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One house per household - Part 2

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WHILE last week we explored ways and means the government, through the development of various programmes, has helped to facilitate the "one house per household" pledge, this week we highlight two more schemes to aid the first-time and Gen-Y house purchaser, plus matters to mull over before signing the dotted line.

Being an adult is no easy feat, especially if one is just stepping out into the working world and being faced with daunting decisions like purchasing your first vehicle or a place of your own. As a twenty-something-year-old graduate living in Malaysia, Sheera relates to the heavy burden and expectations having to make rational and wise decisions. So how does a first-time loan applicant make any rational or wise decision, having not made one in these areas before?

With that in mind, Sheera recommends one use Property Buying for Gen-Y by Khalil Adis as a guide. In the book, the writer highlights a lot of important and crucial information, particularly helpful for young and first-time property buyers.

Notes for the millennial

While a common purchase a millennial would first splurge on is a car, for transportation when stepping into the working world, purchase of a home would most likely be the next significant purchase in a young person's life, if not a wedding loan or for the more enterprising, a business loan. As a matter of fact, while buying a car is considered a liability, buying property can become an income-generating asset, provided one knows how to make it churn profits.


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In his book, Adis who is a property consultant, author, writer, speaker and entrepreneur highlights a recent finding conducted by the Asian Institute of Finance (AIF). Apparently, 70% of Gen-Y are presently facing money issues or are in bad debt. This is especially so with the rising costs of living, along with all the "basic neccessities" needed when stepping out into the employment sector.

Says Adis, "The only way to beat inflation and currency depreciation is to invest in property. If you do not 'lock' yourself with a property now, you will forever be at the mercy of inflation and rising costs of living."
But when does one even start to think about buying his/her first property, especially with prices continuously escalating? While the idea of owning a property may sound like a far-fetched dream for many, Adis says help is aplenty especially for first-time and Gen-Y house buyers. Still, he advises, "Be patient and look for the right piece of property. Don't rush. Think it through and look at all the important aspects."

Government-assisted schemes

In its pledge aimed at seeing each househould owning a house and its intention to help the younger generation become first-time owners of their very own property, the government offers house ownership schemes to young adults and those with a foot in the working arena.

A] My First Home Scheme

While last week we looked at the much talked about PR1MA, this week we look at My First Home Scheme, otherwise known as Skim Rumah Pertamaku (SRP). The scheme announced in the 2011 budget allows young owners to obtain 100% financing from monetary institutions and banks via conventional and Islamic financial schemes.

Terms and conditions:

>> 100% financing (no down payment required).

>> Valid for residential properties in Malaysia only.

>> Applicable to Malaysian citizens up to the age of 35.

>> Single borrower's gross income not exceeding RM5,000 per month/joint borrowers' gross income not more than RM10,000 per month (Note: Joint borrowers can only consist of husband and wife and siblings).

>> Property valued between RM100,000 and RM400,000.

>> Property must be owner occupied upon purchase.

>> Instalment payment via monthly salary deduction.

>> Compulsory fire insurance/takaful.

>> Financing tenure not exceeding 35 years, subject to borrower's age not exceeding 65 years at the end of the financing tenure.

>> Amortising facility with no re-drawable features.

B] My 1st Home Scheme-i
Offered by the Malaysia Building Seociety Berhad, a subsidiary of the Employees Provident Fund (EPF), this scheme is exclusively for first-time house buyers. While the propositions are attractive, payments still need to be made at the end of the day and interests and terms/conditions need to be met. With this, it is recommended that one review the schemes offered and commit to one where installments are comfortable provided one's career is pretty much permanent or income is secure.

Terms and conditions:

>> First-time house buyer.

>> For residential properties ranging between RM100,000 and RM500,000.

>> Malaysian citizen aged 40 and below.

>> No maximum income limit.

>> Subsidised legal and valuation fees up to RM6,000.

>> Financing tenure up to 35 years or age 75, whichever is earlier.

>> Margin of financing up to 105% inclusive of "mortgage reducing term takaful" (MRTT).

>> For individual and joint applicant.

>> Must be confirmed employee engaged with the same employer for minimum six months from date of employment; and graduate (degree holder) OR at least three years' working experience for none-degree holder.

C] MyDeposit Scheme

Announced in Budget 2016, this scheme aims to assist lower-and middle-income earners with household incomes of RM10,000 and below, purchase their first home. Ideal for those trying

to save up money to cover the down payment or first-time property buyers like millennials, who have just started off their careers and are credit worthy or have a clean financial slate (no debts and not black listed).
Terms and conditions:

>> Malaysian citizens aged 21 and above (no maximum age).

>> First-time home buyer within one household family.

>> Earning gross household income of below RM10,000 a month (including all other income and allowances etc.).

>> Valid for properties priced RM500,000 or less.

>> The government/scheme helps first-time home buyers cover the 10% down payment or maximum RM30,000, whichever is lower.

Property directory

Before signing on the dotted line for your first owned property, Adis suggests you ponder if it is an investment asset or home you are looking for. Refer to his book for reasons to think this through, including its effects. Next, he advises one to make a realistic list weighing the pros and cons of each possible property.

To ease the decision-making process on what to consider before deciding on a particular house purchase, here are some points to take note of.

Location, location, location

If a new township is what you are interested in, upcoming masterplan and transportation networks can tell you how much potential your property is able to offer in terms of capital appreciation in the long run. For areas that have reached maturity, look out for potential rejuvenation programmes that can boost the area.
Value drivers

Know where the government is spending its money in. Such information will help you buy ahead before the infrastructure is completed.After a fair bit of research you may wonder why some properties are extravagantly tagged.The answer: the prime location of most highly-priced property are built near business and entertainment hubs. Similarly, Adis shares that the best strategy is to buy an undeveloped area that has existing plans for various economic drivers. As a result, the value for your property will multiply in tenfold once the area gains momentum.

