

THE MALAYSIAN RESERVE

HOC faces challenges to get more banks on board

Banks' loan rejection rate for house buyers currently stands at about 60%

by S BIRRUNTHA

THE Home Ownership Campaign (HOC), which has been extended until the end of the year, could be an uphill task for the government, particularly in terms of getting more financial institutions to be on board in accommodating house buyers to secure loans.

United Malayan Land Bhd Townships group director Wong Kuen Kong said the lenders are not obliged to bend their rules as they still have to safeguard their own interests.

He said most banks will still take borrowers' credentials into consideration, despite what the government said.

"Banks will always want to protect their safety margin. Unless the government can afford to step in to provide more assurance to the banks to approve loans based on less requirements, the banks will always exercise their own discretion or criteria in approving loans.

"I really do not know how Zuraida Kamaruddin's mechanism will work, but if it can help buyers in obtaining financing for their houses, it will help the HOC," he told *The Malaysian Reserve* (TMR).

According to the Real Estate and Housing Developers' Association,

banks' loan rejection rate for house buyers currently stands at about 60%.

Wong said the objective of HOC will not be met if the banks are not flexible in giving loans to qualified buyers.

"You may have many interested and genuine buyers, but more than half may not be able to obtain loans," he added.

As the rejection rate for home loans is getting higher, it is vital for financial institutions to review the loan applicants before getting their loans approved.

Institute for Democracy and Economic Affairs senior fellow Dr Carmelo Ferlito said banks would

always assess the quality and actual conditions of the loan applicants before considering all of their sources of income.

"In order to avoid a subprime-type crisis, like the one that happened in the West more than 10 years ago, I think banks should be moved by prudence.

"This is not only to protect them from risks, but also to protect the households from excessive financial instability," he told TMR.

Recently, Housing and Local Government Minister Zuraida had urged banks to consider all sources of income of housing loan applicants, to address the high rejection rate among the applicants from B40 and M40 groups.

Ferlito said it is still important for the banks to consider lending money that is consistent with the financial situation of the applicants first, before considering all income sources of applicants.

"I think, more than the income, it is important for the financial exposure. If your income is high, but you already have loans for 80% to 90% of your income, you are in a worse position than someone with an average income but no debt.

"However, the actual consequences on the property market can be evaluated only after Zuraida's proposals become clearer," he said.

Previously, Zuraida had told *Bernama* that her view on banks considering all sources of income of housing loan applicants is to provide a kind of flexibility to enable borrowers to qualify for a housing loan.

However, her comments came under fire after many netizens interpreted it as saying that potential homebuyers should have two to three jobs in order to buy their first home.