

Critics warn against home loans for blacklisted PTPTN borrowers

 freemalaysiatoday.com/category/nation/2019/07/12/critics-warn-against-home-loans-for-blacklisted-ptptn-borrowers

July 12, 2019

PETALING JAYA: An economist has criticised Putrajaya's plan to allow National Higher Education Fund Corporation (PTPTN) borrowers listed in the country's credit reference system to buy their first house, saying it may only expose them to more risks.

Carmelo Ferlito, a senior fellow at the Institute for Democracy and Economic Affairs, also said the government was sending "mixed signals" in the area of financial literacy.

"In March, Finance Minister Lim Guan Eng said a lack of financial literacy contributed to the high level of household debt," he told FMT.

"At the same time, he wants banks to relax lending guidelines for house buyers, and now there's this initiative for PTPTN borrowers listed in the Central Credit Reference Information System (CCRIS).

"The messages are going in opposite directions. Who is this measure going to help? The people or the developers?"

He urged the government to help people become more financially prudent instead of fostering the mentality that it is acceptable to borrow beyond their means.

"The right message to send is, if you want to own a house, work hard, settle your existing debts and save more to buy a house later.

"The foundation for investment is existing savings, not credit."

He added that those who cannot afford to buy a home should be open to the idea of renting.

Gabungan Peguam Hartanah Rakyat chairman Salkukhairi Abd Sukor meanwhile said the move would also expose banks to risks, and cautioned against overlooking the main reason for listing a person under CCRIS.

"The reason for CCRIS is to provide information on a person's credit record and whether a borrower's loan is managed well or not.

"If people are listed on CCRIS, it means they do not have a good credit record including for repayment of PTPTN loans."

He said those intending to buy a house must manage their finances well over a long period of time or risk having their homes repossessed and auctioned off by the bank.

“So I do not see any long-term benefit of this idea. A person who has trouble managing his or her finances should be given guidance.”

Salkukhairi said this would be better than allowing them to become burdened with more long-term debts.

The initiative was recently announced by Housing and Local Government Minister Zuraida Kamaruddin, who said it would allow young people to buy homes.

The initiative involves the purchase of all types of housing, and not just under Zuraida’s ministry.