DATUK DR PAUL SELVARAJ on PTPTN LOANS AND HOUSE OWNERSHIP

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The Ministry of Housing and Local Government has announced that backlisted National Higher Education Fund Corporation (PTPTN) borrowers who are listed on the Central Credit Reference Information System (CCRIS) will not be blacklisted if they apply to buy a home. Is this measure good for consumers, especially young workers, the banks and the property developers?

Firstly, being listed on CCRIS should not in itself become the deciding factor in rejecting loans to young workers, or for that matter, any consumer. It certainly should be a contributing factor. There are two possible scenarios when a consumer is blacklisted in CCRIS. Firstly, one has poor financial management skills resulting in for example spending beyond one's means, high credit card debt or multiple other loans beyond one's ability to pay. In a study by the Asian Institute of Finance, 75% of consumers in the age range of 20 to 33 had at least one long-term debt, possibly PTPTN loan; however another 37% had more than one long-term debt. Further, Bank Negara study shows that 76% of consumers would find it difficult to raise RM 1,000 to face an emergency while 47% had high credit card debts. For this category, adding an additional housing loan would only make matters worse.

On the other hand, there may be those who had to face some sort of personal or family catastrophe, and for a short-term was unable to make the payments on a certain loan and was thus blacklisted. This group certainly deserves to be considered for a housing loan.Thus the past credit behaviour should certainly weigh in on the loan application process, but the CCRIS blacklisting should not automatically be the reason to reject a loan.

While **FOMCA** recognises that owning a home is a basic consumer right, the key factor in acquiring a loan by the consumers and approving a loan by the bank must be the ability of the consumer to repay the loan. Apart from the consumer's financial habits, two key factors that determine the ability of consumers to repay the housing loan is their income and price of houses. In relation to one's income, the house must be affordable. Are Malaysian houses affordable?

According to Khazanah Research Institute and Bank Negara Malaysia, the signal of a well-functioning affordable home market is when the median price for the whole housing market is three times the gross annual household income. Overall in Malaysia, houses prices are 4.4 times the median income. Further, zeroing in on the states, house prices in Kuala Lumpur is 5.4 times, in Pulau Pinang it is 5.2 times, in Johor it is 4.2 times and in Selangor is 4.0 times. Further while according to Bank Negara the affordable home is at RM 242,000, in actual fact the average price of houses in Kuala Lumpur is RM 490,000, in Selangor it is RM 300,000, in Johor it is RM 260 000 while in Pulau Pinang it is at RM 295,000. To put it simply, houses in Malaysia are simply not affordable to consumers. The efforts, through policy and programs then, should be to reduce the price of houses to the affordable range.Thus, the first priority in assisting home ownership should be to build affordable homes as well as regulate the private sector to build affordable homes. The private sector are more keen to build expensive homes with very high rates of return, and when these expensive houses cannot be sold put pressure on banks to approve loans to consumers, especially young workers, who may not be able to afford the monthly payments. While young workers have a right for home ownership, purchasing a home beyond their means can only result in severe financial hardship in the near or long term.

CCCRIS and other credit scores should help banks to determine if loans should be given; however, a more comprehensive and detailed study should be made to enable first time home owners to buy their homes. Consumers, on the other hand need to take a comprehensive look at themselves and access their ability to make the regular house payments in the context of other current and ling-term financial commitments.

What is seriously lacking currently is a strategic approach to financial literacy programmes for young workers and young families. It is critical that young workers and young families develop the knowledge, skills and motivations to access their current financial habits and management practices and develop more optimal practices towards enhance spending, saving and investments, and debt management to develop more responsible financial behaviour practices. Further, due to low uptake of insurance, especially for medical insurance as well as preparation for retirement, financial education is key to ensure that young consumers are prepared to face the financial challenges at every stage in their life.

When a young consumer is blacklisted in CCRIS, there is a high possibility that there is a serious problem in the way he is managing his debts. The way forward should be to educate and empower him to manage his finances, not make it easier for him to get a huge loan, which could only lead to further financial problems.

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