

# Rethinking Home Ownership in the 21st Century: Bridging My First Home Scheme and Reverse Mortgages

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# Objective

- To illustrate the life-cycle of home ownership in the 21<sup>st</sup> century and share Cagamas experience in Malaysia in providing innovative solutions to support home ownership across various phases in life.



# Section 1: The Malaysian Housing Market



# The 12<sup>th</sup> Malaysia Plan



- The 12th Malaysia Plan aims to achieve the goal of becoming a prosperous, inclusive and sustainable country in line with the Shared Prosperity Vision 2030 and the Sustainable Development Goals 2030 (SDG 2030).
- It is centered on 3 main themes:
  - i. Resetting the economy
  - ii. Strengthening security, wellbeing and inclusivity
  - iii. Advancing sustainability
- Strengthening well-being include healthcare services, **providing affordable housing**, promoting healthy lifestyle and promoting unity.
- The National Housing Policy (2018-2025) and National Affordable Housing Policy (NAHP) served as a framework for the implementation of affordable housing.

# Prevailing housing market conditions in Malaysia (1/3)

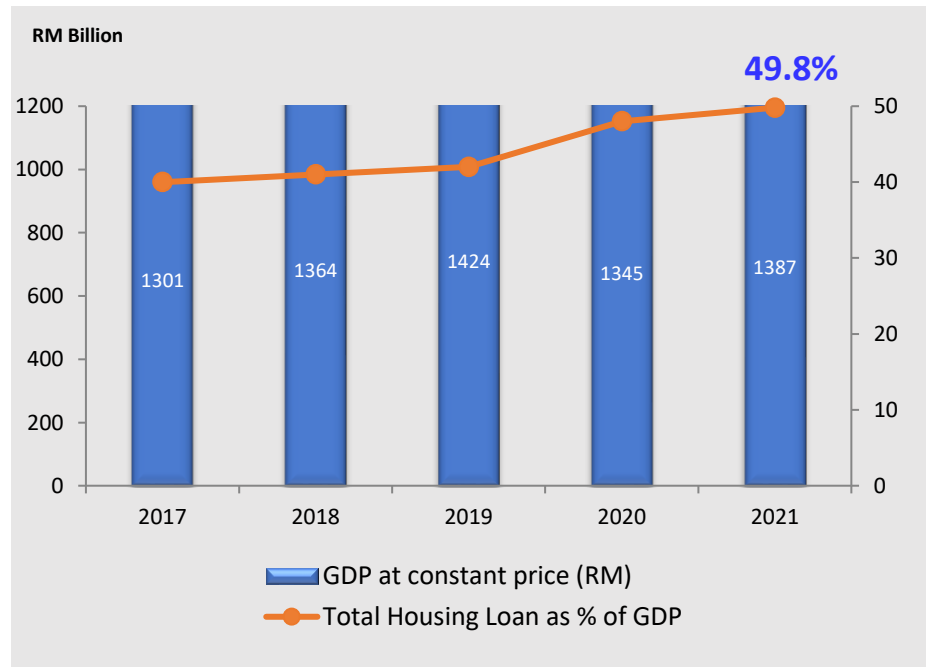


**Housing loan outstanding to GDP is 49.8% in 2021**, signifying its significant contribution to the economy

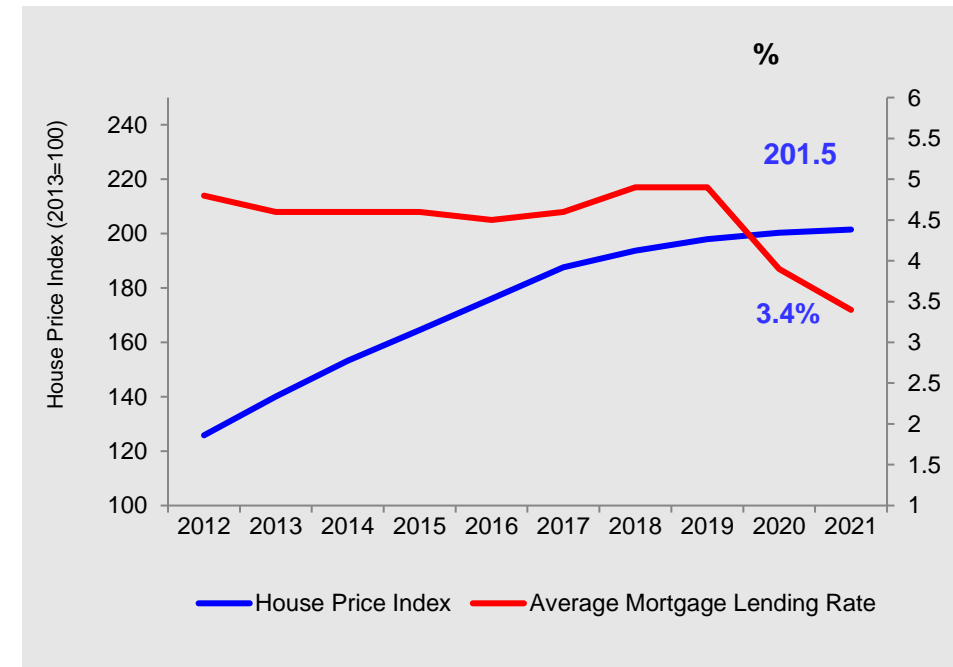


During the pandemic, **House Price Index continued to rise**, albeit at a slower pace, while Average Mortgage Lending Rate declined

