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Easier home loans not solution to housing woes, say experts

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National House Buyers Association says forcing banks to relax lending criteria is a recipe for disaster



The National House Buyers Association says relaxing loan criteria is not the way to increase home ownership. (Bernama pic)

PETALING JAYA: A consumer group has cautioned against proposals to review stringent housing loan requirements imposed by banks, saying it was not the right way to resolve the issue of home ownership in the country.

Speaking to FMT, the National House Buyers Association (HBA) commented on the recent remarks made by Housing and Local Government Minister Zuraida Kamaruddin, who said the loan requirements for youth, particularly first time house buyers, should be reviewed.

HBA secretary-general Chang Kim Loong said although the suggestion was made with good intentions, given that Bank Negara had deemed the median prices of homes as "seriously unaffordable" and beyond the reach of most Malaysians, banks had a duty to safeguard the deposits of their customers.

"Banks are in the business of taking deposits and giving out loans and making a profit in the process.

"So banks will always want to give loans to customers who meet all their minimum approval basic criteria."

This, he said, meant that banks must exercise a high duty of care before approving each and every loan and be reasonably certain that the prospective borrower was able to service the loan instalments throughout the loan period.

He said if banks were forced to relax credit criteria, it could be a recipe for disaster if too many borrowers with bad credit defaulted on their loans.

"This can cause a domino effect leading to the collapse of the banking system and the Malaysian economy, similar to what happened during the sub-prime crisis in the United States."

He said a better solution would be to build more affordable homes and expand rent-to-own schemes.

Property expert Ernest Cheong said it would be a "futile exercise" to ask banks to lower their loan requirements because their concern was on default rates.

He said the problem wasn't the loan requirements but that most Malaysians just couldn't afford to buy a home.

"Many are struggling to survive. How many families even have reserves for a rainy day?"

"Even without the goods and services tax (GST), the cost of living has been on the rise."

Cheong said it was salaries which needed to go up, not loan requirements going down.

"In the city, a home could cost an average of RM400,000. The loan repayment for that could be around RM2,000 a month. How many can afford that?"

He said the prices of homes might come down due to oversupply though this may take a while.