to prevent abuse. At the same time, to ensure the member still has some money for contingencies, the EPF can buy insurance with endowment policies like MRTA or MLTA."

Both the Mortgage Reducing Term Assurance (MRTA) and Mortgage Level Term Assurance (MLTA) are life insurance plans for home buyers.

The MRTA protects the bank in case a home buyer is struck by misfortune and cannot repay the loan, while the MLTA seeks to protect home buyers' dependents if they are no longer able to repay the loan due to injury or death.

Chang said the insurance premiums could be paid through EPF contributions so that bonuses from the insurance endowment plans could be accumulated through the member's account.

He said the borrower-cum-member could then make a pre-determined monthly instalment to EPF, in the same way he or she would pay banks in a conventional loan.

"The issue of default doesn't arise as the member maintains his or her EPF account, and should the borrower die or become physically incapacitated, the MRTA or MLTA kicks in.

"If a borrower decides to quit his or her job, then the EPF can deduct the remaining loan amount from the EPF account."

Chang said if a borrower was retrenched, a moratorium period should be granted for the borrower to find a new job, and if borrowers reached retirement age, their outstanding amount could be paid off with the money in their EPF accounts.

"In the event that there is a sub-sale where a purchased house is sold before it is completed, the sale proceeds will be deposited partly or wholly into the borrower's EPF account."

Additionally, Chang said, a full withdrawal of total EPF savings could be allowed for first-time house buyers accompanied by strict withdrawal criteria.

"We understand that some may be against this idea as it deviates from the original aim of EPF, but we believe a home is a better form of savings or investment than cash in the EPF account, especially when it is hedged against inflation.

"We would like to work with the finance ministry and Bank Negara to develop this idea, and hope the authorities will consider the possibility."

He said if the idea could be perfected and implemented, it could also be expanded to other funds which hold considerable amounts of money for their shareholders or contributors, like Retirement Fund Inc (KWAP), the Armed Forces Fund Board (LTAT) and Amanah Saham Bumiputera (ASB).