



Cagamas Berhad

National Mortgage Corporation of Malaysia

6th Annual Affordable Housing Projects
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Building Sustainable Housing Finance Systems : Malaysian Experience

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Overview of Malaysia's Housing Market



Malaysia - 2014 Quick Facts

- ❑ **30.3** million population with **1.3%** average growth p.a
- ❑ GDP growth of **6%** with Real GDP of **RM835 bil** equiv to USD229 bil
- ❑ Income per capita **RM34,123** equiv to USD9,378
- ❑ Stable unemployment rate at **2.9%**

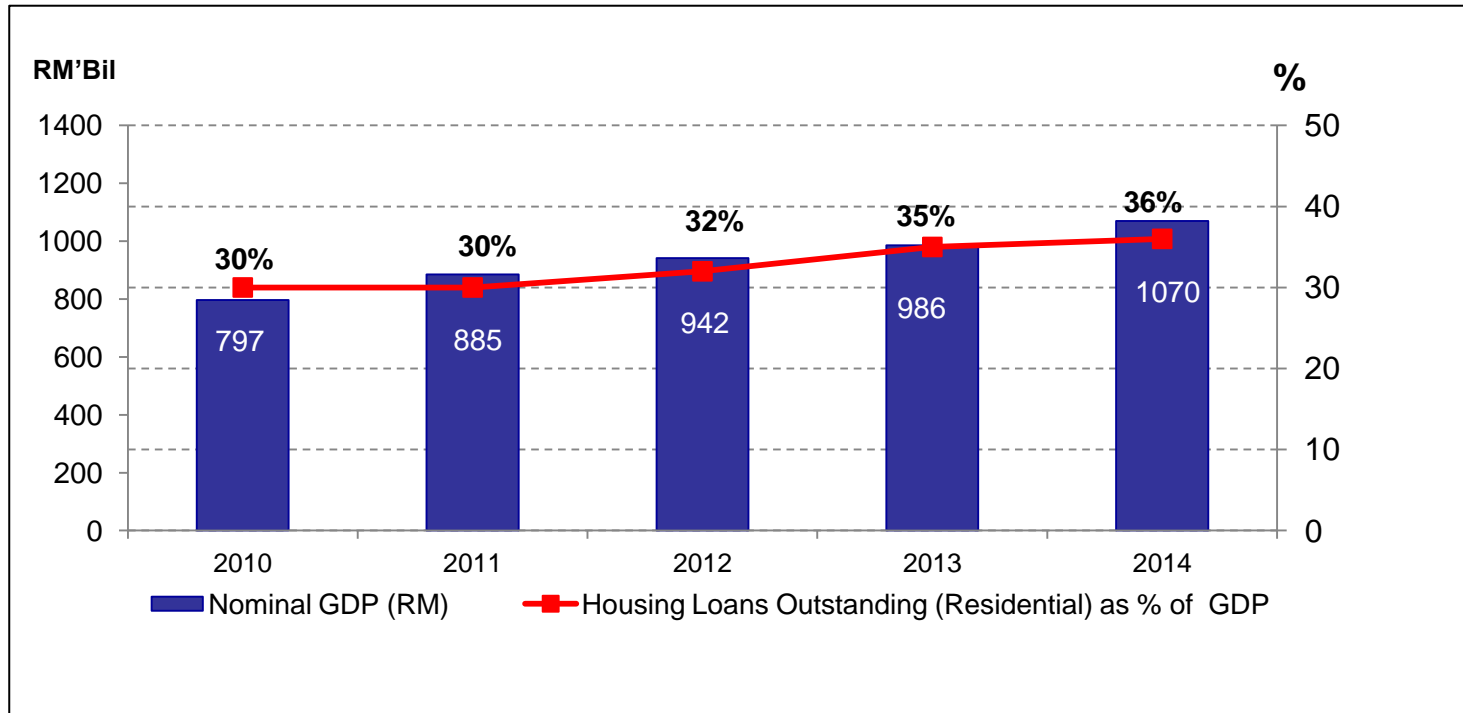
Source: Department of Statistics, Malaysia

