



Cagamas Berhad

The National Mortgage Corporation

NHB-ABUHF International Conference 2013

Housing : An Engine of Inclusive Growth Overview of the Malaysian Mortgage Market

Datuk Chung Chee Leong
President/Chief Executive Officer

11 April 2013



25
Years of
Housing the Nation



Agenda

- Overview of the Malaysian Housing Market
 - ✓ Malaysian Factsheet
 - ✓ Malaysian Housing Market
 - ✓ Mortgage Debt to GDP ratio
- Primary Mortgage Market
 - ✓ Mortgage Originators
 - ✓ Regulatory Environment
- Secondary Mortgage Market : Cagamas Berhad



Malaysian Factsheet – FY2012

Land Size
329,847 sq km

Population	29.3m
Age Median	26.8 years
Age Distribution	
0 – 14 years	29.4%
15 – 64	65.5%
65 and above	5.1%

GDP	RM937.5b
GDP Growth	5.6%
Contribution to Growth	
- Agriculture	0.1%
- Mining	0.1%
- Manufacturing	1.2%
- Construction	0.6%
- Services	3.5%

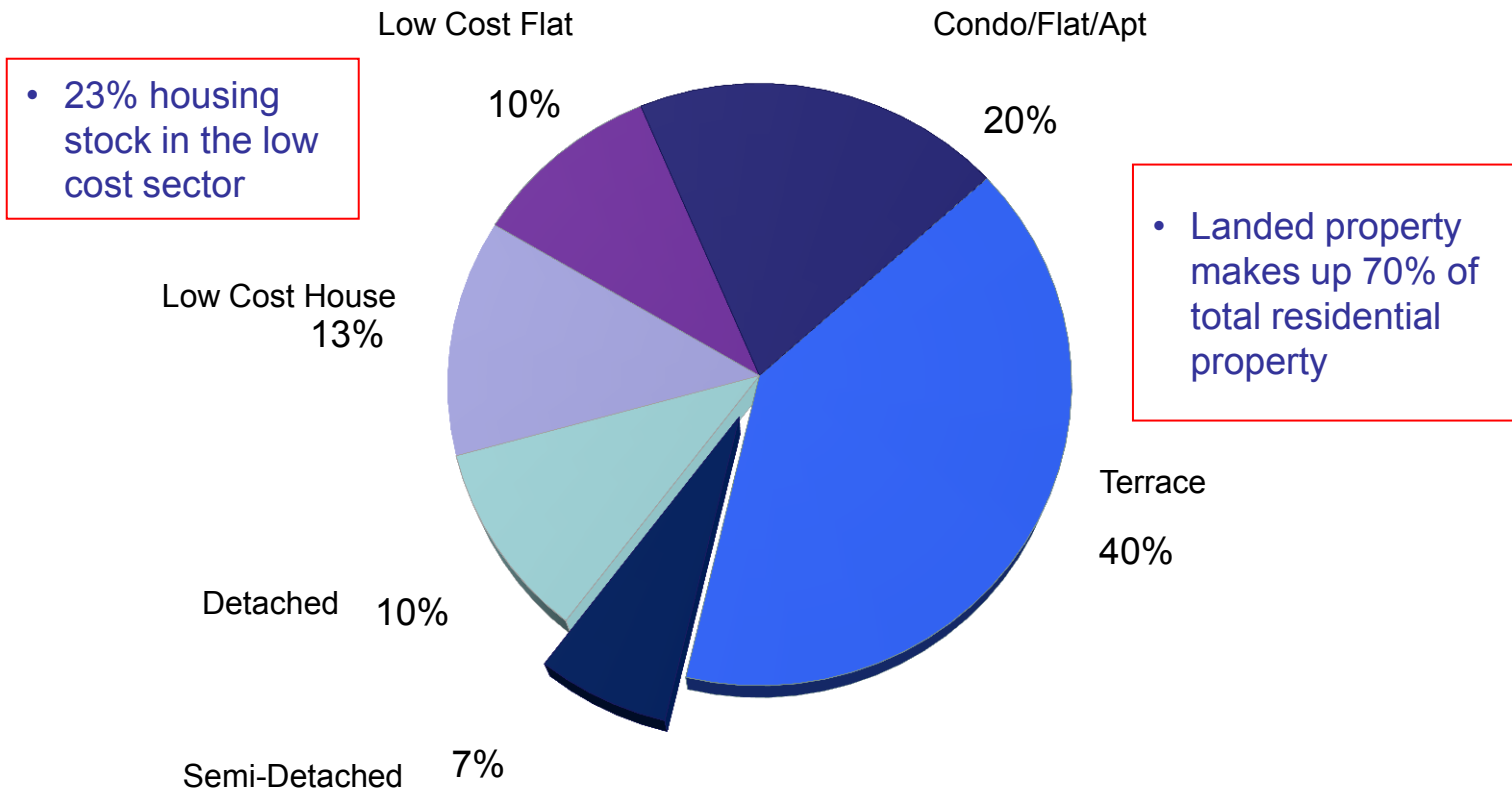




Malaysian Housing Market

Predominantly comprises landed property

Types of Residential Property Stock as at Q3 2012

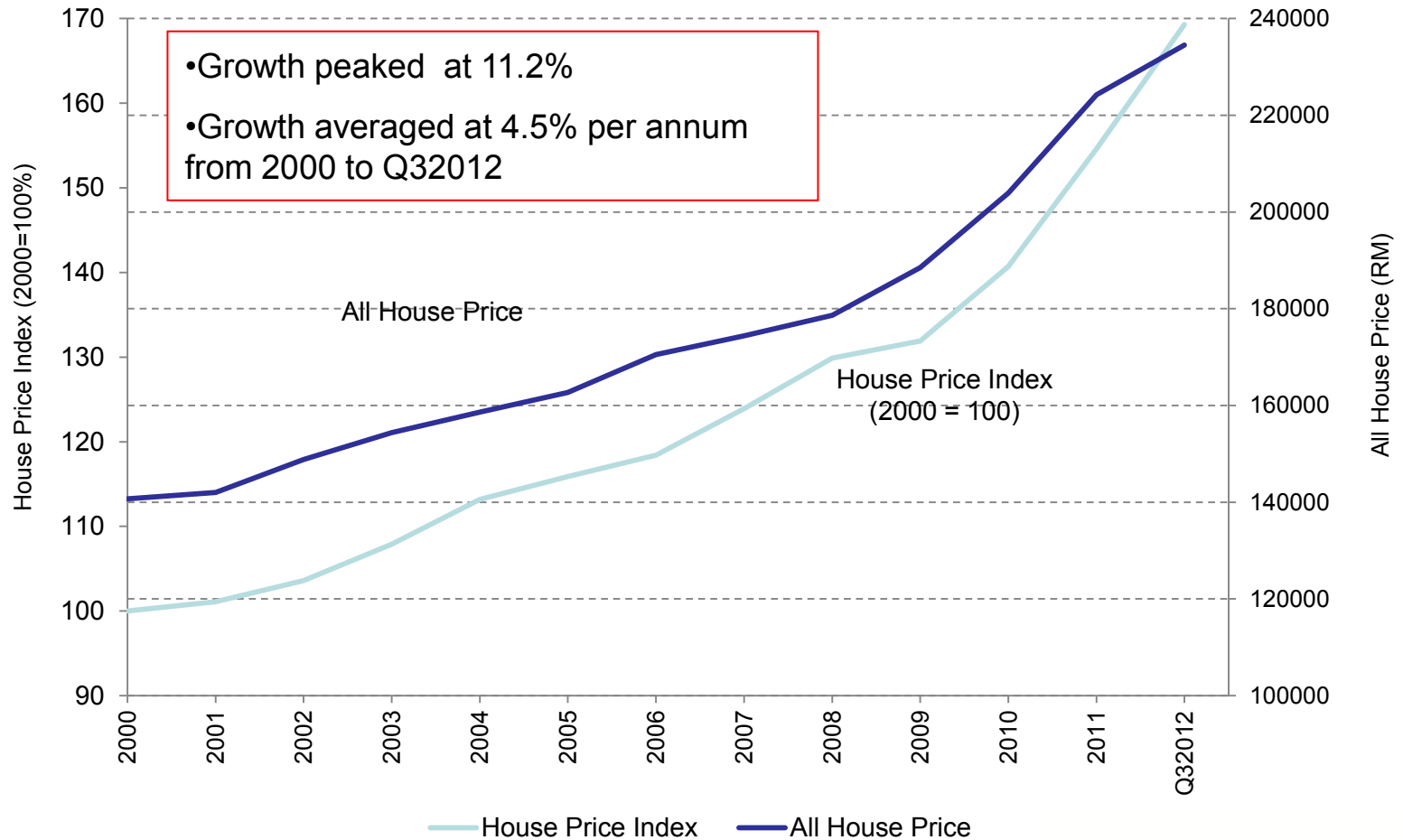


Source: Valuation and Property Services Department, Ministry of Finance (www.jp-ph.gov.my)



