

BNM/RH/CIR 001-16	Consumer and Market Conduct Department	Circular on Standardised Documentation for Description of Key Terms for Housing Loan / Home Financing Agreements
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1. OBJECTIVE

- 1.1 This circular sets out the requirement for banking institutions to adopt standardised documentation for description of key terms and conditions in respect of housing loan or home financing agreements that ensure that such terms are presented in a manner that is consistent, clear and easy to understand. The standardised documentation would further promote consumers' understanding of their rights and obligations and would enable them to make informed decisions that best meet their financial circumstances and needs. With greater consistency being introduced through the adoption of standardised documentation for housing loans or home financing across the industry, consumers will also be able to make a more direct comparison of the financial products and services offered.
- 1.2 Another objective of this circular is to further improve the turnaround time for the processing of housing loans by banking institutions, particularly relating to the loan approval and disbursement process. This would promote efficacy of doing business as well as to improve the delivery of services in the financial services sector.

2. APPLICABILITY

- 2.1 This circular is applicable to all banking institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA).
- 2.2 This circular is applicable to agreements for housing loans or home financing involving a principal sum of RM500,000 and below, and which are:
- (a) extended to individuals;
 - (b) for the purpose of financing the purchase of residential property by the borrower(s); and
 - (c) not combined with another different type of facility or facilities.

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- 2.3 For the purpose of determining the principal sum of RM500,000 and whether or not the standardised template were to apply, only the loan amount to be applied towards the purchase price of the residential property is to be taken into account. The loan or financing can however extend to cover renovation costs, Mortgage Reducing Term Assurance (MRTA) or such other insurance premium as may be permitted by the banking institution and legal fees incurred in connection to the purchase of the property.
- 2.4 Banking institutions are free to adopt the standardised template for any housing loan or home financing agreement which:
- (a) has a principal sum in excess of RM500,000; or
 - (b) is combined with another different type of facility or facilities.

3. LEGAL PROVISION

- 3.1 This circular is issued pursuant to section 126 of the BAFIA.

4. DIRECTIVES / INSTRUCTIONS

- 4.1 Commencing from **1 January 2013**, banking institutions are required to adopt standardised documentation for description of key terms and conditions for agreements described in paragraph 2.2 of this circular including but not limited to provisions for payment of interest, calculation of interest, repayment, pre-payment, events and consequences of default.
- 4.2 The manner of standardisation and the form of the agreement shall substantially be based on the template developed by the Association of Banks in Malaysia (ABM) in collaboration with the industry. This template may be varied or modified from time to time to cater to prevailing circumstances subject to consultation with the Bank.

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4.3 The Bahasa Malaysia version of the above standardised documentation for description of key terms and conditions shall be made available no later than 30 October 2013.