**Housing Loan Outstanding to GDP**



**House Price Index vs Average Mortgage Lending Rate**



Source : Bank Negara Malaysia

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# Prevailing housing market conditions in Malaysia (2/3)

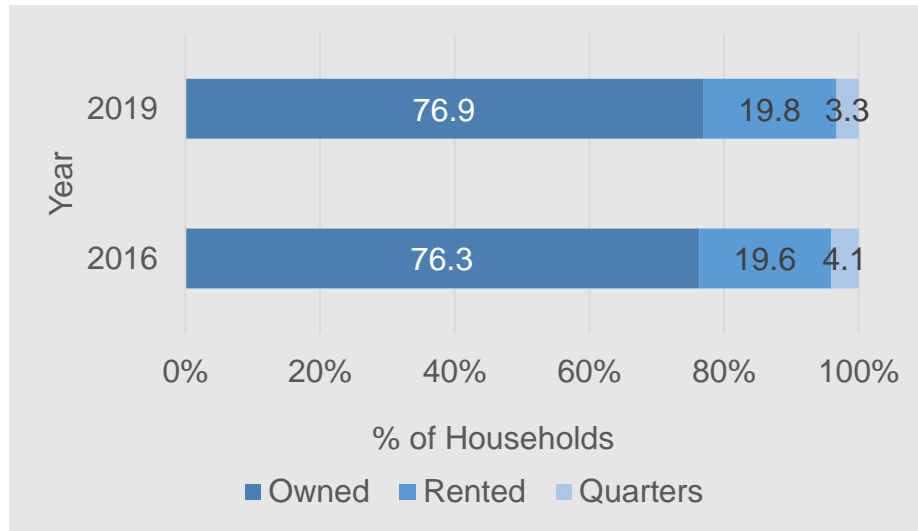


**Homeownership rate in 2019 was 76.9%,** an increase from 76.3% in 2016



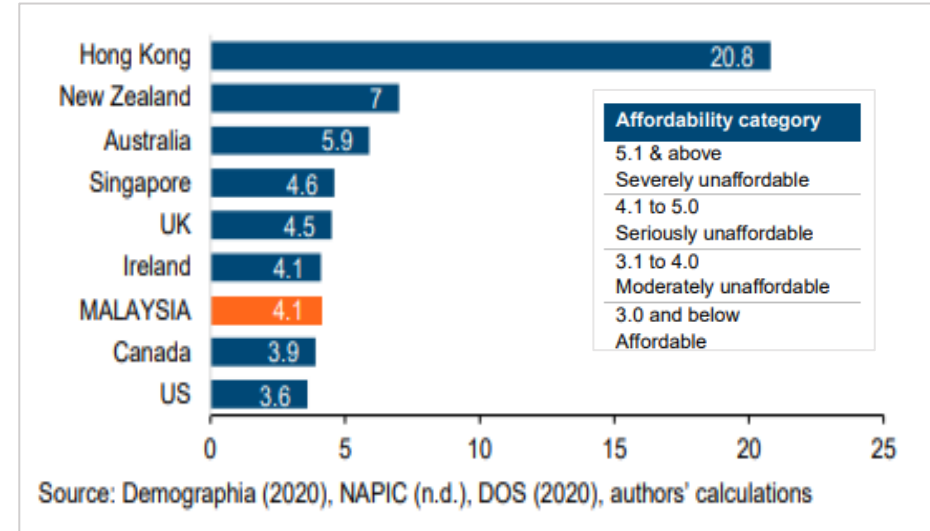
**Median house price is 4.1 times** of median household income in 2019

Percentage of households by type of occupied dwellings



Source: Household Income & Basic Amenities Survey Report 2019, Department of Statistics Malaysia

International comparison of market's housing affordability



Source: Demographia (2020), NAPIC (n.d.), DOS (2020), authors' calculations

Source: Median Multiple Affordability: Use and considerations, Khazanah Research Institute (2021)



# Prevailing housing market conditions in Malaysia (3/3)

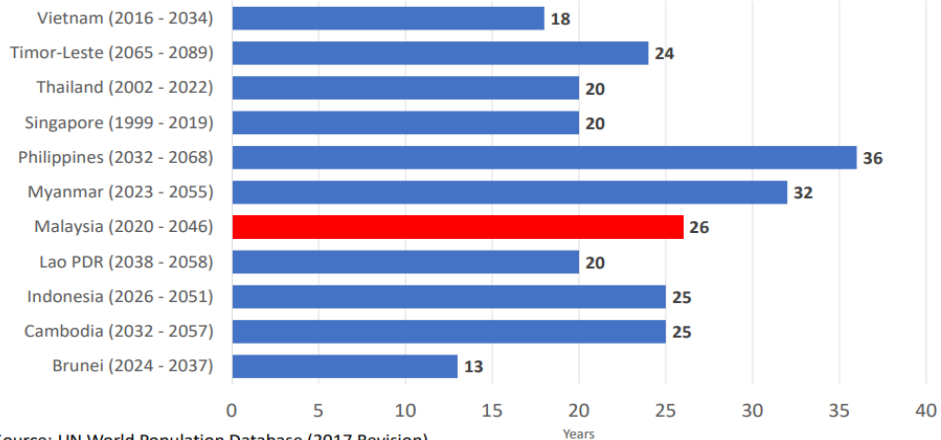


**Malaysia is on an accelerated trend to become an aged nation<sup>^</sup> within 25 years**



Real estate constitute the largest single asset for majority of household in Malaysia irrespective of financial status.

