



My First Home – the Malaysia's first home program

Contributed by Chung Chee Leong, Cagamas Berhad

Young people the world over share the same dreams and aspirations – becoming financially independent, establishing themselves in careers of choice, and ultimately, owning their own homes.

In Malaysia, ever-growing rural-urban migration among the young in search of challenging, urban lifestyles coupled with increasing demand by affluent Malaysians and escalating land and construction costs, have caused steady property price increases.

For Danial, a young advertising company executive in Malaysia's capital Kuala Lumpur, owning a home remained a distant dream. Hailing from Kuala Terengganu some 450 km away, he joined the company four years ago upon graduation.

With an income of only RM 3,500 (\$US1, 190) per month covering basic necessities including rental of an apartment, he has little savings for a house-purchase down-payment. His upcoming nuptials have increased the pressure to own a house.

Recognising the need to assist young, working adults like Danial, the Government of Malaysia introduced its My First Home Scheme (MFHS).

Launched in March 2011, the MFHS allows home buyers to obtain up to 100% financing from participating banks. Banks typically limit financing up to 90% of the loan since purchasers are required to make a 10% down-payment which is normally imposed by housing developers or secondary sellers prior to executing the Sales & Purchase Agreement.

Cagamas SRP Berhad¹ will guarantee the banks financing above the 90% level i.e. if a borrower obtains 100% financing, Cagamas SRP will guarantee 10% (thus raising 90% to 100%) of the financing.

Cagamas SRP provides a customised mortgage guarantee product under the scheme whereby it will assume the first loss on a loan in default and any claims will be paid to the bank, subject to a court foreclosure order.

The first loss is limited to the rundown of the principal over the guarantee coverage period. In relation to the scheme, the Government has set aside a guarantee fee fund which is presently managed by Cagamas Berhad. The guarantee fee will be paid by the Government for loans approved under the scheme by the participating banks.

The following MFHS eligibility criteria ensure the program target group benefits young, working Malaysians:

- Applicable to Malaysian citizens
- First time home buyers

¹ Cagamas SRP is a 100% subsidiary of Cagamas Berhad, the National Mortgage Corporation of Malaysia



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- Individuals up to the age of 35 years
- Residential and owner-occupied property
- Property value from RM100,000 to RM400,000 (\$US34,000 to \$US134,000)
- Gross income of individual borrowers not exceeding RM5,000 per month (\$US1,700 per month)
- Gross income of joint borrowers not exceeding RM10,000 per month (\$US3,400) (subject to individual borrower's income not exceeding RM5,000/\$US1,700 per month)

23 banks including the major commercial banks participating in the MFHS now offer conventional loans and financing (under the Islamic principle) facilities, subject to the specified criteria and the respective bank's credit underwriting standards.

Applicants undergo the typical credit assessment process and are subject to Responsible Financing guidelines issued by Bank Negara Malaysia (the Central Bank of

Malaysia) to the commercial banks. Applicants may approach several participating banks to source the best mortgage rates, terms and conditions.

Some participating banks provide loans to eligible applicants for up to 40 years, or the borrower's age not exceeding 70 years at the end of financing tenor, whichever is lower. The current low mortgage rates also allow applicants to afford homes in the higher end of the property value range.

The MFHS take up rate is moderate and within expectations as applicants are required to go through the commercial credit underwriting standards. The scheme is monitored by the Ministry of Finance, Central Bank of Malaysia and Cagamas SRP to ensure that its objectives are met, resulting in enhancements being undertaken to the MFHS from time to time.

The Government's commitment to affordable housing, initially targeted at public low-cost housing programs for the lower income group, has been extended to include middle income families or individuals with a monthly household income of between RM2,500 to RM7,500 (\$US850 to \$US2,550).

The establishment of the Government-owned PR1MA Corporation (PR1MA) has seen the development of affordable homes in urban/suburban areas, ranging between RM100,000 to RM400,000 (\$US34,000 to \$US134,000).

Like many other countries, urban population growth in Malaysia has been rapid. Through various Government initiatives, Malaysians can access affordable homes to manage challenges of living in urban areas. The dream of owning his first home has become a reality for urban-dwellers like Danial.

