MBSB signs pact with Cagamas to get new funding source

Cagamas may purchase housing loans and home financing directly on a 'recourse basis'

by AZLI JAMIL

Pic by Ismail Che Rus

(From left) **MBSB chairman Tan Sri Abdul Halim Ali, Zaini, Chung and Cagamas chairman Datuk Ooi Sang Kuang at the signing ceremony of the purchase with recourse scheme**

MALAYSIA Building Society Bhd (MBSB) has entered into an agreement with national mortgage firm Cagamas Bhd for a purchase with recourse scheme to buy MBSB's housing loans, in a move to gain access to more competitive funding.

"This marks a new phase in our initiatives with MBSB whereby Cagamas may now purchase housing loans and home financing directly with MBSB on a 'recourse basis' after two previous initiatives in 2009 and 2011 where those loans were then purchased indirectly via intermediary banks," said Cagamas president/CEO Chung Chee Leong at the master agreement signing between the two parties in Kuala Lumpur on Wednesday.

"Since we have improved our financial position, we now can deal directly with Cagamas," said MBSB president/CEO Ahmad Zaini Othman.

Under a "recourse basis", the loan portfolio would be evaluated prior to Cagamas purchasing the loans for terms of three, five or seven years with the latter two options being preferred choice of terms for the scheme that accounts for 50% of Cagamas' loans purchases.

Though the portfolio is sold to Cagamas, it will still be reflected on MBSB's balance sheet and MBSB is responsible for any loss arising from borrower's default.

"We will undertake the scheme as and when we need to depending on our expansion requirements," said Zaini.

Moving on to MBSB's plan to expand its corporate loan growth via an oil palm plantation financing programme, Zaini said he has interviewed candidates to head the programme where opportunities are in both the upstream and downstream sectors of the industry.

"We are pushing for more corporate loan growth," said Zaini of MBSB's plan to rebalance its portfolio and grow its corporate loan segments from the current 20% of MBSB's total loan portfolio with the aim of achieving 60% consumer and 40% corporate within two years.

"Personal financing is still there and we take it within Bank Negara Malaysia's guideline," said Zaini about one of the main business segments of MBSB.

Finally, commenting on MBSB's high non-performing loans (NPLs) ratio of 5.5%, Zaini said it is mainly a result of high legacy NPLs of 40% seven years ago. "The company has worked hard to improve the ratio," he said.

"We aim to reduce NPLs to the industry's standard of 2% within the next two years though it depends on many factors such as the continued management of our own portfolio, a better collection system and the ability to reorganise and restructure (the loans)," said Zaini.