

 WHILE the National House Buyers Association (HBA) applauds the move by the government to encourage home ownership for first time house buyers earning less than RM3,000 a month under the My First Home Scheme (MFHS), it warned that once the euphoria of a purchase has passed, there are some hard realities to face.

Chief among them, it said, is the issue of servicing monthly loan instalments.

 "Buying a house and being able to afford to pay the repayments are two different things," it said in a statement.

"A higher loan translates to higher monthly instalments that will further strain buyers' expenses."

Based on current guidelines that the interest rate for MFHS loans will be calculated as the prevailing Base Lending Rate (now 6.3 per cent) less 1.8 per cent for the duration of the loan, qualified buyers have to be prepared to pay an effective rate of 4.5 per cent per annum.

On a 20-year repayment tenure, this equates to RM1,392 monthly for a 100 per cent loan on a house costing RM220,000, the maximum allowable under MFHS.

Such an instalment makes up 46.4 per cent of the income of buyers earning RM3,000 a month, the HBA pointed out, adding that generally, banks "practice a guideline where any single loan repayment should not exceed 33 per cent of a borrower's gross pay".

Even with repayment stretched to 30 years, it pointed out that the reduced instalment (of RM1,115) would constitute 37.2 per cent of their pay.

"If banks approved loans (above the 33 per cent guideline), borrowers would be considered to be living dangerously ... it also means it would be tough for them to apply for an additional loan to buy things such as a car," said HBA.

It calculated that after deducting expenses such as EPF contribution, payment of utility charges and management fees, food, transportation and miscellaneous expenses, buyers earning RM3,000 and repaying 37.2 per cent of that for their housing loans would be left with only a small safety net of less than RM190 a month.

To enlarge the net so they can get more security to cover personal emergencies, HBA suggested that approved MFHS applicants be offered a preferential interest rate of three per cent per annum, fixed for the entire loan tenure.

At this rate, it pointed out that the monthly repayment on a RM220,000 loan stretched over 30 years would be RM926 - less than 33 per cent of a RM3,000 salary.

This would almost double the safety net to almost RM380 and ensure them a more robust future.

However, it cautioned that MFHS does not come with the guarantee that the projects purchased will be completed as they will likely be built using the Sell-Then-Build system.

"Presently, we have a situation of `protection not guaranteed'," it said.

"The government should put the needs of the house buyers first by ensuring a system of building, then selling ... what's the point of a 100 per cent loan if the houses risk being abandoned midway?"

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