Using USD/RM Exchange Rate of RM1=USD0.275 as at 31st March 2015



Housing Development in Malaysia

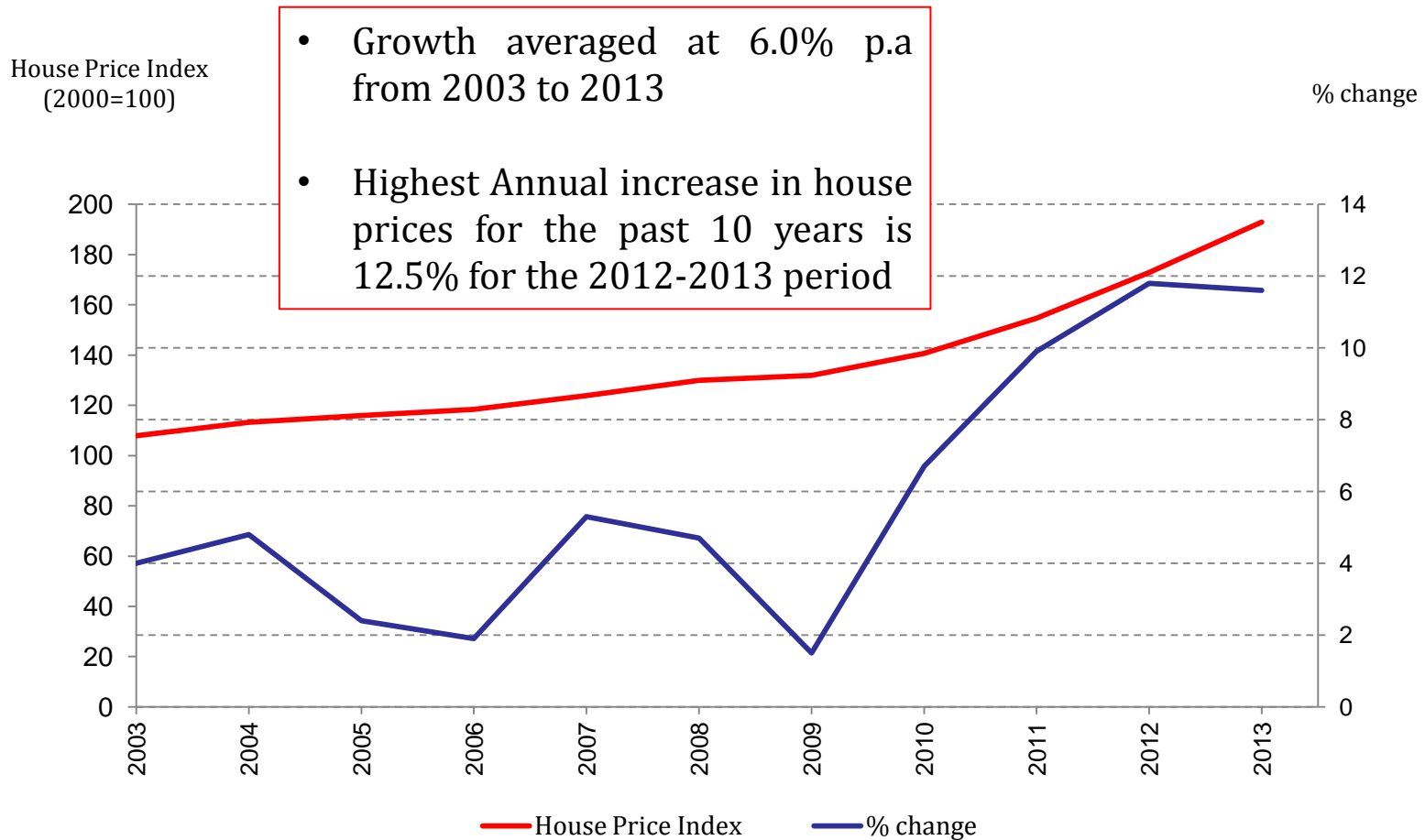
- ❑ Growth of mortgage debt as a significant contributor to Malaysian GDP - **36% in 2014**



