

Banks aware of 'discounts' given by developers

PROPERTY

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By THEAN LEE CHENG

Tempting MCO deals

	Case 1 (RM)	Case 2 (RM)
Price of house	857,000	462,000
Less: Rebate 10%	85,700	46,200
Down payment	0	500
Additional rebate	33,000	
Post-rebate price	738,300	415,300
Less: Free Memorandum of Transfer stamp duty	19,710	Rebate 75,000
Free phone	3,600	Car 70,000
MCO rebate	550	
Price*	714,441	270,300
Discount	17%	41%

Note: *Not yet net off furnishing and electrical products, SPA free legal fees.

Source: Various

Banks aware of discounts

PETALING JAYA: Two commercial banks said they are aware of the "discounting practices" by developers and have taken the necessary mitigating measures to ensure that the end financing provided is reflective of the true value of the property purchased.



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Maybank group is South-East Asia's fourth largest banking group by assets.

A CIMB spokesperson said the bank has measures in place to ensure that the loan amount approved is based on "the true value of the property".

PUBLIC BANK BHD  and AmBank group declined to comment.

A fifth bank said it has also "observed that the perks offered by developers were not taken into consideration in arriving at the property value".

House mortgages have been generally lucrative for banks and lending institutions in Malaysia with **CIMB Group**  mortgage loans having remained consistent over the last three years, making up 32.6% to 33.4% of its Malaysia-only loans. The group has operations in the region.

Inflating property prices which enables buyers to get a higher loan amount has been an issue for several years, property valuers said. **But banks, in their desire to lend towards housing financing, have been reluctant to take action against this practice.**

Maybank said that in order to further safeguard its position, it requires developers to "state the discounts/rebates offered upfront".

"We require developers to state the discounts/rebates offered upfront and issue a Letter of Notification upon approval of end financing, which states that the MOA for individual buyers is to be against net selling price, less rebates & discounts," Maybank said.

In addition, customers are also required to complete a declaration form to state the rebates and discounts offered by the developer, Maybank said.

"This declaration form will be part of the loan documents and **the bank is entitled to reduce the margin of financing or even terminate the facility in the event of false declaration,**" Maybank said.

Independent evaluation on various aspects of the developer, project location and selling price, among others, are done, Maybank said, in order to determine the margin of financing offered to individual house buyers.

CIMB group said it has existing requirements for developers to declare the net selling price to the bank.

"The Real Estate & Housing Developers' Association has previously advised developers to comply with the requirement. "However, being prudent, the bank continues to leverage on its internal guidelines and processes to ascertain the fair value of the property," CIMB said.

The Association of Banks in Malaysia said in an email that its member banks are supportive of home ownership, especially for the affordable segment.



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Its executive director Kalpana Sambasivamurthy said: "Our member banks assess loan applications based on responsible financing guidelines in order to mitigate against financial risks for both the banks and the borrowers.

"This is to ensure that borrowers are not overly burdened by their financial obligations.

"House buyers need to be cognisant of their loan eligibility and affordability based on their current financial circumstances, and select properties based on these parameters," she said.

As for the widening divergence between sales and purchase agreement (SPA) and the real net price offered to buyers, Kalpana said "this does not fall under our purview and therefore, we are unable to comment".

A Bank Negara spokesperson decline to response on how the central bank ensure commercial banks mitigate their risks when issuing loans based on inflated property prices, in this case the difference between the SPA and the real price.

The spokesperson said this issue is "more appropriate for banks to respond" as "these are banks' business decisions".

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