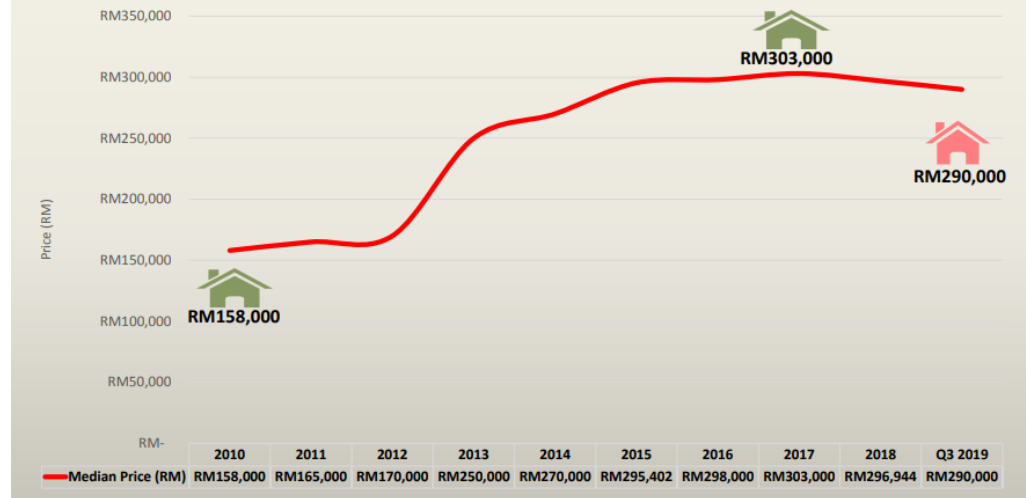
## Years for 65+ Population to Double from 7% to 14%



Source: UN World Population Database (2017 Revision)

Source: UN World Population Database (2017 Revision)

## Median House Price In Malaysia 2010 – Q3 2019



Source: National Property Information Centre (NAPIC)

<sup>^</sup>Note:

- *Aging Nation: 7% of total population*
- *Aged Nation: 14% of total population*

# Key players in the development of housing finance market in Malaysia



## Malaysia's Housing Finance Market

### Private Sector

- Commercial Banks (Conventional and Islamic Banks)
- Development Financial Institutions (DFIs)
- Other FIs and NBFIs: Insurance Companies, Co-operatives
- Property Developers

### Public Sector

- Ministry of Housing and Local Government (KPKT)
- Public Sector Housing Financing Board (LPPSA)
- Employees Provident Fund (EPF)

