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MEDIA RELEASE

SPECIAL LOAN SCHEME FOR THE PURCHASE OF PROGRAM PERUMAHAN RAKYAT MAJLIS TINDAKAN EKONOMI NEGARA (PPR MTEN) AND PERUMAHAN AWAM DEWAN BANDARAYA KUALA LUMPUR (PA DBKL)

1. Objective

The objective of the Special Loan Scheme is to assist the existing tenants to purchase the houses that have been offered to them for sale by Kuala Lumpur City Council (DBKL).

2. Background

- i. On July 11, 2009, the Prime Minister, YAB Dato' Sri Mohd Najib bin Tun Abdul Razak announced the sale of **44,146 units** of PPR MTEN and PA DBKL houses to tenants renting the houses from DBKL.
- ii. Following the announcement, the Ministry of Federal Territories and Urban well-being (KWPKB) and Kuala Lumpur City Council (DBKL) held a series of discussions with banks and other financial institutions requesting them to assist the tenants to purchase the houses offered to them by DBKL.
- iii. No special loan scheme was formulated.
- iv. The housing loans offered by banks and financial institutions were based on the bank's individual policy, procedures, terms and conditions.
- v. Since the announcement, only **774 purchasers** managed to secure the housing loans from the banks and financial institutions.

- vi. It was evident from the number of successful borrowers that the issue facing these potential buyers was the access to borrowing from banks and financial institutions.
- vii. In order to solve the problem of access to borrowing faced by this group of potential buyers, a **special loan scheme** was formulated by the ministry in collaboration with DBKL and Federal Territory Foundation (YWP) and received the final Cabinet approval on January 18, 2012 .
- viii. The Special Loan Scheme was announced by the Prime Minister, YAB Dato' Sri Mohd Najib bin Tun Abdul Razak on January 28, 2012.

3. Main Features Of The Scheme

The main features of the scheme are as follows:-

- i. The whole scheme is based on Syariah compliance,
- ii. No upfront payment or deposit is required,
- iii. Up to **100%** financing, covering cost of house, insurance (life and fire), transfer fees and all legal fees,
- iv. Stamp duty exemption on all documents,
- v. Profit rate fixed at **6.5%** throughout the tenure of financing,
- vi. Financing period up to 25 years,
- vii. No maximum age limit , and
- viii. Financing can be done with a co-borrower.

4. Qualifications To Participate In The Scheme

There are **only two qualifications** to participate in the scheme;-

- i. Tenants who have been offered to purchase the houses from DBKL, and
- ii. Not declared a bankrupt.

5. Process To Purchase And To Secure Financing

The process involves **only three steps**:

- i. DBKL will issue a new offer to tenants to purchase the houses and to participate in the financing scheme.
- ii. Tenants who accept the offer will be required to sign the financing agreement, **Ijarah Muntahiyah Bittamlik (IMB)** and the sale and purchase (S&P) agreement with the manager of the scheme, **Syarikat Perumahan Wilayah Persekutuan (SPWP)**, a wholly owned subsidiary of YWP.
- iii. SPWP will then notify the purchaser when to start paying the monthly instalments.

6. How The Scheme Works

Central to the scheme is the formation of a **Special Purpose Vehicle (SPV)** company to own and manage the Special Loan Scheme. The SPV, named as **Syarikat Perumahan Wilayah Persekutuan (SPWP)**, is a wholly owned subsidiary of YWP.

In substance, DBKL sells the houses to individual purchasers. The Employee Provident Fund (EPF) / Kumpulan Wang Simpanan Pekerja (KWSP) will finance the purchasers through SPWP and remit the sales proceeds to DBKL. To effect the above sales and financing arrangement, and to comply with Syariah principles, the following are the procedures involving the scheme:-

- i. DBKL will offer for sale the houses to individual purchasers based on the terms of the scheme.

- ii. Houses agreed to be purchased by the individuals will be purchased by the SPWP from DBKL at the **same selling price** to purchasers.
- iii. Individual purchasers will sign the **Financing Agreement (IMB)** and the **Sales and Purchase Agreements (S&P)** with SPWP.
- iv. SPWP will draw upon the financing (loan) from EPF to finance the purchase of houses from DBKL and remit the entire proceeds to DBKL.
- v. Individual purchasers will pay the monthly instalments of the IMB to SPWP. The Sales and Purchase Agreement between the purchaser and SPWP is operative and title to the property will be transferred to the purchaser when the purchaser completes all the monthly payments.
- vi. SPWP will repay the financing (loan) to EPF on **six monthly** basis.

7. SPWP Arrangement With EPF And DBKL

After the scheme was conceptualised and formulated, YWP approached EPF for financing. EPF agreed to participate by approving in principle, **RM 1.5 billion** financing to SPWP (the SPV) subject to certain terms and conditions.

The drawdown of the RM 1.5 billion financing will be in phases, the first phase involves a sum of up to **RM 300 million**. This sum is to cater for the remaining **7000 purchasers** who had agreed to buy the houses but unable to secure bank loans.

Following the approval from EPF, the ministry proceeded to obtain Cabinet approval mainly for the following:-

- i. To approve the scheme,
- ii. To allow DBKL to retain the proceeds from the sale of PPR MTEN and PA DBKL houses, and
- iii. To approve stamp duty exemptions on all documents relating to the scheme.

The financing provided by EPF to SPWP is subject to the following main terms;-

- i. The first drawdown is up to **RM 300 million**. Subsequent drawdown will be based on the performance of the scheme. The amount finance carries a profit rate of **5.5%** pa to EPF.
- ii. All houses financed by SPWP will be charged to EPF. The market value of these houses should be at least **twice the amount** financed.
- iii. DBKL is required to buy back the house in the event of default by the purchaser. For this purpose, DBKL is required to set aside **20%** of the proceeds from the sales to a specific account, called the **Redemption Reserve Account**. The money in this account cannot be used for any other purpose except to redeem the defaulting accounts.
- iv. All monthly collections from purchasers will be kept in a designated collection account controlled by EPF. Although the repayment by SPWP to EPF is on **six monthly basis**, to cater for any timing difference between the monthly collections and the repayment to EPF, **5%** of the sales proceeds will be kept under a specific account, called **Liquidity Reserve Account**. The money in this account cannot be used for any other purpose except for the above.
- v. SPWP is required to collaborate with a financial institution to facilitate the proper maintenance of the individual accounts and facilitate monthly collections and repayments to EPF.

8. Conclusion

This Special Loan Scheme offers **another avenue** for this group to realise their dream to own a house in Kuala Lumpur. It is available to those who can afford and willing to service the amount financed.

For those who just cannot afford the monthly instalments, they **can continue to rent** the houses at the same monthly rental. For those who can secure loans to purchase the houses with better terms, they are free to make the choice.

In conclusion, YWP, KWPKB and DBKL had introduced a financing scheme to help the people and the choice and final decision rests with the people concerned.

Thank you.

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