Malaysian Housing Market

House prices experienced steady growth over the last decade



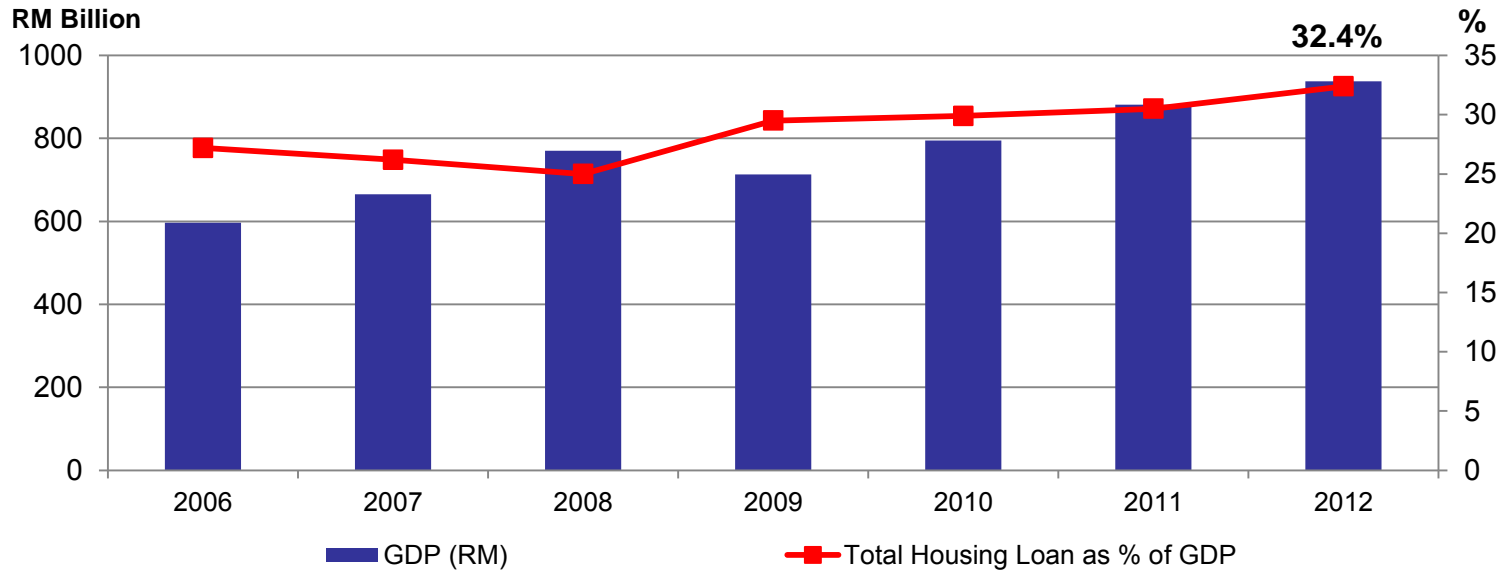
Source: National Property Information Centre





Mortgage Debt to GDP Ratio

Mortgage debt has a significant contributor to Malaysian GDP - **32.4% in 2012**



	2006	2007	2008	2009	2010	2011	2012
GDP (RM billion)	596.8	665.3	769.9	712.9	795.0	881.1	937.5
Total Housing Loans as % of GDP	27.2%	26.2%	25.0%	29.5%	29.9%	30.5%	32.4%

Sources: Valuation and Property Services Department, Ministry of Finance (www.jpoh.gov.my)
BNM Annual Report (Various years)