### Secondary Mortgage Market

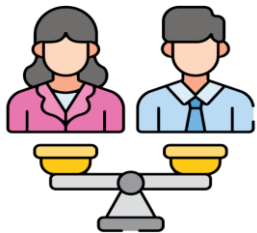


Cagamas Berhad



# Malaysia's National Housing Policy (2018-2025)

**Objective:** Gathering public and private sector resources to address the mismatch between demand and supply



## FOCUS 1

Ensuring Good Quality Housing For All

## FOCUS 2

Improving Accessibility and Affordability of Housing

## FOCUS 3

Ensuring Quality & Cohesive Neighbourhoods

## FOCUS 4

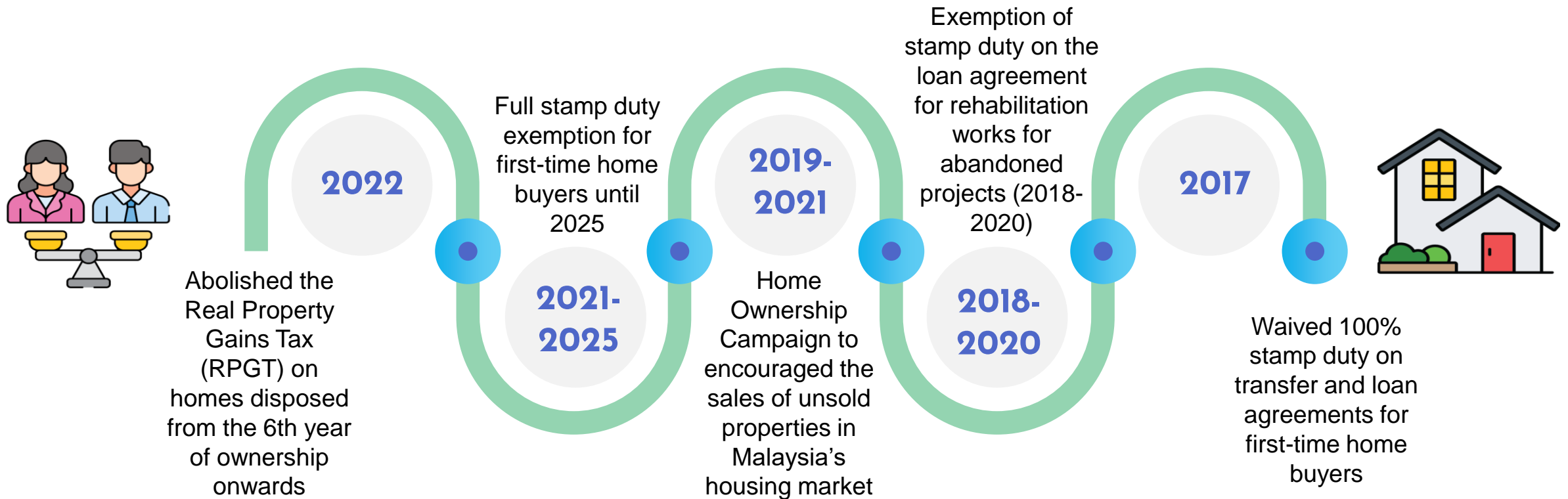
Improving Housing & Transportation Coordination for Better Quality of Life

## FOCUS 5

Strengthening Institutional Capabilities to Deliver the National Housing Policy (2018-2025)

# Selected macroprudential measures introduced by the Government

Over the years, the Government continues to introduce new measures to facilitate the housing finance system and also to curb house price speculations. Among the measures introduced :



Source : Ministry of Finance (MOF), Ministry of Housing and Local Government (KPKT), Bank Negara Malaysia (BNM)

# Government Assisted Financial Schemes

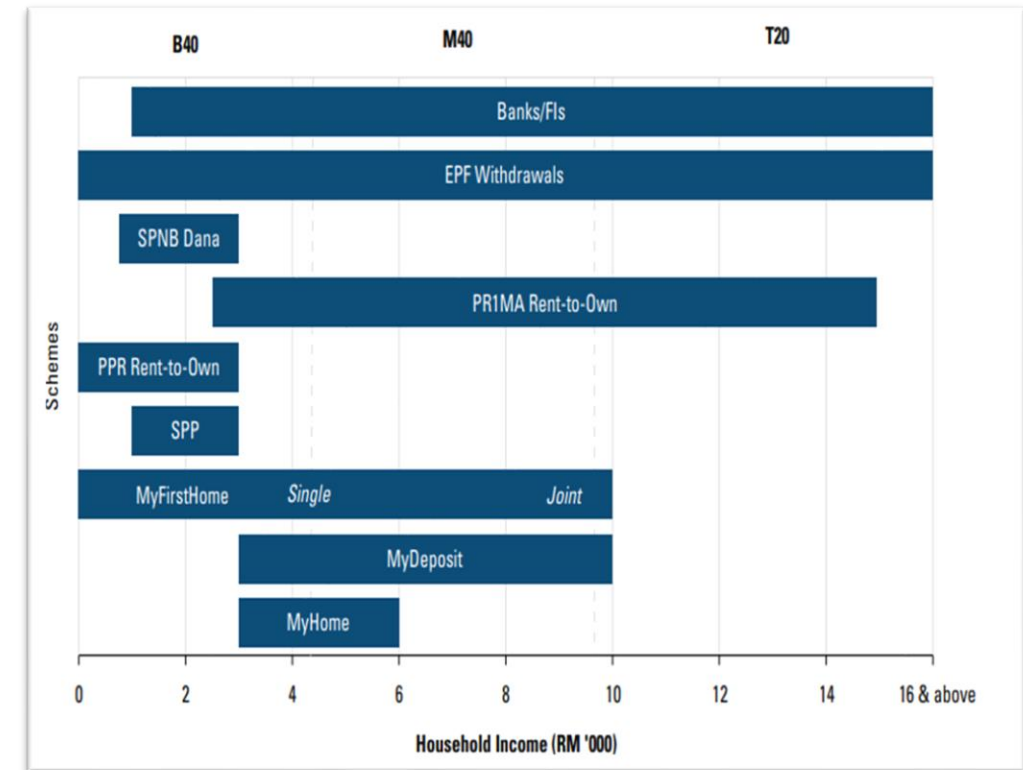


Provision of adequate, affordable and quality houses for all Malaysians in various income levels with the introduction of various targeted housing schemes.

