

## FAQs on Hire-Purchase and Fixed Rate Islamic Financing Products

*\*\* See latest update to response in Question 6 (in red)*

No.	Question	Answer
1.	It was previously announced that the 6-month payment deferment for Hire-Purchase (HP) and fixed rate Islamic financing is automatic. Has there been a reversal in this decision?	<p>The payment deferment is still automatic for HP and fixed rate Islamic financing.</p> <p>What is required now is an additional step to comply with procedural requirements under the Hire-Purchase Act 1967 (HP Act) and Shariah. This additional step is required to incorporate the changes to the payment schedule and/or amounts as a result of the six-month payment deferment in the loan/financing agreements.</p>
2.	Why are other loans/financing (e.g. mortgages, personal loans, business loans etc) not similarly affected?	Other loans/financing are not subject to HP Act or similar Shariah requirements. However, interest/profit will also accrue over the deferment period for these loans and will also need to be repaid once payments resume post-deferment.
3.	Is there a change for borrowers/customers to qualify for the HP and fixed rate Islamic financing payment deferment?	There is no change in the eligibility criteria.
4.	As it is already the beginning of May, is there a change to the payment deferment period for these financing facilities?	There is no change in the payment deferment period, that is, it is effective for 6 months starting from 1 April 2020 until 30 September 2020.
5.	For fixed rate Islamic financing, are there any additional legal fees if a new agreement is required?	The FIs are not allowed to impose any additional charges, including legal fees, on the borrowers/customers.

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6.	<p>How would my HP or fixed rate Islamic financing monthly instalments change after the deferment period?</p> <p><b>** Please refer to details from your bank following the announcement by YBM Minister of Finance on 6 May 2020.</b></p>	<p>FIs will inform each borrower/customer of the changes to his/her HP loan or fixed rate Islamic financing payment schedule and instalment amounts.</p> <p>Borrowers/customers should weigh for themselves the pros and cons of deferring the payment, and pay particular attention to their ability to meet these payments after the moratorium.</p> <p>You should call or e-mail your FI if you need more information, or if you need to discuss alternative payment arrangements.</p> <p>Here is an example to help you better understand the financial impact post deferment.</p> <p>In this example, the change to the monthly instalment is not as large as expected. This illustration relates to a RM50,000 HP loan with a remaining tenure of 5 years and a flat rate of 2.71% per annum (or an effective interest rate of 5.36% per annum).</p> <table border="1" data-bbox="804 951 1856 1235"> <thead> <tr> <th></th> <th>Before deferment</th> <th>After deferment</th> </tr> </thead> <tbody> <tr> <td>Monthly instalment</td> <td>RM712</td> <td>RM731</td> </tr> <tr> <td>Increase in monthly instalment</td> <td></td> <td>RM19</td> </tr> <tr> <td>Increase in total interest charges</td> <td></td> <td>RM1,130</td> </tr> </tbody> </table> <p>In this example the monthly instalment amount increases by about 2%, or RM19 a month.</p>		Before deferment	After deferment	Monthly instalment	RM712	RM731	Increase in monthly instalment		RM19	Increase in total interest charges		RM1,130
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	<p><b>** Please refer to details from your bank following the announcement by YBM Minister of Finance on 6 May 2020.</b></p>	<p>The above example assumes the borrower has chosen to stagger the repayment of the total deferred instalments over the remaining tenure of the loan when monthly repayments resume in October 2020.</p> <p>However, some banks may also offer borrowers/customers the option of repaying the total deferred instalments, comprising principal and interest, as a lump-sum settlement during the final monthly instalment at the end of the loan/financing tenure. In this case, there will be no change in the monthly instalment amounts paid by borrowers/customers when the monthly repayment resumes in October 2020.</p> <p>Please look out for notices from your bank from 1 May 2020 onwards for more details on the repayment options available to you.</p>
7.	<p>Do I still have a chance to opt out of the payment deferment now if I had not done so previously?</p>	<p>Yes. You can still choose to do so at this time by informing your FI and resuming the monthly payments that you were making before the deferment. See also response to Question 8 below.</p>
8.	<p>I have not made any payment in April since I did not opt out of the deferment earlier. If I decide to opt out now, will I be charged any late payment penalty? What will happen to my CCRIS record?</p>	<p>No, FIs will not impose any late payment charges on borrowers/customers who decide to opt out of the deferment now.</p> <p>Your bank will inform you of the timeframe provided to pay off the deferred instalments since 1 April 2020. Your CCRIS record will also not be affected, as long as you settle this amount within the repayment timeframe as notified by your FI.</p> <p>If you need more time, you should contact your bank to discuss a revised repayment timeframe.</p>

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9.	Do borrowers/customers have a choice on whether to extend the financing tenure or increase the monthly instalments after the deferment period?	<p>FIs will provide borrowers/customers with further details on resuming payments after the deferment period, and among the options provided would include the option of extending tenures or increasing monthly instalments.</p> <p>Borrowers/customers are advised to discuss with their FIs if they require a different repayment arrangement due to their financial circumstances.</p>
10.	<p>Following this announcement by BNM, I feel short-changed. I thought the repayment terms on HP and fixed-rate Islamic financing after the payment deferment period ends are not supposed to change.</p> <p>Will I now lose out from benefitting from the six-month payment holiday?</p>	<p>We sincerely regret any confusion and anxiety that this announcement may have caused.</p> <p>The deferment package is meant to ease cash flows for borrowers/customers who are affected by the COVID-19 pandemic. This intent remains the same.</p> <p>The confusion arises because of the perception that under the HP loan, the amount repaid cannot be changed. This misperception also arose to some extent from our earlier illustration where we made certain assumptions and caveats. We removed this example from BNM's FAQs when banks provided their own illustrations in their FAQs. BNM's illustration was not intended to preclude interest/profit rates to accrue over the deferment period.</p> <p>Borrowers/customers whose HP loans and fixed-rate Islamic financing accounts that have been automatically deferred since 1 April 2020 will continue to benefit from the payment deferment until 30 September 2020.</p> <p>Borrowers/customers can still change their earlier decision to take up the deferment if they do not wish to pay any additional interest/profit. See also responses to Questions 7 and 8 above.</p>