

More banks encourage Waqf funds to boost affordable home ownership

KUALA LUMPUR: More banks should consider Waqf funding as a tool to collaborate with other stakeholders to improve affordable housing ownership.

INCEIF CEO Prof Dr Azmi Omar said currently, Waqf was being used as a form of financing the property sector, but tends to focus on commercial properties, and middle to high-end properties.

"Maybe the name affordable housing is a stigma, but name wise is a separate issue.

"More importantly the whole idea of a Waqf fund is to create permanency," he said during a panel discussion.

"The permanent nature of the fund would benefit the public as they would be able to reap continuous returns," he said.

Dr Azmi was among five speakers discussing issues surrounding Islamic Housing Finance; one of the sessions that is part of the Affordable Housing across Asia conference. The two-day conference is organised by Cagamas Berhad, the National Mortgage Corporation of Malaysia, and the World Bank Group.

He said one possibility was to create a cash Waqf fund, where individuals could pool into that fund. The fund then can be part of financing used to develop the Waqf property.

"In that sense, the returns demanded by developer can be reduced," he said. "This happens because the cost of land



is almost free, and developers only have to manage the cost of financing and construction."

Dr Azmi said while the properties developed under Waqf fund were being leased, where part of proceeds can be funnelled to other philanthropic activities.

In his earlier presentation, he said houses built on Waqf arrangement may be sold at affordable pricing, where part of proceeds can be funnelled to other philanthropic activities.

If banks were to get involved in Waqf funds, it allows the institutions to work with other stakeholders such as religious authorities or state players, and meet the needs of social causes.

He cited examples such as the Alias Villas Waqf in Singapore that adopted this model and its income supported the Al-Huda Mosque.

He also shared a Malaysian semi-detached housing project. This was a joint venture be-

tween Perbadanan Wakaf Selangor and Nada Sepakat Corporation Sdn Bhd, and part of proceeds was channelled to the Al Falah Mosque in Teluk Pulai.

Maybank Islamic Chief Executive Officer, Mohamed Rafique Merican Mohd Wahiduddin Merican said partnership is important for the bank since they rolled out Islamic financing products for certain segments of society.

"Since then, the bank was working on partnerships with state governments, federal government agencies and even corporate players to encourage a higher ownership in the affordable housing sector.

"We find that you have to go beyond just what the bank is set up for, because there are segments of the community that we could actually serve," he said.

He added that this moti-

vated Islamic banks to be more creative and innovative to find viable solutions. He also said there was a higher acceptance of Islamic mortgages compared to conventional products at the bank. The Chairman of Cagamas Holdings, Nik Mohd Hasyudeen Yusoff concurred with Rafique that collaboration with other stakeholders will make Islamic financing more efficient.

Meanwhile Bank Muamalat CEO, Mohd Redza Shah Abdul Wahid said there needed to be intervention from all parties to help boost affordable home ownership.

He cited Singapore's housing sector as an example, where in 1959 the country saw 9% of their population owning houses, that figure has rose to 80% currently.

"Why is that? Because they build houses at well below market rate and allow their citizens to buy these houses at below market rate," he said, adding that there was much intervention at the low-end housing sector in Singapore.

He said in Malaysia, the financial markets are ready and the sector has enough resources to cope with the demand.

"If we receive too much (affordable) housing financing, we can pass it on to Cagamas and then we can fund a new thing," he added.

The real issue was that the market itself could not take on affordable housing on its own, he said.