1. Housing Loan Scheme or Skim Pinjaman Perumahan (SPP)
2. Financing under Syarikat Perumahan Negara Berhad (SPNB)
3. MyHome Scheme
4. MyDeposit Scheme
5. **MyFirst Home Scheme or Skim Rumah Pertamaku (SRP)\***
6. **Youth Housing Scheme or Skim Perumahan Belia (SPB)\***
7. Rent-to-Own (RTO) for Program Perumahan Rakyat (PRR-RT)
8. Rent-to-Own for Perumahan Rakyat 1 Malaysia (PRIMA-RTO)
9. EPF Withdrawals
10. i-Biaya (latest home financing umbrella aggregator introduced by the Government in 2022)

\*Mortgage guarantee scheme offered by Cagamas SRP Berhad  
Source : Khazanah Research Institute; BNM

## Schemes based on targeted household income groups



Note: The household income threshold range: B40 below RM4,849 @USD1,105, M40 between RM4,850 @USD1,106 to RM10,959 @USD24,918, T20 RM10,960 @ USD24,920 and above. Rate as 3 June 2022 : USD4.39: RM1

# i-Biaya Initiative



i-Biaya initiative launched in April 2022, as part of the Government's efforts to facilitate housing loans to the M40 and B40 low-income groups. It is integrated step to align all initiatives under one roof

Three initiatives offered under i-Biaya :

- My First Home Scheme (SRP) by Cagamas SRP Bhd
- Housing Credit Guarantee Scheme through Syarikat Jaminan Kredit Perumahan Bhd (SJKP)
- PR1MA Rent-to-Own (RTO) Scheme by PR1MA Corporation Malaysia (PR1MA)



**SRP Financing Scheme** - Open to those with income of RM10,000 and less for houses worth up to RM500,000.

**Housing Credit Guarantee Scheme** - Enable those without salary statements or documents accordingly, especially those involved in gig economy, to apply for housing loans.

**PR1MA's RTO scheme** - Allow those who are interested to rent and later buy at a price fixed in the sixth year, through financing by Maybank

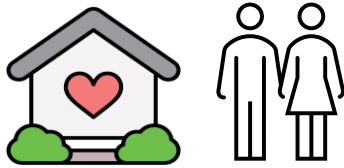
Source : Ministry of Finance (MOF), Ministry of Housing and Local Government (KPKT)

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## Section 2: Housing the Nation by Cagamas



# Phases of home ownership over the life-cycle



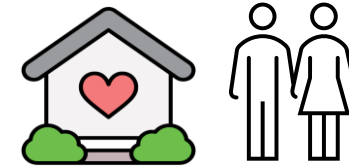
## The Starter Home

Home buyers access the financial market to purchase homes. **Removing or lowering the barrier to enter the property market** will facilitate first-time home buyer.



## The Move-up Home

Home buyers build equity through years of mortgage repayments and appreciations. They also explore purchase of new homes to suit their new priorities. **A robust financial system will enable healthy property market.**

