

KLCI	1,759.16 ▲ 3.53	Hang Seng	26,706.09 ▼ 34.12	Nikkei	20,099.75 ▼ 44.84	KOSPI	2,450.06 ▲ 8.22
STI	3,314.12 ▲ 20.99	SCI	3,237.98 ▼ 6.88	TSEC	10,436.70 ▼ 62.66	S&P/ASX200	5,722.84 ▼ 38.61

Banks assure eligible borrowers of access to housing loans

PETALING JAYA: More than RM25.7 billion in loans have been approved by commercial banks in Malaysia from January to May this year, with loans in excess of RM24.6 billion disbursed for the purchase of residential property, said The Association of Banks Malaysia (ABM).

"ABM would like to reiterate that its member banks, which comprise the commercial banks operating in Malaysia, have been and will continue to provide home loans to eligible borrowers.

"Commercial banks are in the business of lending and financing

will be extended to viable applicants," it said in response to calls to relax the lending criteria for potential buyers of affordable housing.

This follows Bank Negara Malaysia's (BNM) assurance last week that access to financing is not the primary issue in affordable housing, with about RM40 billion housing loans approved in the first five months of the year and a stable approval rate of 74%.

ABM said housing loans form the single largest component of commercial banks' total loan portfolio, representing 34.4% of the

total outstanding loans as at end May 2017.

According to ABM, the main reasons for rejection of loan applications are high debt service ratio (DSR), adverse credit history, insufficient income, yet to be established repayment capacity and weak documentation or banking records.

A high DSR means that the applicant's existing level of borrowings and repayment is very high compared with his income. Banks use the DSR to see how much of the applicant's income is being utilised to pay off debts and if

he can reasonably add on a new loan with respect to his earnings.

Adverse credit history may refer to the applicant's poor repayment track record for existing credit facilities including credit cards, hire purchase or other borrowings.

As for insufficient income, some applicants may not have existing borrowings but their income is insufficient to support the amount of loans applied while some applicants may not have a steady income stream or their income cannot be verified.

In some rejected cases, the applicants' ability to generate

enough funds to make debt repayments on intermediate and long-term loans cannot be proven due to reasons such as the applicant having just entered the workforce or set-up a new business while some fail to produce sufficient evidence to support the amount or consistency of income or bank statements to support the application.

ABM said the rejection of housing loan applications cuts across all income ranges but trends higher among the lower to middle income group due to smaller disposable income relative to the new and existing monthly commitments.