PROPERTY CROWDFUNDING

# CARRY OUT STUDY

THE National House Buyers Association's (HBA) concern over the property crowdfunding platform which may trigger price speculations and hikes requires a study by the government.

HBA secretary-general Datuk Chang Kin Loon is worried that the crowdfunding may be similar to the Developer Interest Bearing Scheme (DIBS).

A decade ago, when DIBS was launched, it was aimed at assisting house buyers to own a decent house. The purchaser/house buyer pays between two and 10 per cent of down payment and only starts servicing his instalment once the housing project is completed.

The developer would absorb the disbursement loan amount's interest during the progressive release phase. This would ease the borrower's burden of serving progressive interest. But what happened was that the progressive release interest was factored into the property prices.

Some developers abused DIBS by offering cash incentive refunds to the house buyers. Let us say a property's original price is RM100,000. By factoring in additional costs and freebies such as free legal fee and stamp duty, the developer hikes the price to RM130,000 and offer a cash incentive refund to the purchaser under the guise of renovation incentive, furniture upgrade or moving incentive.

The purchaser signs up to buy the property by paying a down payment of 10 per cent, which amounts to RM13,000, with a swipe of a credit card. When the loan is approved, the developer will credit the RM13,000 into the purchaser's account as part of the cash incentive refund.

Basically, property crowdfunding is a group of investors or borrowers who have excess cash and offer loans to house buyers who require a mortgage. In essence, it is the ability of a company or individual to provide mortgage loans and associated business activities in the electronic world to property buyers.

It is a mechanism to connect the purchaser and investor to provide mortgage facilities and business transactions without going through the banks or financial institutions.

The government admitted that DIBS was one of the factors that pushed up property prices between 2009 and 2014. Property prices inflated threefold compared to now. It is only natural that HBA is concerned.

In this milieu, the Securities Commission Malaysia's tight guideline requires first-time house buyers to pay a deposit of between 10 and 20 per cent of the property price and pay nothing for the next five years or the entire period of the tenure. It appears that the new property crowdfunding platform has a similar mechanism to the previous one.

By right, the house buyer is not obligated to serve the interest or pay instalment for the next five years. The buyer, however, will be disciplined to pay the instalments the moment he buys the house. Another downside to crowdfunding is that it is not monitored by Bank Negara Malaysia.

The government must rethink this new crowdfunding mechanism.

Banks should be the only legal channel to provide mortgage loans to deserving applicants. The banks will submit mortgage information, including purchaser's personal particulars, property type, location and loan amount, to Bank Negara.

In the absence of proper guidelines, it is better to fall back on traditional mortgage schemes as the most viable route for home ownership.

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