Malaysian Primary Mortgage Market



Mortgage Originators

Private Sector

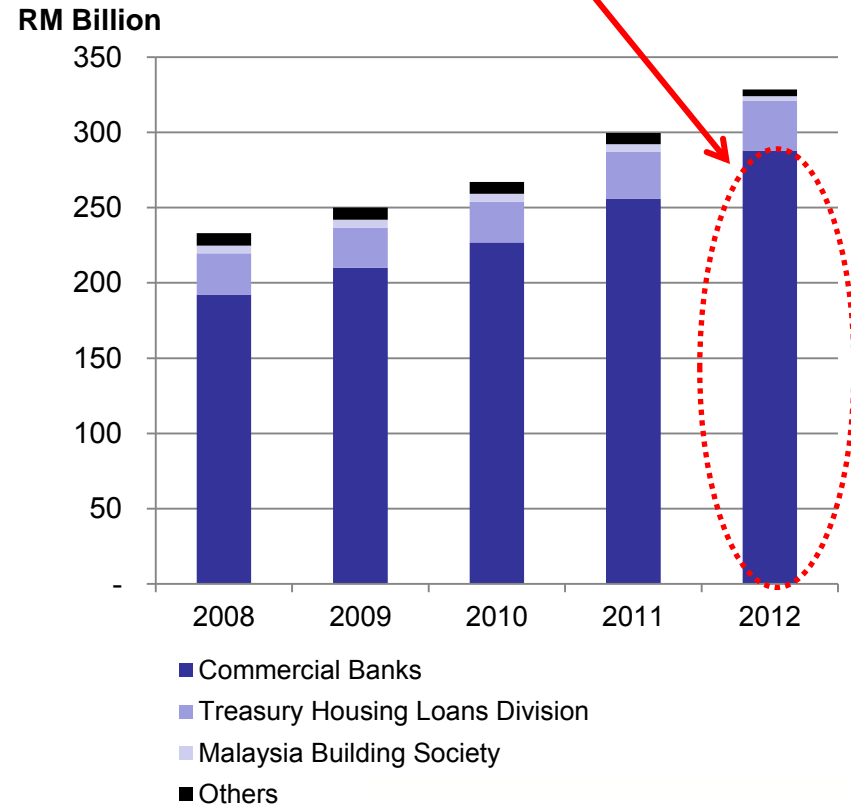
- Commercial banks (Conventional and Islamic)
- Malaysia Building Society Berhad (MBSB)
- Other Development Financial Institutions

Public Sector

- Housing Loan Division, Treasury Malaysia

Mortgage Outstanding in the Banking System

Over 86% of total mortgage financing originated by Commercial Banks



Source: BNM Annual Report, various years

* Others inclusive of Bank Kerjasama Rakyat Malaysia Berhad, Borneo Housing Mortgage Finance Berhad, Bank Simpanan Nasional and Sabah Credit Corporation

