



# Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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**Press Statement / Letter to Editor**

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## **Developers Should Not Provide Housing Loans**

The Consumers Association of Penang is strongly against the Urban Wellbeing, Housing and Local Government Ministry's decision to allow developers to give out loans under the Money Lenders Act 1951 (Amendment) 2011. According to the Minister Tan Sri Noh Omar this is a win-win situation.

With all due respect, there is only one obvious winner from this scheme and that is the developer. After all Noh were also quoted as saying that "Our intention is to help developers sell the houses they have built". Is the Government shifting the burden of unsold units to consumers?

Which brings us to the question why are developers having problems selling their houses when it is a fact that the average Malaysian cannot afford to own a house? Could it be that the houses are priced way beyond the affordability of the majority of Malaysians? Are developers only keen to build houses and condominiums for the very rich because the profit margin is higher? So whose fault is it that there are unsold units?

If houses were cheaper, then buyers would need smaller bank loans and the smaller the loans, the lower the monthly repayments. As a result more would qualify for bank loans to buy properties. There will be no need for developers to give loans to buyers.

Banks are more stringent with giving out housing loans it is because there is a need to ensure that the borrower can keep up with the monthly payments until the loan is repaid.

It is foolhardy to give loans to people who are at risk at defaulting just so that the houses can be sold. The risk of defaulting will likely be higher with the more expensive loan from the developer. Stretching the tenure of the loan (to reduce the monthly payment) is not recommended as it will make the property astronomically expensive.

Banks are charging between 4.3 - 5.12 % per annum for housing loans but under the Moneylenders Act, the developer can charge up to 12 % (flat rate) per annum for a secured loan.

If borrowers with cheaper bank loans are already defaulting on the loans, it does not look good for those with expensive developer's loan.

The Ministry is doing no favour to the consumers by allowing developers to give out loans. If the developers bring down houses prices they will be able to sell more units, only then will it be a win-win position.

Lastly, Government needs to come up with a national housing policy that will enable at least 80% of the population to own their own homes.

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