Source: Central Bank of Malaysia, Annual Report (Various years)

House Price Index

- ❑ House prices recorded slower growth at **11.6% in 2013** (11.8% in 2012)



Source: National Property Information Centre



1. Private Sector

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

2. Public Sector

- Housing Loan Division, Treasury Malaysia

3. Regulator

- Central Bank of Malaysia

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



Role Of Partnership In The Production of Affordable Housing



1. Private Sector

Commercial banks as a primary source of mortgage loans and financing

- ❑ 27 Conventional banks and 16 Islamic banks

Loans offered:

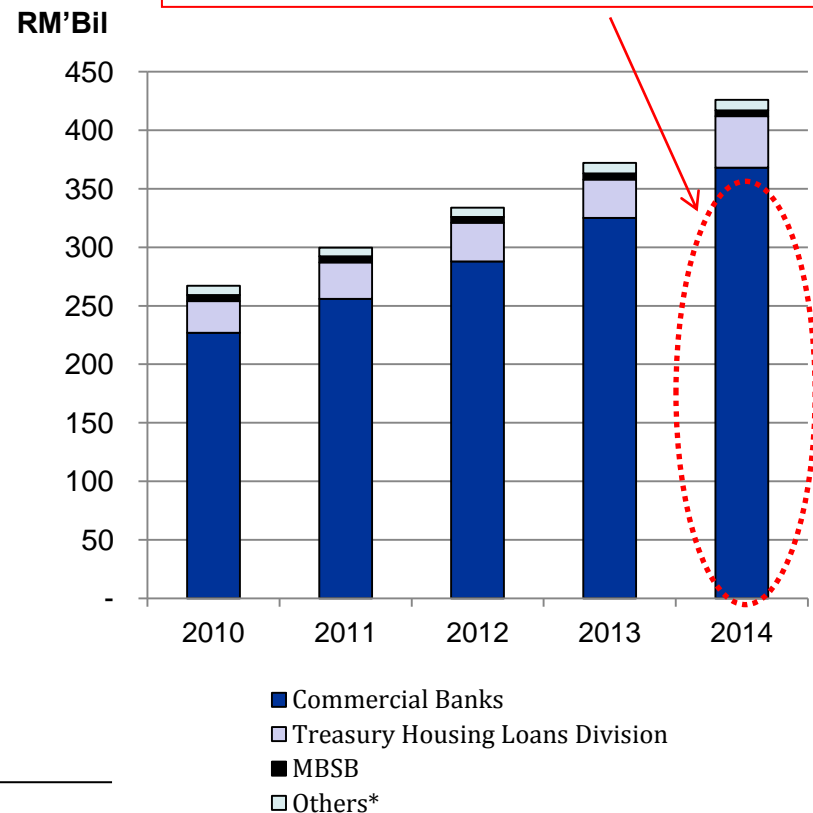
- ❑ LTV up to 90%
- ❑ Tenures up to 35 years or age max 70 years

Loans structure:

- ❑ Fully amortising loans
- ❑ Redrawable loans
- ❑ Saving linked loans

Mortgage Outstanding

Over 86% of total mortgage outstanding originated by Commercial Banks



Source: Central Bank of Malaysia, Annual Report, various years



Role Of Public Sector

2. Public Sector

Housing Loan Division, Treasury Malaysia

Government Policy

- Increase supply of housing to the market
- Provision of adequate, affordable and quality houses
- Enhancing accessibility to housing finance supply
- Encourage home ownership



Measures Introduced

Over the years, various Government measures were introduced to assist property buyers and to curb property price speculation