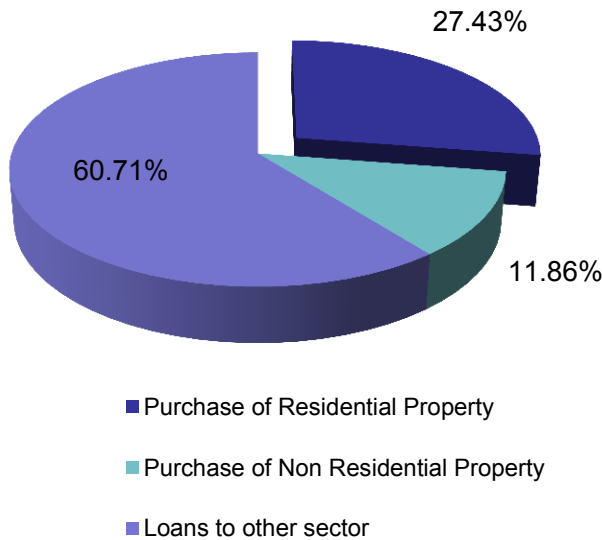


Primary Mortgage Market

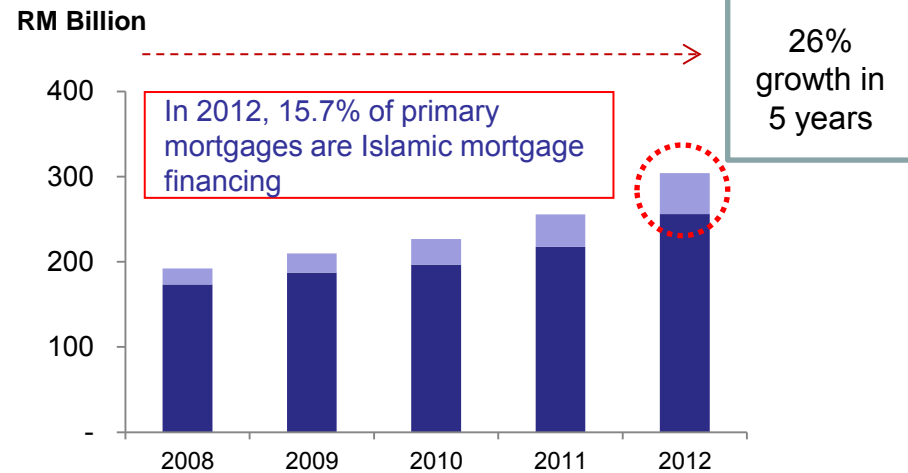
Commercial bank – primary source of mortgage financing

- 27 Commercial banks and 16 Islamic Banks
- Residential mortgage lending/financing amounts to RM304 billion – 27% of total outstanding loans/financing
- Growth in Islamic mortgage financing, 26% in 5 years.

Outstanding Loans by Sector as at 2012



Market Share of Islamic Mortgage Financing in 2012



Source: BNM Annual Report 2012,



Loan Characteristics

- Loan-to-value (LTV) of up to 95% - typically 90% for property and 5% for legal fees and mortgage reducing term assurance/ takaful (MRTA / MRTT)
- Tenure of up to 40 years or age of 70 years whichever is earlier
- Interest/ Profit Rate Structure
 - Conventional Loans – Typically floating rate (Base Lending Rate +/- spread)
 - Islamic Loans – Fixed rate and Floating Rate
 - Teaser rate period of 3 - 5 years (lock-in period)
- Typical Debt Service Cover Ratio (DSCR)* of 3:1 to 1.5 : 1
- Loan structures
 - Fully amortising loan
 - Redrawable loans
 - Savings linked loans

**DSCR defined as the amount of cash flow available to meet annual interest and principal payments on debt*



Regulatory Environment

Bank Negara Malaysia (BNM) is the main regulator for mortgage market in Malaysia.

- Areas of regulation includes:-
 - ✓ Margin of finance
 - ✓ Interest rate
 - ✓ Capital charge on mortgage financing
 - ✓ Priority sector lending guidelines
- Vested with comprehensive legal powers under legislation to regulate and supervise the house finance, include:

- **Financial Services Act 2013**
- **Islamic Financial Services Act 2013**
- **Central Bank of Malaysia Act 2009**



Government policy in promoting home ownership has played a constructive role in the development of sustainable housing finance system in Malaysia.

Government Policy: Promote Home Ownership

- Objective of housing policy
 - to increase accessibility to adequate, affordable and quality houses
- Actively promote home ownership since the 1970s
 - especially among the lower- and middle-income groups
- Mandated lending for housing was introduced in 1976
 - to increase the access of credit to the housing sector
 - to provide the borrowers, particularly purchasers of low and medium cost houses with subsidised credit facilities



Among the **pre-emptive measures** introduced by the Government and BNM in managing developments in the domestic property market:

Priority Lending Guidelines

- Commercial banks are required to channel a percentage of their total financing towards the priority sector – including low cost housing – as determined by Bank Negara Malaysia (BNM)
- Ceiling interest rate for houses priced at RM100 000 and below.

Responsible Lending Guidelines

- The guidelines require financial institutions to make assessments of a borrower's ability to afford financing facilities based on a prudent debt service ratio as inputs to their credit decisions.

Fiscal Policies to Curb Property Speculation

- Introduce measures to curb property speculation by revising real property gains tax (RPGT) rate from 10 per cent to 15 per cent effective from January 2013.