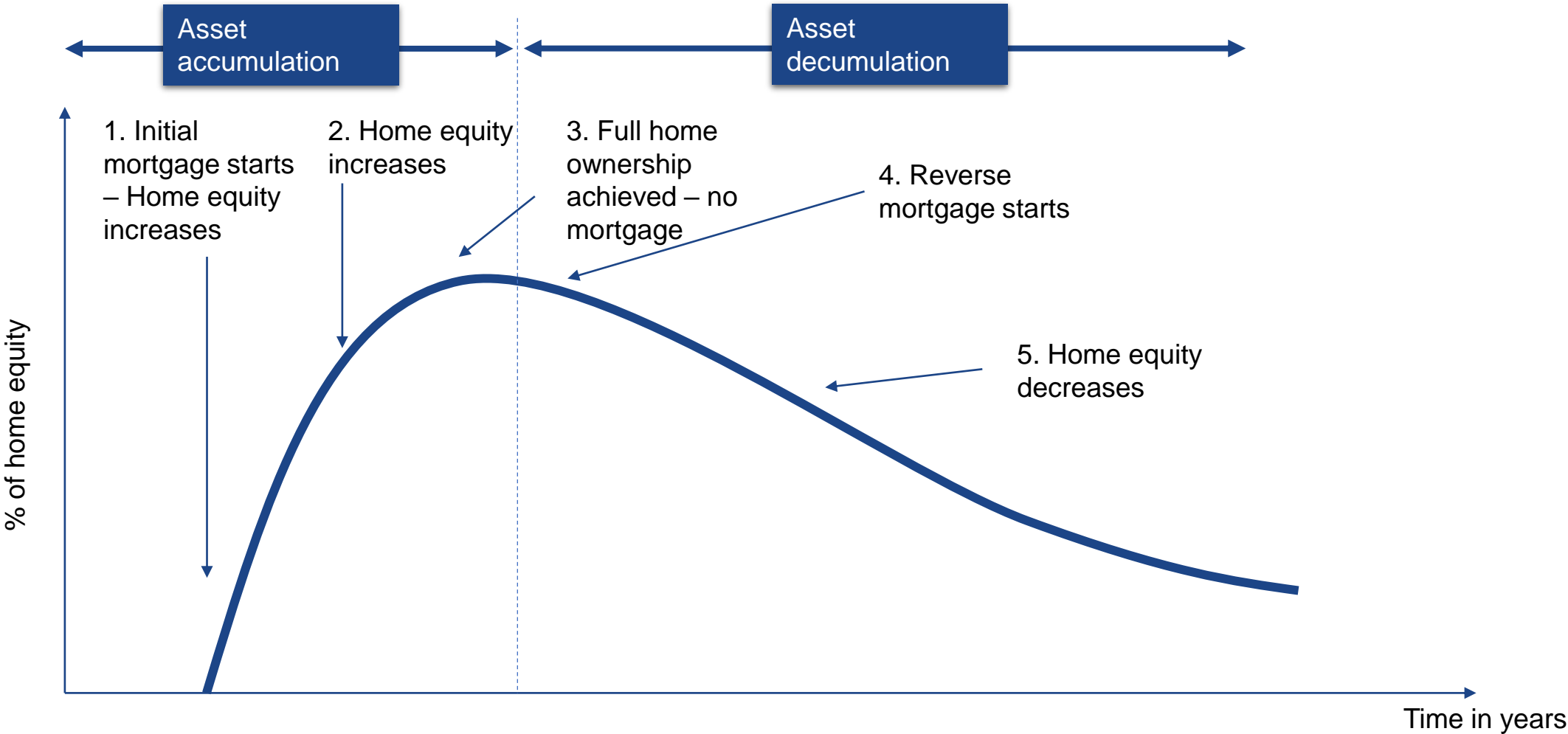


## The Downsize Home

Homeowners leverage on their home equity for a more suitable home for their age or for a fixed source of monthly income throughout their retirement years. **Retirees seek innovative products and solutions to facilitate their needs.**

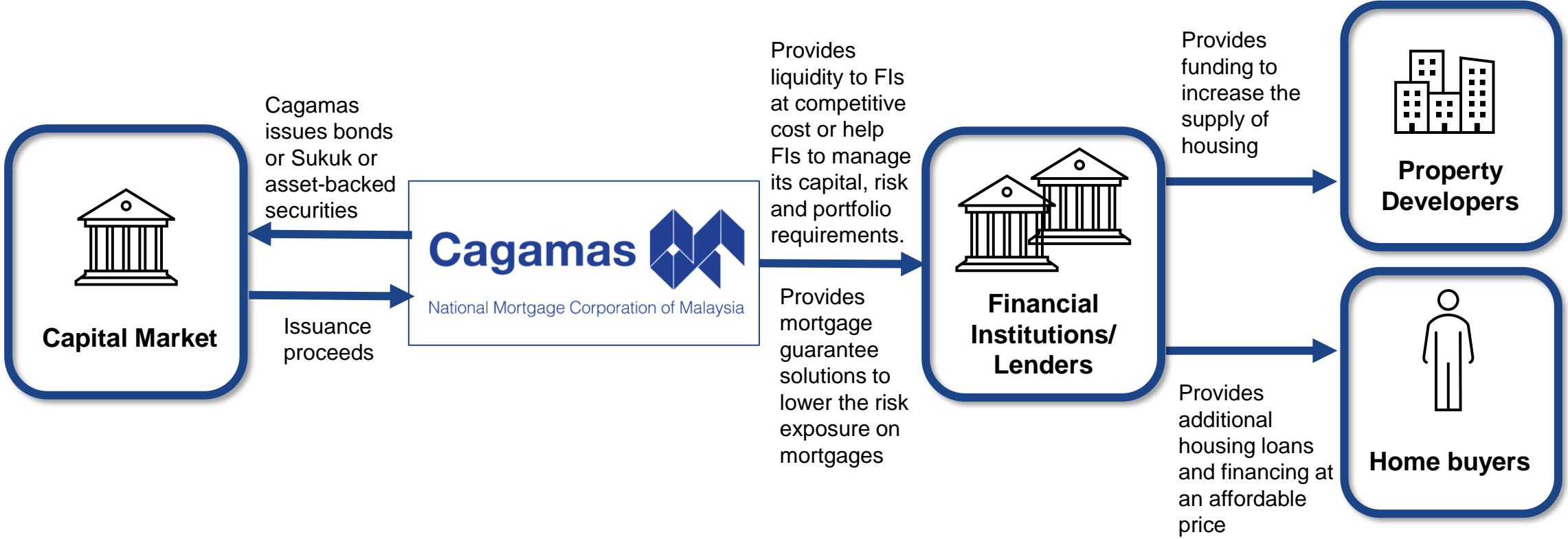


# Evolution of home equity over a lifetime



Source: The relationship between mortgages and home equity over time (Reed and Gibler, 2003)

# Cagamas plays a key role in facilitating Malaysia's housing finance ecosystem





# Cagamas holistic offerings to retail market to promote home ownership

## Skim Rumah Pertamaku (My First Home Scheme)



- **Launched in March 2011** with the objective of assisting first-time homebuyers to purchase their first home sooner through full financing from the participating banks.
- Collaboration with the **Ministry of Finance, Central Bank of Malaysia and 26 participating Financial Institutions**

## Skim Perumahan Belia (Youth Housing Scheme)



- **Launched in October 2015** in partnership with **Bank Simpanan Nasional, the Employees Provident Fund together with the Ministry of Finance.**
- Offers full financing for up to 20,000 eligible borrowers, on a first come, first serve basis. Discontinued on 30 September 2020.

## Skim Saraan Bercagar (Reverse Mortgage Scheme)



- **Launched by Cagamas in January 2022**, the first reverse mortgage scheme in Malaysia that allows senior homeowners to convert their home equity into monthly cash income with no repayments upon the borrower's demise.
- To kick-off, Cagamas allocate RM100 million to assist the elderly in financing their retirement.

