

HOUSE BUYERS

'Second income gives loan applicants a better chance'

KUALA LUMPUR: Aspiring house buyers have a better chance of securing housing loans from banks if they can show an alternative source of income to supplement their main earnings.

Credit Counselling and Debt Management Agency (AKPK) manager (financial education department) Nirmala Subramaniam said having a supplementary income from other means, including online businesses, would increase a bank loan applicant's chances.

But she said people relying on income from side businesses to pay off their debt must be careful as such earnings

could fluctuate.

"Therefore, potential house buyers should have a backup plan if the desired income is not earned for the month.

"Borrowers should also avoid taking the maximum loan available as this could prolong the repayment period," she said.

Nirmala advised house buyers to have sufficient knowledge and understanding of owning a property to avoid problems in repaying their housing loans.

In many cases, she said, people focused on monthly instalments in the quest to own a property.

Nirmala said financial institutions would normally look at two

factors in considering housing loan applications.

These included affordability, which should be within the agreed debt-to-income ratio rate and creditworthiness.

"Applicants must show that they are a good paymaster with no bad track record on loans.

"Knowledge is essential to ensure that the commitment or investment is viable and within one's affordability.

"Furthermore, it will improve the chances of the housing loan approval."

In addition to credit history, the agency will also factor in the 3Cs — character, capital

and capacity.

"Potential borrowers will be evaluated based on character, whether they are a good paymaster, have maxed out their credit limit or have records of previously rejected credit applications.

"However, having no credit history at all is also a problem."

Nirmala said other factors that were evaluated included the capacity of a borrower to pay off debts, type of property and market value, which included location and development surrounding it.

"Developers' reputation is also taken into consideration."