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## HOMEOWNERSHIP GUIDE BOOK

Explaining the process of buying a home

# INTRODUCTION

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Buying a new home can be both exciting and challenging, especially for first-time buyers. This guidebook will help you understand the nuts and bolts of owning a property. This will also be a good refresher for those who already own one.

We hope this guide will serve you well throughout the process of being a proud homeowner.

# BUY A HOME IN 10 EASY STEPS



# HOMEOWNERSHIP AT A GLANCE



## **a. Identifying your dream home**

A fundamental step in your journey of buying a home



## **b. Securing a loan**

Understanding the process of obtaining a bank loan



## **c. Signing on the dotted line**

Things to be aware of before you seal the deal



## **d. House buyer's checklist**

A checklist for RUMAWIP & PR1MA housing to make sure you have everything in order





a



# IDENTIFYING YOUR DREAM HOME



### WHAT THIS SECTION COVERS

1. What are your P.L.A.N.S?
2. Paying for a home
3. Monthly repayment budget
4. Calculating monthly repayment
5. Income vs. affordability



# 1.

### What are your P.L.A.N.S?

It can be quite overwhelming when looking for a home because there are many factors to consider. To make it easier, just ask, what are PLANS?



#### Price

The cost of a house is one of the most important factors to consider. The question to ask yourself is, "how much can I afford?"



#### Location

It is important to look at the location of the house you choose. This can mean differences in price, convenience and ease of accessibility.



#### Amenities

Are there nearby amenities like schools, convenience stores, banks, restaurants, etc?



#### Neighbourhood

Consider the neighbourhood that you're going to move into - is it safe or conducive for families, are there many residents or is the area deserted?



#### Size

Size here means the size of the house and also the size of your family. It will not be a wise choice to buy a 2-room apartment if you are a family of 5!



## a. IDENTIFYING YOUR DREAM HOME

# 2.

## Paying for a home

When buying a home, there are 3 main ways to pay for it. Either with cash or with a housing loan.

### Cash Purchase

The full amount is paid in cash directly to the housing developer.



Homebuyer



Developer

### Bank Loan

The bank pays for you and you repay the bank in instalments plus interest.



Homebuyer



Bank



Developer

*A bank loan is by far the most common method of buying a property as this is best for your cash flow.*

### Government Loan



Homebuyer



LPSSA



Developer

*Lembaga Pembiayaan Perumahan Sektor Awam is the body in charge of housing loans for civil servants in the public sector.*



# 3.

## Monthly repayment budget

So how much should you allocate monthly to pay for a house? While this depends on your income and savings, the general rule is (not more than) 40% OF YOUR NETT INCOME.

### Example 1:

Monthly nett income  
**= RM10,000**

40% of nett income  
**= RM4,000**

### Example 2:

Monthly nett income  
**= RM6,000**

40% of nett income  
**= RM2,400**

Therefore, it is not recommended to pay more than RM4,000 (RM2,400) or 40% monthly for your housing loan to avoid financial difficulties in the future.



# 4.

## Calculating monthly repayment

Now that you know how to budget for a monthly repayment, the next question is, “how much will my dream home cost me per month?” Using a basic online home loan calculator, this is what we will know:

### Category 1 (RUMAWIP)



From the example, we know that for a RM300,000 home, you need to pay RM1,438.41 monthly. Based on the info used in the loan calculator, we can apply the following quick formula.

$$\begin{aligned} &\text{Monthly Instalment} \\ &= \frac{\text{RM1,438.41}}{\text{RM300,000}} \times \text{House Price} \\ &= 0.00479 \times \text{House Price} \end{aligned}$$

Note: Figures for interest rate, loan tenure & down payment are variables



# 4.

## Calculating monthly repayment

### Category 2 (Normal Range)



$$\begin{aligned} &\text{Monthly Instalment} \\ &= \frac{\text{RM2,397.34}}{\text{RM500,000}} \times \text{House Price} \\ &= 0.00479 \times \text{House Price} \end{aligned}$$

Note: Figures for interest rate, loan tenure & down payment are variables





# 5.

## Income vs. affordability

Now that we know how much to budget for our monthly loan repayment and how much monthly repayment is needed for a particular unit, let's look at calculating what house price best suits your income level. With this in mind, you can then disregard homes that are out of your price range.

For this example, let's assume your monthly nett income is RM10,000 and the house price is RM300,000.