# What is Skim Rumah Pertamaku (SRP)

Home ownership scheme aimed at **assisting first time home buyers to own a home.**



**Cagamas SRP Berhad ("CSR")**, a wholly owned subsidiary of Cagamas Holdings Berhad, facilitates the financing under its mortgage guarantee programme.

Allows eligible house buyers to obtain up to **110% financing from participating financial institutions**, enabling them to own a home without having the need to pay down payment.

# SRP | Product Structure

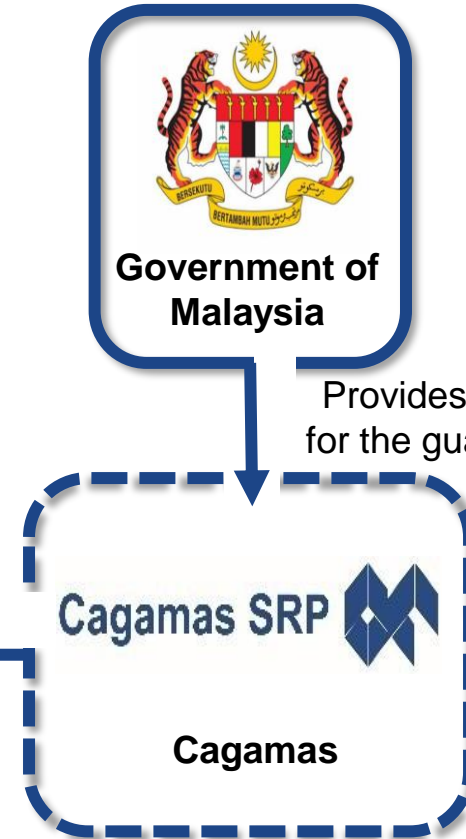


Provides up to 110% financing



Recognise 90% Credit Risk

Provides guarantee up to 20% on 'first loss' basis



# SRP | Benefits to home buyers



## Lower barrier of entry

Enable first-time home buyers to purchase home without the need to pay for down payment



## Higher margin of financing

Home buyers can obtain up to 110% financing from participating banks



## Accessible through most banks

Application can be made through 26 participating banks




## Applicable to various types of properties


Type of residential property includes under construction or completed unit from the primary or secondary market

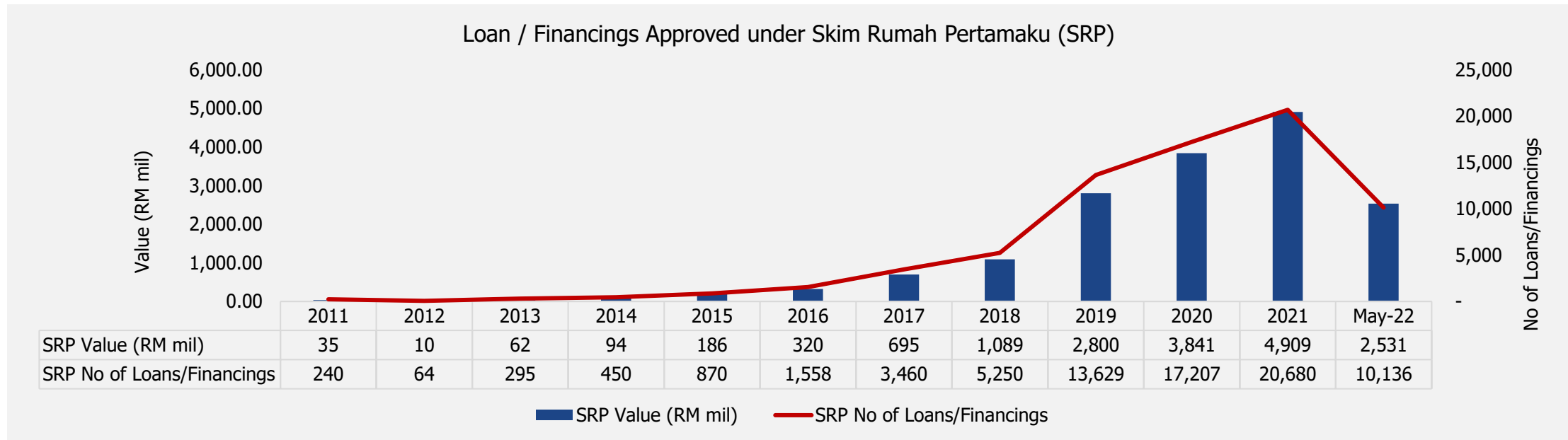


# SRP | Latest achievements as of May 2022

 **73,839**  
Successful applicants under the SRP scheme since 2011

 **RM 16.8 bil**  
Total financing value approved under the SRP scheme since 2011

 **91%**  
Applicants from the B40 income group<sup>^</sup>



<sup>^</sup> Refers to combined monthly income of RM4,850 and below

# What is Skim Saraan Bercagar (SSB)

A type of loan that allows elderlies or retired homeowners to **convert their residential property into a fixed monthly source of income throughout their lifetime.**



**No repayment is required during their lifetime.** Settlement only occurs upon the demise of the homeowner or surviving spouse (joint borrower), whichever is later, by selling off the residential property to settle any outstanding loan amount. Surplus, if any, will go towards the deceased's estate.

