

Loan rejections for affordable homes down 18%



KUALA LUMPUR — Loan rejection rates for affordable housing units have dropped by 18% compared to the peak of housing prices in 2012, Bank Negara Malaysia (BNM) deputy governor Shaik Abdul Rasheed Abdul Ghaffour (pic) has revealed.

In his keynote address at the Dialogue on Sustainable Development of Affordable Housing hosted by Cagamas Holdings Bhd here yesterday, Shaik Abdul Rasheed said approval rates for housing loans by the banking sector remain high at 74%, with more than 60% of the new housing loans extended for house purchases below RM500,000.

“Loan rejection rates for houses in the affordable segment have actually been on a declining trend, falling by 18% since 2012.

“Prior to 2012, investor purchases of multiple homes increased very sharply, crowding out first-time homebuyers and pushing up prices of homes across the board in preferred locations.

“At its peak, the growth in housing loans taken out to buy second and third homes exceeded 15%. This excludes cash purchases. This in turn drove a higher concentration of new supply in higher priced segments, further widening the demand-supply gap for affordable homes.

“By 2012, annual house price growth had risen above 11%, almost four times the 10-year average house price growth between 2000 and 2009,” the deputy governor said.

Demand for affordable homes has also increased rapidly from the higher rate of net new household formation, he added, which reflects trends that point towards smaller household sizes; the young moving out from family homes earlier, including to take jobs in urban cities; and an ageing population preferring to remain in their homes than move in with their adult children.

“Such demand pressures have been further compounded by income levels that have not increased in tandem

with the increase in house prices.

“All told, the shortage in affordable housing based on 2014 data is estimated at 960,000 units. This could rise to one million units by 2020 if further measures are not taken to increase supply of affordable homes and improve affordability,” the central banker cautioned.

Financing measures implemented by BNM along with fiscal measures by the government between 2010 and 2013 did

in fact achieve this to a certain degree, he noted.

“House price growth has since moderated to 5.5%, closer to income growth, following measures taken to dampen speculative activities in the housing market and manage high household debt levels.

“Lending standards that are more aligned with the level of income have

also encouraged private developers to shift their focus to the more affordable segments which should help improve supply conditions,” Shaik Abdul Rasheed said.

Despite lower rejection rates for affordable home financing and moderating house price growth in recent years, the BNM deputy governor believes there is still scope for financial institutions to develop innovative financing schemes — such as equity finance — to make homeownership more affordable.

“These include shared ownership schemes where buyers can acquire partial interest in a home, instead of being burdened by an outright purchase. Similarly, we have also observed lease-to-own schemes under Islamic finance arrangements, where tenants have the option to increase their stakes in a home after leasing for a period of time.

“BNM continues to work with the industry to uncover new opportunities, including financial education, to support first-time home buyers within their means.

“Financing therefore is not the issue. More to the point, financing measures have had an important role in tempering house price increases and encouraging an increase in the supply of affordable homes,” he said.

Cagamas chairman Nik Mohd Hasyudeen Yusoff noted that from an initial purchase of conventional housing loans of RM100 million in 1987, the national mortgage corporation had by end of April 2017 cumulatively refinanced housing loans in the secondary market equivalent to RM133 billion or approximately 1.9 million houses.

“Million of Malaysians were thus able to own their dream homes, partly because the competitive long-term refinancing activities of Cagamas facilitated financial institutions to expand their long-term portfolio of housing loans,” he said.