Year	Measures
2008	<ul style="list-style-type: none"> • Monthly withdrawal from Employee Provident Fund for housing loans repayment
2009	<ul style="list-style-type: none"> • Tax relief on interest paid for housing loans
2012 & 2013	<ul style="list-style-type: none"> • Revising real property gains tax (RPGT) rate
2014	<ul style="list-style-type: none"> • Prohibition of the Developer Interest Bearing Schemes (DIBS) • Minimum purchase price for foreigners • Limit bulk purchase by individual buyer



Role Of Regulator

3. Regulator

Central Bank of Malaysia

The **Central Bank of Malaysia** take a responsible & measured approach to ensure Malaysia's housing market remains strong & stable. *The regulatory enhancements include:*

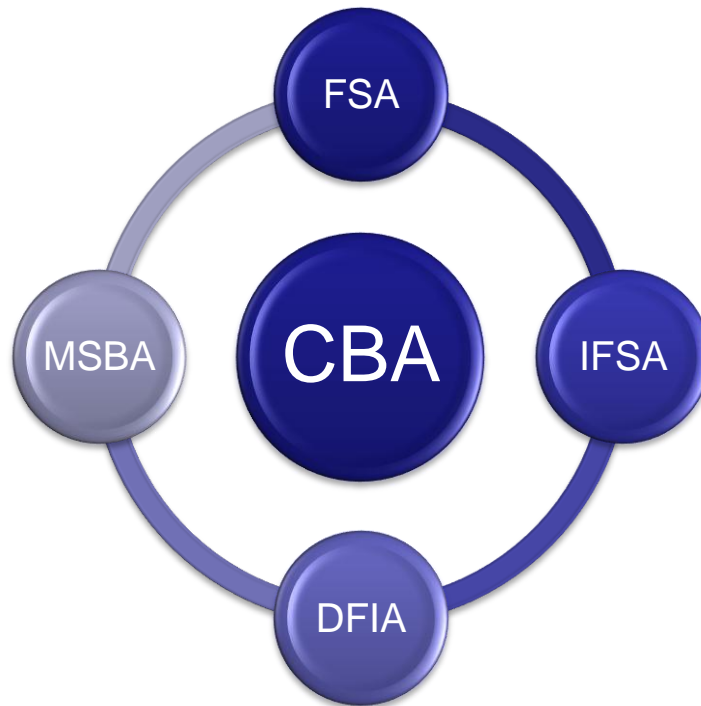
- Strengthen risk management standard & corporate governance** practices by financial market players
- Effective policies** in place for development of housing finance system
- Comprehensive and **robust regulatory & supervisory framework**
- Effective surveillance** that is forward looking & focused on addressing the risks to overall financial stability



Robust Regulatory Environment

Strong supervision functions by **Central Bank of Malaysia** to ensure robustness of the housing finance system

❑ Legislation to regulate and supervise the housing finance system:



- **CBA**
Central Bank of Malaysia Act 2009
- **DFIA**
Development Financial Institution Act 2002
- **MSBA**
Money Services Business Act 2011
- **FSA**
Financial Services Act 2013
- **IFSA**
Islamic Financial Services Act 2013



Measures Introduced

Measures introduced to property sector such as **capital charge on mortgage lending** and **responsible lending guidelines** :

Capital Charge

- Low capital charge on mortgage lending

LTV	Capital Charge
<80%	35%
80%-90%	50%
>90%	100%

Responsible Lending Guidelines

- Impose LTV ratio of 70% for 3rd house purchased
- Low maximum tenure of home loans
- Fix LTV ratio based on net selling price



Innovative Financial & Social Package to Promote Affordable Housing



Affordable Housing Schemes

Provision of adequate, affordable and quality houses for all Malaysians in various income levels with the introduction of many affordable housing schemes