Home ownership is retained, allowing them to stay in their home throughout the lifetime tenure of the loan.

# Conditions for a viable Reverse Mortgage Market in Malaysia

## Demographic Trend



- The growth of older population, 65 years and above is increasing steadily at 3.7% since 2014.
- Currently at 7%, Malaysia is on an accelerated trend to become an aged nation (i.e. 14% of total population aged > 65yrs) within 20 years.

*Potential demand and target market*

## Financial Status



- 2 out of 3 Retirees aged 54 years have retirement savings of less than RM50,000 that could last only 4½ years
- 50% of Retirees with savings above RM200k will exhaust their savings in five years
- 70% of Retirees who withdraw their retirement funds at age 55 use up their savings less than a decade after retiring.

*Insufficient savings for retirement*

## Property Ownership



- Real estate constitute the largest single asset for majority of household in Malaysia irrespective of financial status.
- Malaysia has a home ownership rate of 76.9%.
- Property prices have substantially increased over the past 10 years

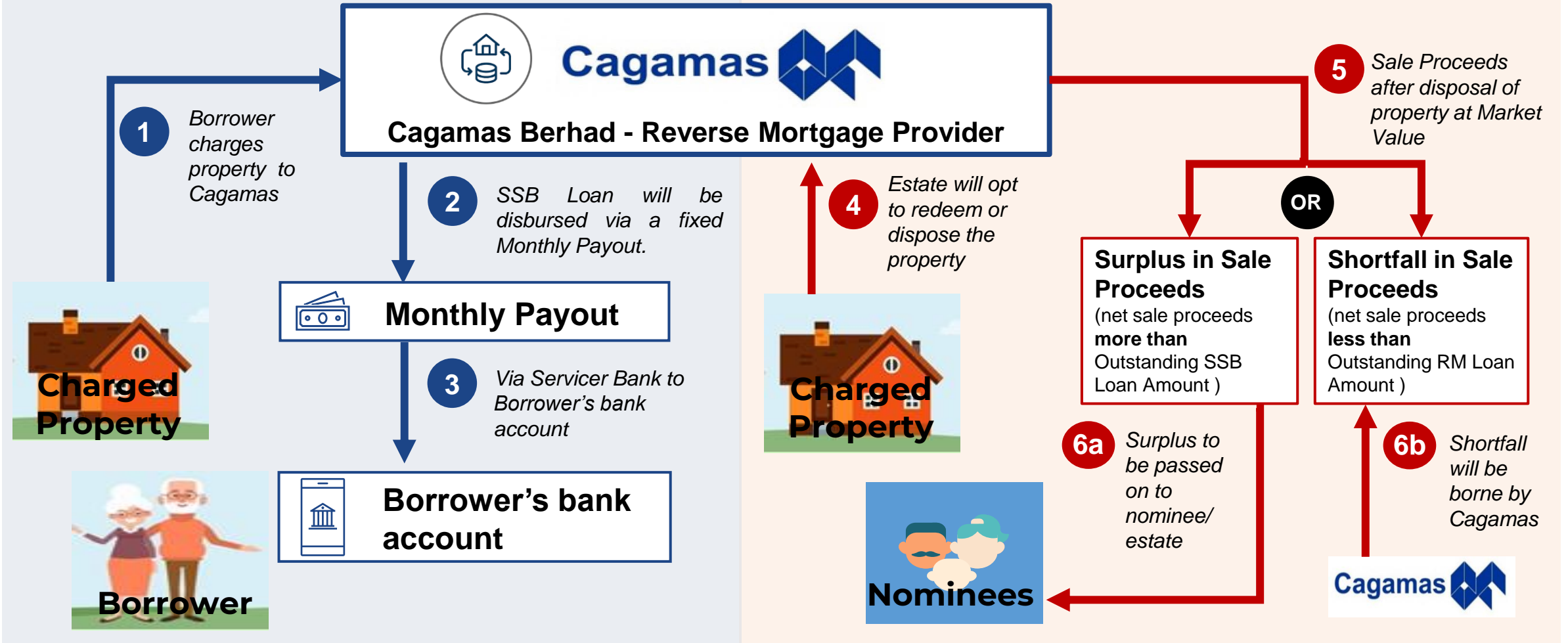
*High property ownership and sustainable property price*

## LOAN INCEPTION & THROUGHOUT LOAN TENURE

- Year 0 and onwards

## LOAN TERMINATION

- Upon demise of SSB borrowers







## Lifetime tenure

Retirees will have a fixed monthly source of income throughout their retirement years.



## Repayment happens later

Retirees don't have to worry about repayment during their lifetime as it will only happen when they or the last surviving joint borrower passes away.



## Home sweet home

Retirees are able to reside in their own home throughout their retirement years.



## A non-recourse loan

If the eventual sale proceeds of the property is less than the outstanding loan amount, the family or estate will not be responsible for the shortfall to settle the Skim Saraan Bercagar Loan.





# THANK YOU

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