

Elaboration on The Edge article, “Lending rules for housing may be relaxed but analysts are wary” dated 16 June 2018

Extract 1:

“...banks are too strict with housing loans and this makes it difficult for people to own a house.”

Clarification 1:

As of March 2018, 72% (or almost three in four) of housing loan applications were approved by banks. Of the outstanding house financing extended, 71% of the borrowers were the purchasers of affordable homes priced below RM500K.

Extract 2:

It is possible that the general 60% debt service ratio (DSR) – where borrowers’ total debt cannot exceed 60% of their take-home pay – may be relaxed. A borrower’s ability to get a loan is tied to their DSR. Bank Negara has capped the DSR for civil servants at 60% effective 2012.

Clarification 2:

Under the responsible financing guidelines, banks have considerable flexibility to determine income sources and the appropriate debt to income level or debt service ratio (DSR) that borrowers can reasonably sustain. Bank Negara Malaysia has not prescribed the DSR level for civil servants. The DSR adopted by financial institutions takes into consideration the financial circumstances of the borrower based on factors that include a borrower’s income, existing debt repayment obligations a borrower is already committed to, and reasonable buffers to meet essential expenditures and emergencies.

Extract 3:

“The government should have a separate classification for buyers of affordable homes. The criteria should be different from that of general housing. The terms have to be more flexible. For example, you should let banks look at households based on combined income. So if a husband and wife both work but the husband is the one taking up the loan, you need to let banks consider the wife’s income too...but only for their first home. You can also let banks allow for borrowers’ variable income to be taken into consideration. Some borrowers, especially the young, have a regular job but may also do other things like online sales that give them income. Currently, banks can’t really look at these other incomes.”

Clarification 3:

It is a current practice among banks to take into consideration other sources of income, including variable income, of the borrowers in assessing loan affordability provided that these are supported by documentary evidence such as bank statement, commission statement or rental agreement. Banks also commonly allow for a spouse or family member to be joint borrower(s) of the housing loan to improve affordability. Major banks that observe such practices include Maybank, CIMB, Public Bank, RHB, AmBank, Hong Leong Bank, Affin Bank and Bank Islam.

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