

Rate hike won't cause spike in mortgage payments, homeowners' group predicts

www.themalaymailonline.com/malaysia/article/rate-hike-wont-cause-spike-in-mortgage-payments-homeowners-group-predicts

January 25, 2018

Tools



The National House Buyers Association predicts Bank Negara's increase of the overnight policy rate (OPR) will not cause any increase in monthly housing loan repayments. — AFP file pic

KUALA LUMPUR, Jan 25 — The 0.25 percentage point increase of the overnight policy rate (OPR) will not cause any increase in monthly housing loan repayments, the National House Buyers Association said today.

Its honorary secretary-general Chang Kim Loong said the OPR hike will force banks to increase their base lending rate (BLR) and base rates, but they may instead make necessary adjustments to ensure customers need not fork out more in monthly repayments.

Chang clarified that loans approved before 2015 are pegged to the BLR, but Bank Negara Malaysia (BNM) had changed the policy that year to allow banks to set their own base rates.

“In tandem with the OPR increase, any variable loans that are pegged to the BLR and base rates such as housing loans will be increased,” Chang told *Malay Mail*.

“Some banks may even choose to extend the duration of loan tenure accordingly to reflect such increase without affecting the quantum.

“For instance, a housing loan of RM300,000 for 25 years, a 0.25 percentage point increase in the interest rate will result in the hike of loan repayments of about RM50,” he said, adding that the public should not panic over the announcement.

He added it is also possible for banks to provide alternatives to customers as to not let them feel the pinch of the increase.

“For the banks which are taking customers who have signed for 30 or 35 years loan, they may not extend the tenure anymore but they can choose to increase the loan instalments.

“I believe options will be made available,” he said.

Earlier today, BNM, in its efforts to control the nation’s economic activities, has raised its key interest rate for the first time since July 2014.

In a statement, the central bank said its monetary policy committee “decided to normalise the degree of monetary accommodation” as the economy remains firmly on a steady growth path.

An OPR increase will affect loan interest rates, which could mean that it will cost more to buy a car or service housing loan, after factoring in the new interest rate.

The hike, however, also would mean that customers with substantial savings may earn more from the increase in saving interests.