

MALAYSIA'S CAGAMAS & KOREA'S KHFC TO PROMOTE HOMEOWNERSHIP



Kuala Lumpur (2nd April 2019): Malaysia's Cagamas Berhad (Cagamas) and Korea Housing Finance Corporation (KHFC) sealed a Memorandum of Understanding (MoU) to jointly explore housing financing methods to promote homeownership in their respective countries.

The MoU was inked by Cagamas President/ Chief Executive Officer, Datuk Chung Chee Leong and his Korean counterpart, KHFC Chairman/ CEO, Mr Lee Junghwan. Malaysia's Minister of Housing and Local Government, Zuraida Kamaruddin witnessed the signing ceremony.

Chung said, "The MOU marks an important milestone in the collaboration between Cagamas and KHFC. Cagamas welcomes this initiative which aims to enhance the strategic cooperation between Malaysia and Korea, including amongst others, research and knowledge sharing related to housing finance. This initiative is in line with both institutions' mandate to develop the secondary mortgage finance market."

The MoU enables the wealth of domestic experience in housing finance, mortgage and financial instruments to be mutually exchanged between Malaysia and Korea. This is expected to enhance the stability of housing and mortgage markets, mortgage backed securities (MBS) as well as other funding instruments to leverage private capital to the housing market. A central feature includes identifying and attracting private and public capital investment.

Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued circa RM319.1 billion (US\$96 billion) worth of corporate bonds and sukuk

KHFC CEO, Mr Lee said, “By signing the MOU, both institutions pledged to promote bilateral cooperation in a wide range of areas including exchange of know-how on housing finance policies, holding joint conferences, sharing expertise on housing finance and secondary mortgage market, in addition to exploring joint business opportunities.”

Established in 2004, KHFC has accumulatively issued MBS and covered bond amounting to US\$252 billion (KRW 252 trillion, as of 2018) which have contributed to the stability of long-term fixed-rate loan finance and the revitalization of long-term bond market.

KHFC is a State-Run Enterprise that facilitates the long-term, stable supply of housing funds, thereby promoting national welfare and developing the national economy by supporting the Korean Government’s housing welfare policy.

The MoU was inked at the sidelines of the Cagamas and World Bank Group’s “Constructing & Financing Affordable Housing across Asia” conference, 2nd to 3rd April 2019 in Kuala Lumpur.

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About Cagamas Berhad

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia, was established in 1986 to promote homeownership and contribute towards nation development. It contributes towards the growth of the capital markets, Islamic finance and other priority sectors through issuance of innovative instruments. The provision of liquidity to financial institutions at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost.

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued circa RM319.1 billion worth of corporate bonds and sukuk.

Cagamas' corporate bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad and AAA/MARC-1 and AAA_{IS}/MARC-1_{IS} by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned local and foreign currency long-term issuer ratings of A3 by Moody's Investors Service Inc. that are in line with Malaysian sovereign ratings.

About KHFC

KHFC was established in 2004 under the KHFC Act in order to support Korean government's housing welfare policy by facilitating long-term, stable supply of housing finance. KHFC is directly or indirectly 100% owned by the Korean government, with 66%-owned by the government directly, and the remaining 34% held by the Bank of Korea.

KHFC's major business consists of two areas, Fixed Rate Mortgage Loans Origination and Securitization. Fixed-rate mortgage loans allow customers to safely repay the principal and interest over a period of 10 to 30 years, and our securitization business facilitates the supply of housing finance on a long-term and stable basis by purchasing mortgage loans from other Korean lenders. With its status as a government entity, KHFC enjoys continuous capital injections by the government.

Since its establishment, KHFC has received total capital injection of close to KRW 2 trillion. Furthermore, the government revised the KHFC Act in March 2016 to authorize capital increase from KRW 2 trillion to KRW 5 trillion showing dedicated support to KHFC.

Korea Housing Finance Corporation has contributed to enhancing welfare of people and developing national economy by promoting long term and stable supply of housing finance. Looking ahead, KHFC provides the best housing finance service by utilizing our knowhow and professional knowledge to meet people's expectations and fulfill the social responsibility as a public institution

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