Affordable Home Financing

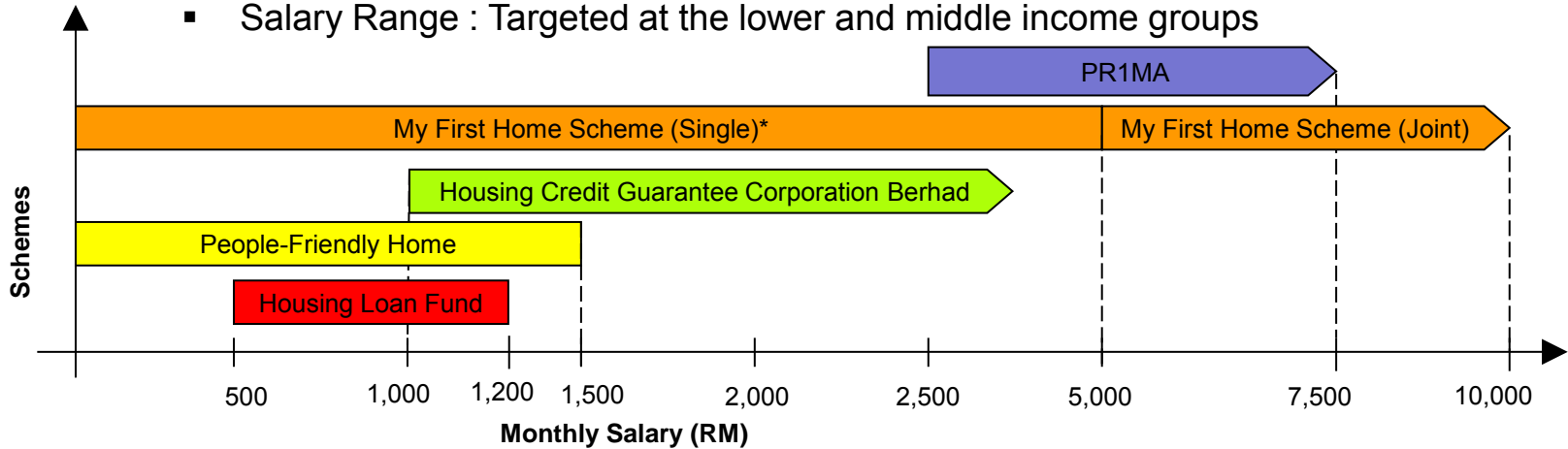
- Provision of adequate, affordable and quality houses for all Malaysians in various income levels particularly on the low-income group with the introduction of many affordable housing schemes such as PR1MA and My First Home Scheme.