- A** Monthly budget:  $40\% \times \text{nett income (e.g. RM10,000)} = 0.4$
- B** Monthly instalment: RM300,000 house is  $\text{RM1,438.41}^* = 0.00479$

\*Based on the example of previous page

To know the price of a house that is suitable based on your income level, we can use this formula:

**House Price:  $0.4 \div 0.00479 \times \text{Nett Income}$**

**$\therefore (0.4 \div 0.00479 = 83.507) \times \text{RM10,000} = \text{RM835,073}$**   
**(Maximum house value you can afford with a  
RM10,000 income)**





**b**



## **SECURING A LOAN**



### WHAT THIS SECTION COVERS

1. Types of loans
2. Bank loans -  
what you need to know
3. Before applying for a loan
4. DSR explained
5. What is a credit report?
6. Improving my credit score
7. Different insurance for  
house owners or tenants
8. Types of home loan insurance



# 1.

## Types of loans

By far the majority of house buyers will depend on a housing loan to buy their dream home. Before we learn more about the process of a loan application, let's look at the kinds of loans available.

### Bank Loan

Most banks offer this financing facility. Interest rates do vary from bank to bank although by not much. Approval is based on meeting the eligibility conditions.

### Staff Loan

Some companies offer financial assistance to employees with a quantum according to company policy. A very good example is a bank giving this assistance to its employees.

### Government Loan

This is a facility for civil servants only. Again, the quantum is determined by the Government department.



# 2.

## Bank loans - what you need to know

Most banks offer housing loans under differing product names, with different offerings. With so many choices, you will need to choose one that best suits your needs. Do check with respective banks for the latest information.

### *Types of bank loans:*

#### **Term Loan**

Monthly repayment amount is fixed throughout the entire loan duration

#### **Semi-Flexi Loan**

You still pay a fixed amount monthly but you can make extra payments to reduce the loan interest

#### **Flexi Loan**

Similar to a Semi-Flexi Loan, but with the extra benefit of being able to withdraw the extra payments that you've made, without penalty

#### **Islamic Loan**

This is an interest-free loan in accordance to the Syariah Law. The concept is, the bank buys the property for you and rents it to you with extra charges



# 2.

## Bank loans - what you need to know

### **Loan Duration / Tenure**

Generally, the maximum duration for a housing loan is 35 years or when the borrower reaches a certain age (65 or 70), whichever comes first.

#### ***Consider this:***

The longer the loan duration, the lower the monthly repayment amount, but at a higher total interest rate and vice versa.



# 3.

## Before applying for a loan

As with any loan, the borrower first needs to be eligible and must meet certain conditions. In assessing your eligibility, the bank will have to look at your:

**a. Debt Service Ratio (DSR)**

**b. Credit Report**



# 4.

## DSR explained

Your Debt Service Ratio is what a bank considers, among other things, to be sure you're able to repay its loan. The DSR measures your total commitments against your monthly income.

### *The Formula*

$$\frac{\text{Total Monthly Commitments}}{\text{Monthly Nett Income}} \times 100 = \text{DSR (\%)}$$

**Your commitment includes the monthly home loan repayment. The ideal DSR should be less than 70%. The lower your DSR, the higher the chances of your loan being approved.**





# 5.

## What is a credit report?

Simply put, a Credit Report is your personal financial report card. Banks look at this to see if you have a good history of repaying your debts. People with a history of defaulting on loans can rarely get new loans approved.

**There are 2 sources of Credit Reports:**

**CCRIS**

by Bank Negara  
Malaysia

**CTOS**

by a private credit  
reporting company





# 6.

## Improving my credit score

A credit score that is not too favourable can be fixed. Here are some guides:

- **Pay your bills on time to avoid late payment charges**
- **Pay off high-interest debts (credit card, personal loans)**
- **Don't apply for more loans**

**Do note, it takes 12 months to rebuild your profile if you have a bad credit history.**



## 7

## Different insurance for house owners or tenants

POLICY	COVERAGE INCLUDES DAMAGES FROM
<b>Fire Policy</b>	<ul style="list-style-type: none"><li>• Fire incidences</li><li>• Aircraft damage</li><li>• Earthquakes or volcano eruptions</li><li>• Violent storms</li><li>• Floods</li><li>• Explosions</li><li>• Impact damage</li><li>• Burst or overflowing water tanks, apparatus or pipes</li><li>• Riots, strikes or malicious damage</li><li>• Falling trees or branches</li><li>• Subsidence (sinking of land) or landslips</li></ul>
<b>House Owner/ Holder Policy</b>	<ul style="list-style-type: none"><li>• Fire, subterranean fire or lightning strikes</li><li>• Explosions</li><li>• Aircraft &amp; other aerial device damage</li><li>• Impact by any road vehicles</li><li>• Impact from any animals not belonging to or under the control of the policy owner</li><li>• Theft (only if accompanied by forcible &amp; violent break-ins)</li><li>• Hurricanes, cyclones, typhoons and windstorms</li><li>• Earthquakes or volcano eruptions</li><li>• Floods but excludes loss or damage from subsidence or landslips</li></ul>