Year	Schemes	Description
2011	My First Home Scheme	<ul style="list-style-type: none"> Allows homebuyers to obtain 100% financing from financial institutions facilitated by a Mortgage Guarantee Programme
2012	Perumahan Rakyat 1 Malaysia (PR1MA)	<ul style="list-style-type: none"> Plan, develop, construct and maintain affordable lifestyle housing for middle-income households in key urban centres
2014	MyHome Scheme	<ul style="list-style-type: none"> Government to subsidize low cost houses to maximum of RM30,000 equiv to USD8,245
2015	Youth Housing Scheme	<ul style="list-style-type: none"> Scheme for married couples to own the first home of upto RM500,000 equiv to USD137,000



Developing Secondary Mortgage Market: Cagamas Berhad



Secondary Mortgage Market - Background

- ❑ Creation of a secondary mortgage market as a result of a liquidity crunch in the 1980s and Government housing policy
- ❑ 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 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



- ❑ Commenced operations in 1987 as **National Mortgage Corporation**
- ❑ Objective

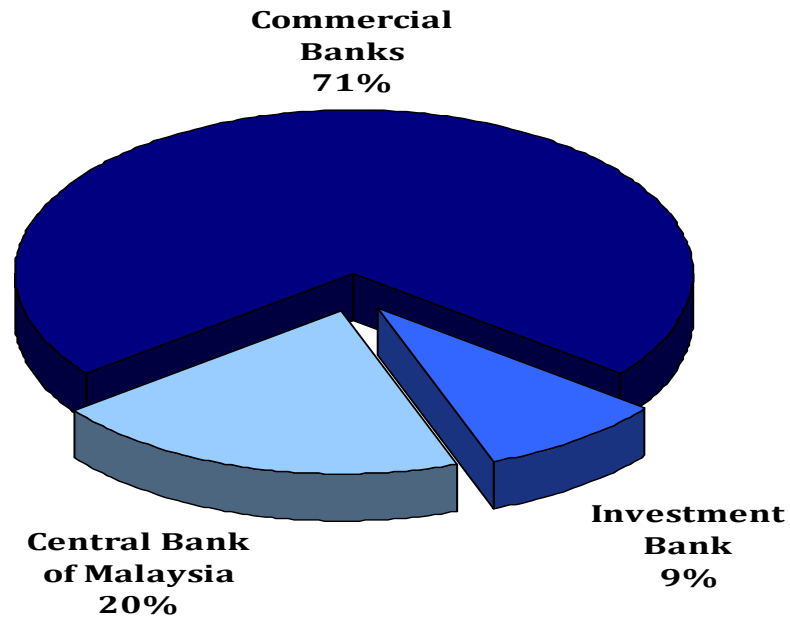
To promote the broader spread of house ownership and growth of the secondary mortgage market in Malaysia

- ❑ Issues debt securities to finance the purchase of loans/financing assets (mainly mortgage)
- ❑ Business model is well regarded by the World Bank as a successful secondary mortgage liquidity facility
- ❑ Continue to be assigned the highest ratings of **AAA** by RAM Rating Services Berhad and Malaysian Rating Corporation Berhad and **A3** by Moody's Investors Service denoting its strong credit quality.