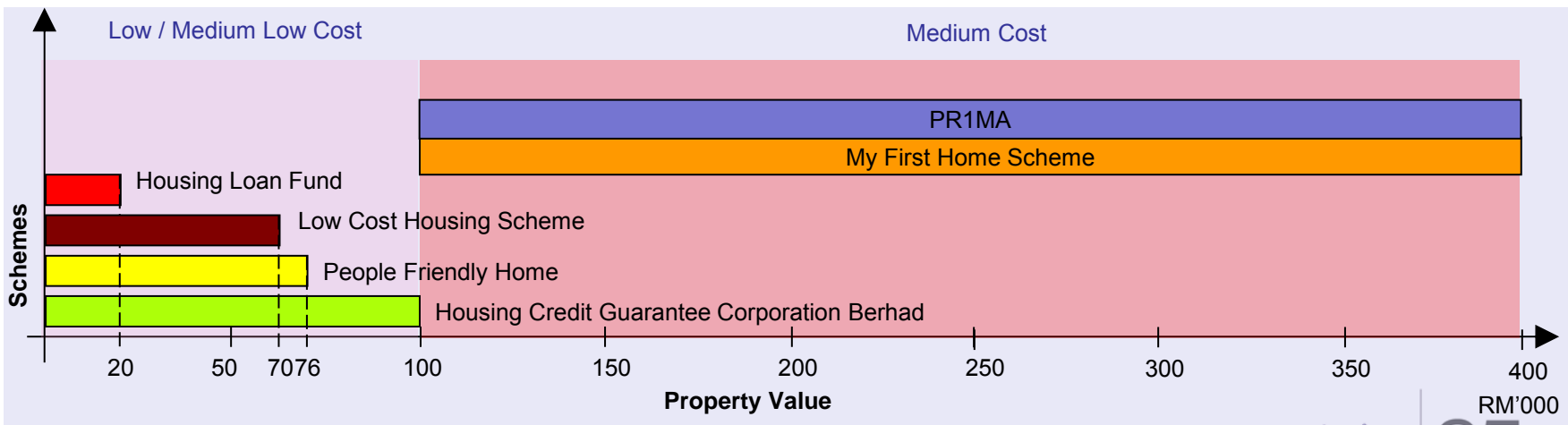
Primary Mortgage Market

Home Financing Schemes

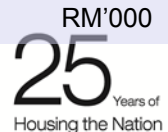
- Salary Range : Targeted at the lower and middle income groups



- Property Value : Targeted at low and medium cost housing



* Notes : Income eligibility subject to the property value purchased





Primary Mortgage Market

Home Financing Schemes - Details

Schemes	1Malaysia People's Housing Project (PR1MA)	My First Home Scheme	Housing Credit Guarantee Corporation Berhad	People-Friendly Home	Housing Loan Fund for Lower Income Group	The Low Cost Housing Scheme
Target segment	Applicant must be a Malaysian citizen and at least 21 years old at the time of the application. Those who currently own no more than one property	Young adults entering the workforce with fixed income. 35 years old or less (age next birthday is 36 years old or less)	Borrowers without fixed income, such as farmers and small traders. Malaysian citizen aged 18 years old and above	low income group who owns a piece of land	Low income group that are not eligible for any other loan facility	Malaysian permanent estate workers
Salary Range	Open to Individuals or families (husband and wife) with an average monthly household income of between RM2,500-RM7,500	Gross income of not more than RM5,000 per month for single borrower and gross income of not more than RM10,000 per month for joint borrowers	Min RM1,000 per month	Household gross income does not exceed RM1,500	Household gross income between RM500 and RM1,200	n/a
Service/Product Offering	RM1.9 billion to be allocated to build 123,000 affordable housing units in strategic locations	Guarantees 10% on a "first loss" on mortgage loans given by banks (Guarantees provided by Cagamas to FIs)	Guarantees mortgage loans given by banks	- 1/3 funded by Govt - 2/3 via zero interest financing	Funding to build a new house with a cost not exceeding RM25,000 or to buy a fully built low cost house	Housing loan scheme
Eligible Property	Homes ranging from RM100,000 to RM400,000	Housing valued between RM100k to RM400k	Low/ Medium Cost residential property	1000 sq ft 3 bedroom 2 bathroom single storey bungalow	Low cost house	Low cost house
Max Loan Amount	100%	100%	100% or RM100,000	RM76,000	RM20,000	RM60,000
Lending Rate	4%	Respective BLR of the offering financial institution	Respective BLR of the offering financial institution	Zero interest	- Zero interest on first RM10,000 - 4% service charge on 2nd RM10,000	4%



Malaysian Secondary Mortgage Market : Cagamas Berhad



Establishment of Cagamas Berhad

- Creation of a secondary mortgage market as a result of a liquidity crunch in the 1980s and public policy objective of a “homeownership democracy”
- Spearhead the development of Private Debt Securities (PDS) market
- The market situation in the mid-1980’s:-

Funding mismatch in financial institutions resulting in liquidity crunch

Financial institutions (FIs) were not lending to homebuyers despite demand

Limited funding source in the market – no bond market



There was a need in the market for an institution to:-

1. Function as intermediary between primary lenders and investors of long term funds; and
2. Take on role of credible issuer of mortgage securities