# 8.

## Types of home loan insurance

Similar to life insurance, there is also a home loan insurance that helps cover your loan repayments in the event of death or total permanent disability. It is important to consider this insurance to alleviate any burden on family members settling your loan. As with any insurance, the cost of the insurance depends on the loan amount and the age of the borrower. Let's look at the various types available.

### Mortgage Reducing Term Assurance (MRTA)

- The sum insured reduces over the term of your home loan
- The amount paid out will cover the total value of your outstanding home loan at the time of claim
- If you are insured for more than what is owed then, only the outstanding amount will be paid out. The extra will not go to the beneficiary
- If the opposite happens, then there will still be an amount that needs be settled by the next of kin as the payout does not cover the full outstanding amount
- MRTA is not compulsory, however, it can be mandatory depending on the terms and conditions set out by the bank



# 8.

## Types of home loan insurance

### Mortgage Level Term Assurance (MLTA)

- The sum insured for MLTA remains fixed (level term) throughout the term of the home loan
- Unlike MRTA, any additional amount will be paid to the beneficiary
- This is an additional financial support for the beneficiary during any untoward incidences
- While MLTA is not compulsory, the bank may make it a condition in order to give you a loan

### Mortgage Reduction Term Takaful (MRTT)

- Similar to MRTA but following the Takaful principles of Islamic Banking
- The sum insured reduces throughout the loan period
- MRTT is not compulsory, but banks may include it in their terms when offering you the loan



# 8.

## Types of home loan insurance

### Mortgage Level Term Takaful (MLTT)

- Similar to MLTA but is an Islamic Banking product
- The sum insured remains fixed over the loan period (level term)
- MLTT is not compulsory, but banks may include it in their terms when offering you the loan





# **SIGNING ON THE DOTTED LINE**



### WHAT THIS SECTION COVERS

1. What is the Sale & Purchase Agreement or SPA?
2. Contents of the SPA
3. Before signing on the dotted line
4. Stamp duty
5. Legal fees
6. Progressive interest payment
7. Payments by buyer





# 1.

## What is the Sale & Purchase Agreement or SPA?

A Sale & Purchase Agreement (SPA) is a legally binding contract between the seller (developer/private individual) and you, the buyer. The SPA acts to protect both the seller and buyer. Once signed, there will be no negotiations on the contract terms.

There is a clause that allows for the termination of the SPA under circumstances outlined in the contract and normally a penalty will be imposed.





# 2.

## Contents of the SPA

The SPA will contain information that you will need to go through before signing. The content may be slightly different if the seller is a property developer or a private individual. However, the essential information is similar. They include:



### **Basic Information of the Seller and Buyer:**

Name, registered address & contact



### **Details of the Purchase:**

To be agreed by both parties including selling price and terms of purchase, etc



### **Payment Terms:**

This includes payment method, deadline and late payment fees



### **Vacant Possession:**

The date when the developer will hand over the house to you.  
Normally 24 - 36 months from the signing of the SPA



### **Defect Liability Period:**

The SPA outlines the period a buyer can claim a warranty to fix defects in the new home



### **House Plan and Specifications:**

Included are the plans, measurements and materials



# 3.

## Before signing on the dotted line

Most first-time house buyers fail to take into consideration hidden costs when buying a property. So, before proceeding with the purchase, make sure you have allocations for these items.

### Stamp Duty

A tax imposed by the government to validate a legal document.

### Legal Fees

These are fees paid to law firms in preparing legal documents.

### Progressive Interest

This is a monthly payment made to the bank as they release progressive payments to the developer as financing for the project.

### Payments By Buyer

Fees or charges a buyer will need to pay during the house buying process.



## 4.

## Stamp duty

When you buy a house, you will need to pay the government taxes in the form of stamp duty. This makes legal documents official. There are 3 types of stamp duties.

### Memorandum of Transfer (MOT)

This is a government tax for transferring the house ownership from the developer to you. The amount is calculated based on the house price against a scale.