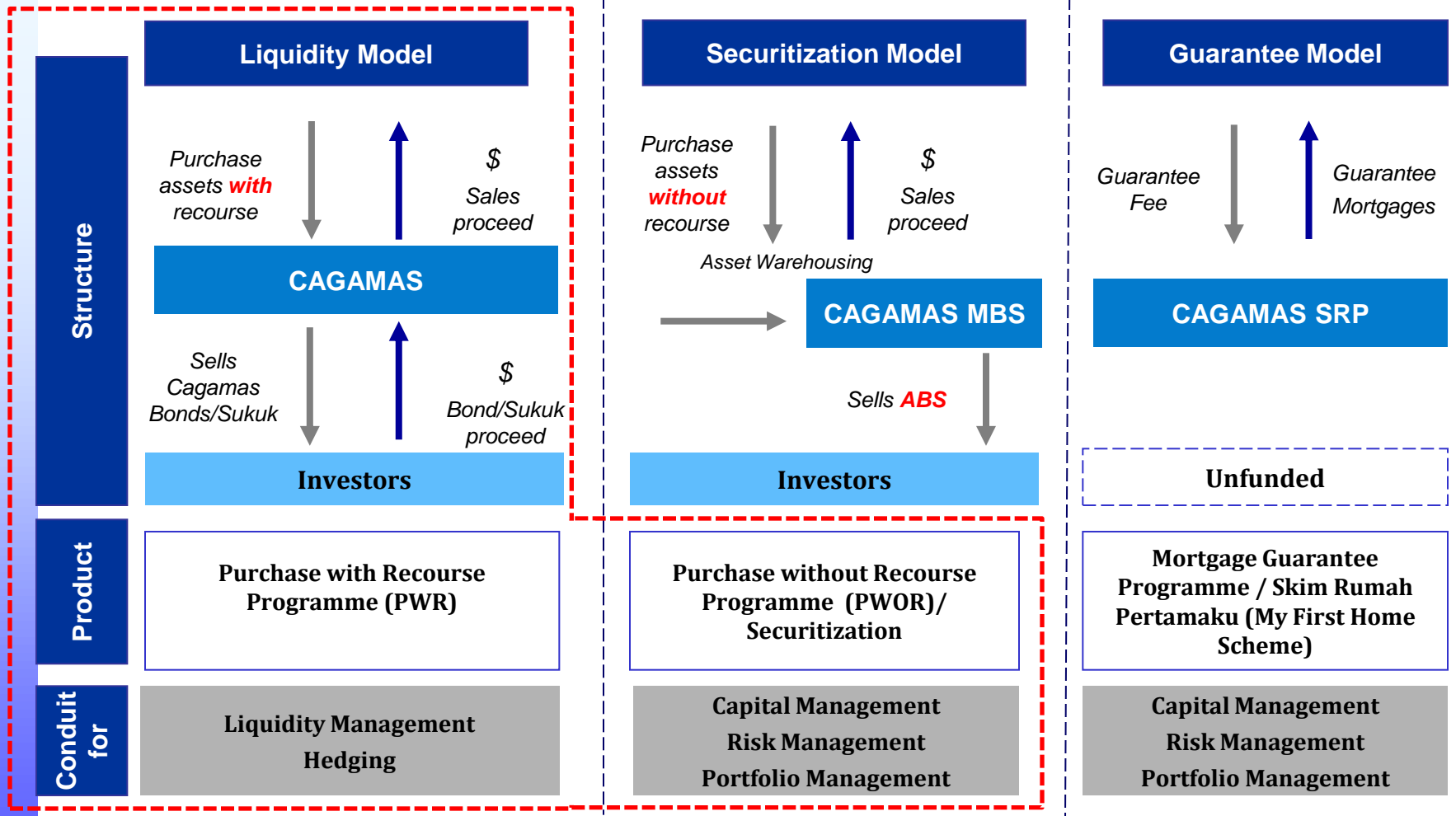
Shareholding Structure

As at 31 December 2014:





Purchase loans and financing under 2 schemes – PWR and PWOR



Cagamas Berhad





Role in Housing Finance System

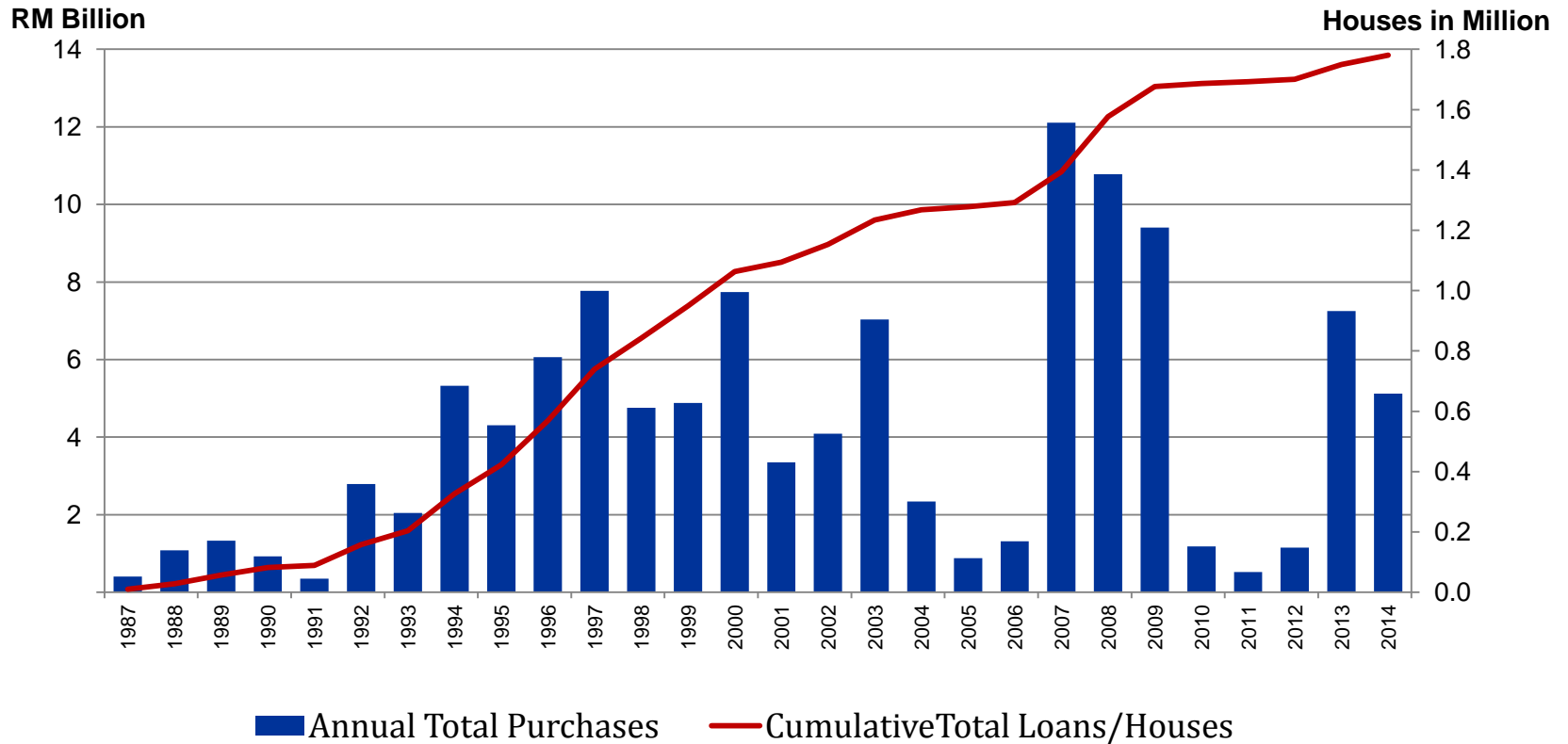
Cagamas' role in supporting sustainable housing finance system in the primary market

- Provide **liquidity** and **hedging** to mortgage financier
- Provide **lower cost of funds**
- Narrow the gap** between the maturity structure of the housing loans and the source of funds
- Link the mortgage market** to the capital market securities
- Develop innovative structures** for mortgage financier – mortgage guarantee