Feel the pulse

To create wealth from property, Adis emphasises the importance of checking if the township will turn into a hive of activities or a flop. The more industries a particular township has, the higher the chance it has to attract workers, hence a community/township, that will directly increase property value and the economy in the area.

Housing loans

While all the above may provide valuable information and set hearts beating faster, excited on making their first house purchase, here are a few pointers to help get your loan approved, but only after you have gone through all else in Adis' book with a fine-toothed comb.

Of late, housing loan rejections have made headlines. While many pointed fingers to Bank Negara Malaysia's (BNM) property cooling measures for negatively affecting the industry, few looked at the context of what these loan rejections led to.

For one, it generated additional housing ownership schemes and programmes to help the people own homes. It also highlighted the lack of lower-costing housing and pointed out that millennials just starting out in their careers, earning less than RM3,800 (roughly), are today categorised in the low-income bracket. Most are unable to meet credit requirements, hence not eligible for end-financing for even terraced homes or condominiums in urban areas in bigger cities (which in general cost well above RM500,000).

General slowdown

An article from iMoney.my also highlighted that the home loan rejection rate in actuality had declined from 30% in 2014 to 20% in 2015. Without doubt, the property market in Malaysia has slowed down. A report from Knight Frank Malaysia on the market for H1 2016 revealed that the volume and value of residential property transactions have been declining in Kuala Lumpur and Selangor (reports Napic).

Applications for home loans has also dipped by 10% in 2015 compared to 2014 and the amount of loans approved has also taken a 14.6% dip, with a lower ratio of approval/applications at 50.2% in 2015 compared to 52.9% in 2014.

To this, the government announced the building of more affordable housing units under various assisted schemes and programmes (some mentioned in our part one article last week). The household income ceiling was also raised from RM8,000 to RM10,000 and the Rent-To-Own scheme was established and made available. However, BNM capped the loan tenure to a maximum of 35 years, only to curb the onset of retirees with debts.

In short, affordable homes and schemes are more available now yet insufficient/inefficient in meeting the peoples' needs. With the new budget today, let's see what's in store for the people in property.
Follow our article next week on another option to own your own "crib", not necessarily the standard specs offered in the market.

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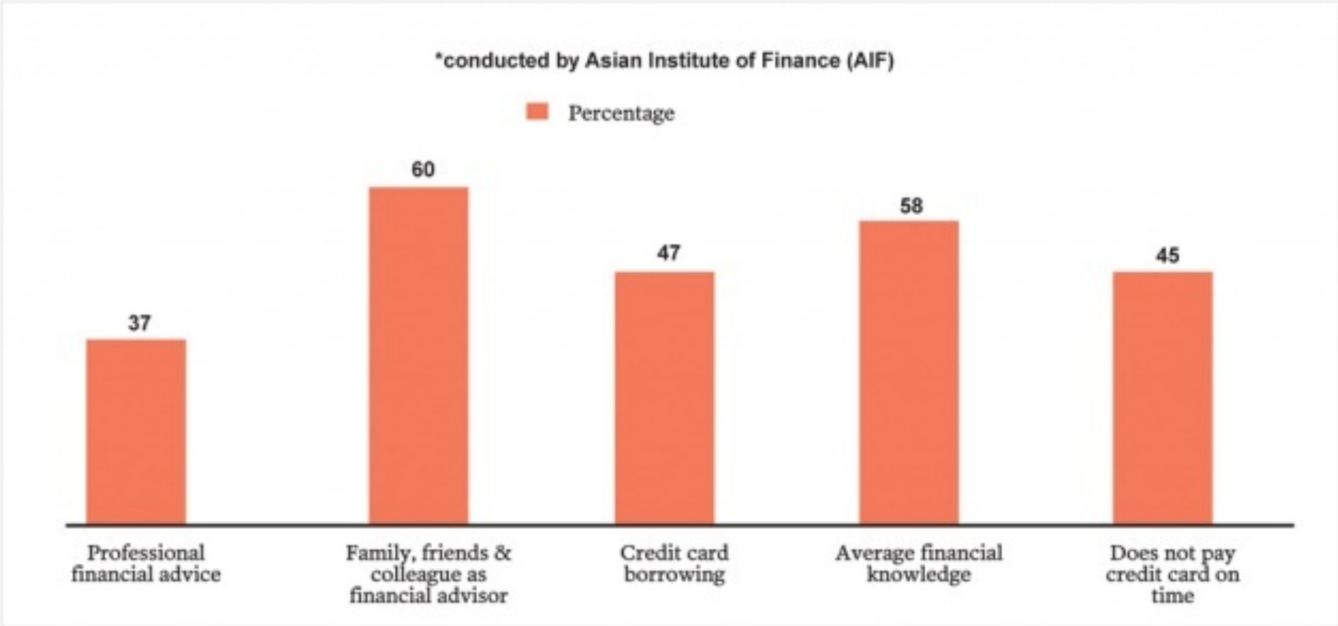
Points to boost home-loan approval

>> Ensure you have good credit records and all other payments (if any) are up to date.
>> Keep repayments and service loans timely so as to keep a clean financial slate.
>> On applying for a loan, disclose all financial information required correctly.
>> Use "loan calculators" available prior to applying for loan to further understand your credit rating and financial position.
>> Apply for government and government-assisted schemes and programmes where possible so as to lessen the principal loan amount.



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