

## **Standardised Documentation for Description of Key Terms for Housing Loan / Home Financing Agreements**

Dear Consumers,

### 1. Standardisation

Our member banks will, with effect from 1 January 2013, adopt a standardised template for the description of key terms and conditions in respect of certain housing loan or home financing agreements. Bank Negara Malaysia has issued a circular today in this respect.

### 2. Application

2.1 Agreements which come under the standardisation will be those involving a principal sum of RM500,000 and below and which are :-

- a) Extended to individuals;
- b) For the purpose of financing the purchase of residential property by the borrower(s);  
and
- c) Not combined with another different type of facility or facilities.

Member banks are, however, free to adopt the standardised template for any housing loan or home financing agreement which does not fall within the above criteria.

2.2 For the purpose of determining the principal sum of RM500,000 and whether or not the standardised template were to apply, only the loan amount to be applied towards the purchase price of the residential property is to be taken into account. The loan or financing can however extend to cover renovation costs, Mortgage Reducing Term Assurance (MRTA) or such other insurance premium as may be permitted by the banking institution and legal fees incurred in connection to the purchase of the property.

### 3. Objective

With standardisation, terms can be presented in a manner which is consistent, clear and easy to understand. The standardised template would further promote consumers' understanding of their rights and obligations and would enable them to make informed decisions that best meet their financial circumstances and needs. With greater consistency being introduced through the adoption of the standardised template for housing loans or home financing across the industry, consumers will also be able to make a more direct comparison of the financial products and services offered.

Banking institutions will also endeavour to improve the turnaround time for the processing of housing loans on its part, particularly relating to the loan approval and disbursement process. This would in turn promote efficacy of doing business as well as improve the delivery of services in the financial services sector.

### 4. Template and Timeline

The template of the standardised key terms has been developed by The Association of Banks in Malaysia (ABM) in collaboration with its 13 Council Banks. A copy of the standardised template is set out and contained in Attachment A.

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The standardisation will take the form of a 3-part agreement as follows:-

- Part A which will contain the standardised provisions – please refer to the template in Attachment A;
- Part B which will contain other terms not covered in Part A; and
- Part C which will have attached the respective bank's Letter of Offer.

A chart depicting the stages involved in the processing of straight-forward (as defined in the chart) applications currently and the time expected for each of the stages is set out and contained in Attachment B.

Please write to us via email at [banks@abm.org.my](mailto:banks@abm.org.my) or contact ABM's toll-free hotline *ABMConnect* at 1300-88-9980 from 9:00 am to 5:30 pm, Mondays to Fridays in the event you have any queries or feedback.

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The Association of Banks in Malaysia