Cumulative Refinanced Housing Loans

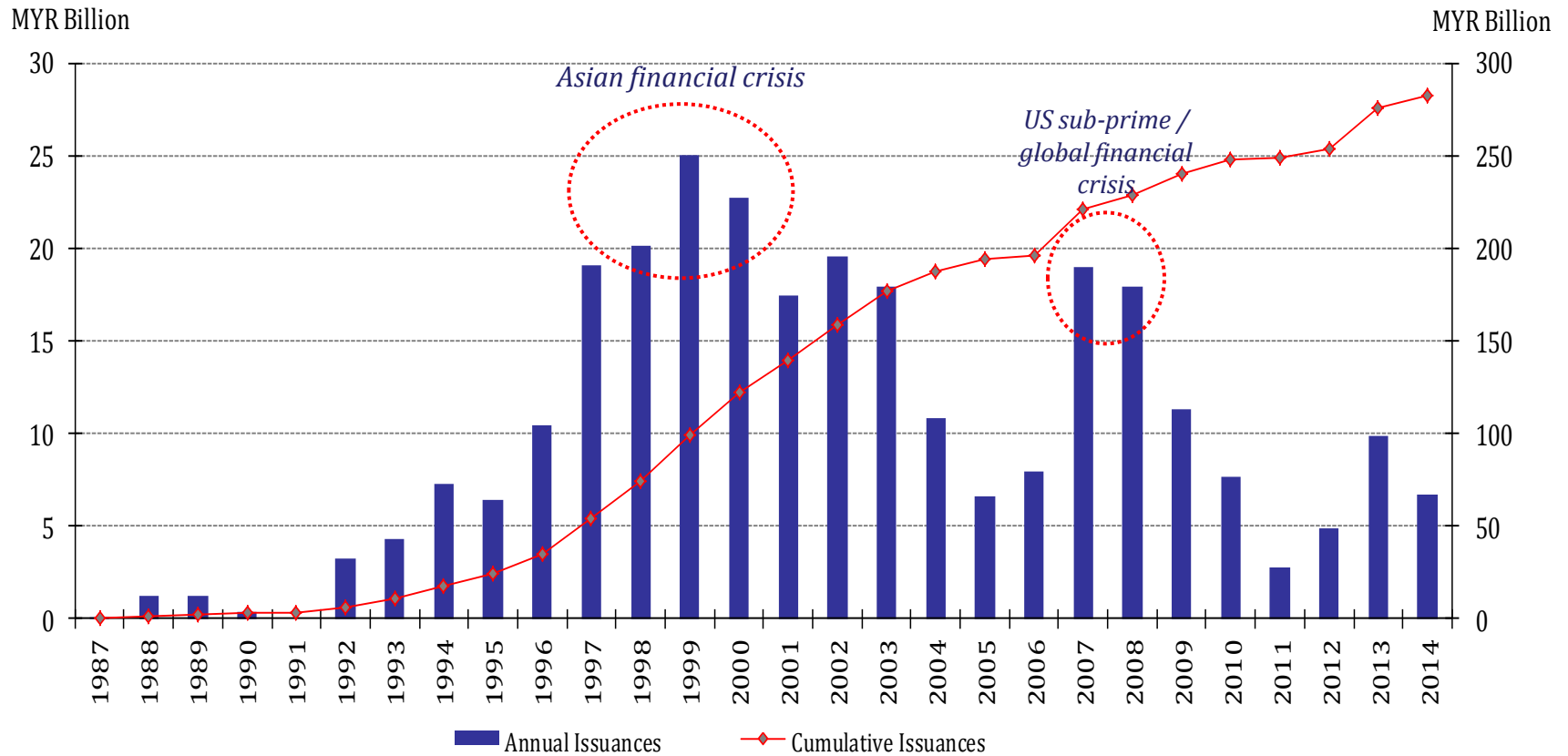
Cagamas has **cumulatively refinanced housing loans** in the secondary market equivalent to **RM116 billion** equiv to **USD31.8 billion** or approx. **1.8 million houses**





Liquidity Provider to the Primary Market

Provided liquidity of about **RM282.3 billion equiv to USD78 billion** to the financial sector to date





To build a sustainable housing finance system can be supported by :

- Government's involvement**
- Active and efficient mortgage market regulated by the Central Bank**
- Availability of secondary liquidity facility to provide long term stable funding**