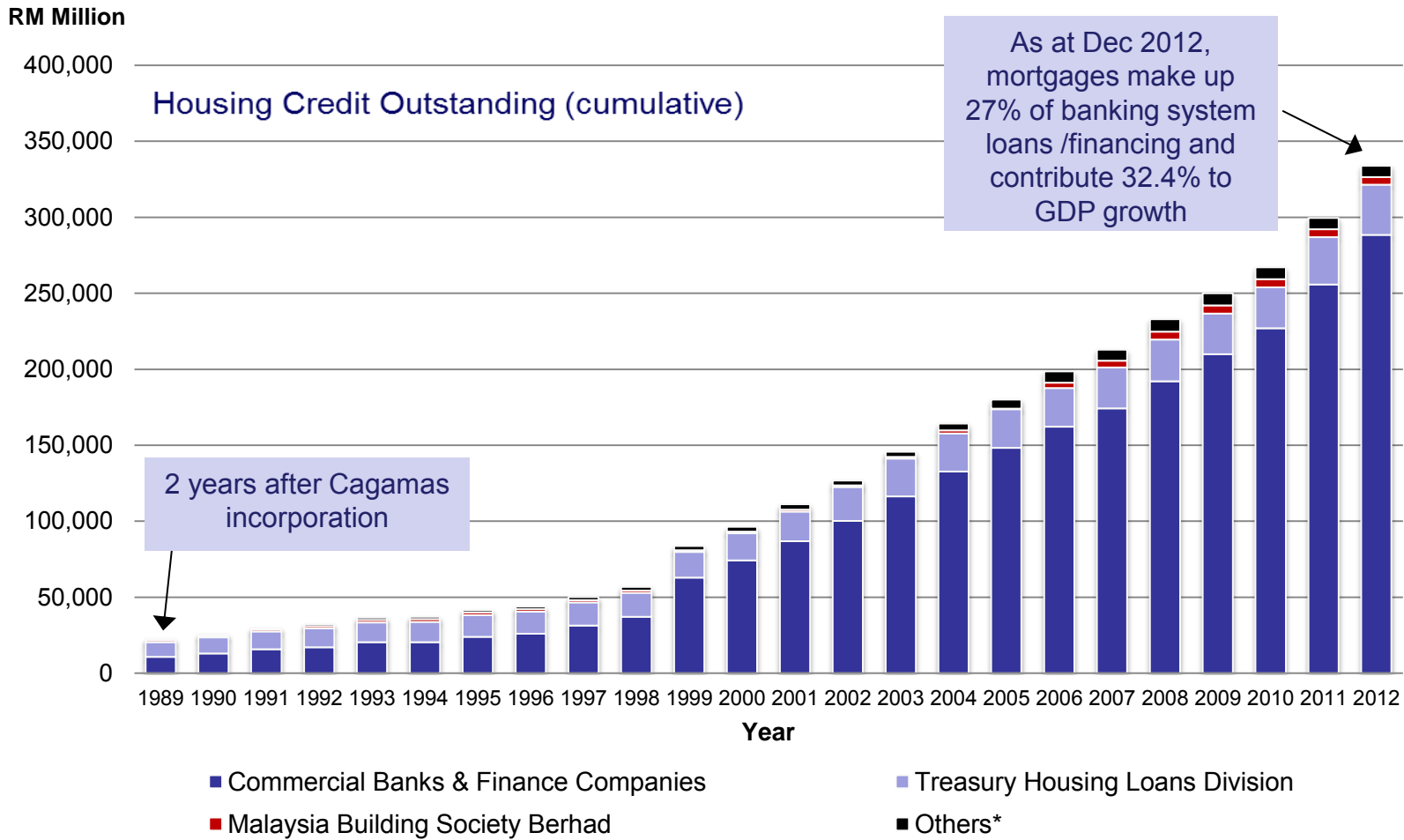
As a direct result of the needs of the market, Cagamas Berhad was incorporated in December 1986 as the National Mortgage Corporation





Roles of Cagamas

Promotion of home ownership/home accessibility and affordability in Malaysia



Source: BNM Annual Report, various years

* Others inclusive of Bank Kerjasama Rakyat Malaysia Berhad, Borneo Housing Mortgage Finance Berhad, Bank Simpanan Nasional and Sabah Credit Corporation





Impact of Setting up Cagamas

- Promoting access to longer tenure housing loans
- Generating strong competition among FIs to grant housing loans
- Providing liquidity to the financial sector
- Strengthening the financial sector
- Enhancing the quality of the Malaysian capital market
- Providing an alternative form of investment in high quality Private Debt Securities (PDS)
- Developing the Islamic Finance and Sukuk market



THE END

Cagamas Berhad (157931-A)

Level 32, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Tel: +603 - 2262 1800

Fax: +603 - 2282 9125

www.cagamas.com.my



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