House Price	Rate
1st RM100,000	1%
Next RM400,000 (RM100,001 – RM500,000)	2%
Next RM500,000 (RM500,001 – RM1 mil.)	3%
Thereafter (Above RM1 mil.)	4%



# 4.

## Stamp duty

### **Memorandum of Charge (MOC)**

This is to change the Master Title of your home to an Individual / Strata Title (Form 16A).

A flat rate of 0.5% of your loan amount is charged and can be included in your housing loan.

### **Loan Stamp Duty**

This is tax for the home loan paperwork.

A flat rate of 0.5% is charged based on the loan amount.



# 5.

## Legal fees

Part of the process of buying a house, you will be required to pay a lawyer's legal fees for their documents. There are 2 types of legal fees.

### **Sale & Purchase Agreement And Loan Agreement**

The lawyer's fee for preparing this document is based on the house price stated in the Sale and Purchase Agreement.

House Price	Rate
1st RM500,000	1%
Next RM500,000	0.8%
Next RM2 mil.	0.7%
Next RM2 mil.	0.6%
Next RM2.5 mil.	0.5%



# 6.

## Progressive interest payment

Your new home is built in stages. During each stage, the bank will release payment from your loan to the developer to continue building. This is called progressive payment and you will need to pay the bank a monthly progressive interest. As you pay, the interest on your loan is reduced. This does not count as your monthly loan repayment.

### Calculation For Progressive Interest

$$\text{Total Funds Released} \times \text{Loan Interest Rate \%} \times \frac{\text{No. of days per month}}{365 \text{ days in a year}}$$

$$\text{Total Funds Released} \times \text{Loan Interest Rate \%} \times \text{No. of days per month}^* \div 365 \text{ days in a year}$$

\*Banks will use 31 days for each month in their calculations





# 7.

## Payments by buyer

There are 2 extra payments that every house buyer needs to make.

### **Differential Sum**

Buyers need to pay the difference between your loan amount and the property price. This includes the 10% down payment.

### **Miscellaneous Charges**

For both landed & strata-titled homes:

- Electricity deposit & stamp duty
- Water deposit & stamp duty
- Water connection & processing fee
- Sinking fund
- Quit Rent & Assessment (government tax on your land)

Extra charges for strata-titled homes:

- Maintenance fee (varies based on types of facilities)
- Fire insurance



# d. HOUSE BUYER'S CHECKLIST





### WHAT THIS SECTION COVERS

RUMAWIP (Residensi Wilayah) &  
PR1MA Housing



## 1.

## Checklist for first-time home buyers

PROPERTY TYPE	RUMAWIP	PR1MA	MID RANGE	CASH BUYER
<b>DURING EXECUTION OF SPA</b>				
Deposit (including booking fee, if any)*	✓	✓	✓	✓
Legal fee & disbursement of SPA	✓	✓	✓	✓
Legal fee & disbursement for loan agreement	✓	✓	✓	✓
<b>BEFORE COMPLETION OF SPA</b>				
Valuation fees (if applying for loan)	✗	✗	✗	✗
Stamp duty for MOT or Deed of Assignment	✓	✓	✓	✓
Mortgage insurance	✓	✓	✓	✓
Differential sum between the balance purchase price & loan amount	✓	✓	✓	✓

\*Collection of booking fee before signing SPA is prohibited for properties that are governed by the Housing Development (Control and Licensing) Act 1966.



## 2.

## Checklist for first-time home buyers

Budgeting for owning a home (sample calculation)  
Based on a 90% loan

PROPERTY TYPE	RUMAWIP	PR1MA	MID RANGE
Price Range (RM)	RM300,000	RM400,000	RM600,000
<b>DURING EXECUTION OF SPA</b>			
Deposit (including booking fee, if any)*	RM1,000	RM1,000	RM1,000
Legal fee & disbursement of SPA	RM8,000	RM11,000	RM17,800
Legal fee & disbursement for loan agreement	RM4,050	RM5,400	RM8,020
<b>Total</b>	<b>RM13,050</b>	<b>RM17,400</b>	<b>RM26,820</b>
<b>BEFORE COMPLETION OF SPA</b>			
Stamp duty for MOT or Deed of Assignment	RM5,000	RM7,000	RM12,000
Differential sum between the balance purchase price & loan amount	RM30,000	RM40,000	RM60,000
<b>Total</b>	<b>RM35,000</b>	<b>RM47,000</b>	<b>RM72,000</b>
<b>Grand Total</b>	<b>RM48,050</b>	<b>RM64,400</b>	<b>RM98,200</b>

\*Collection of booking fee before signing SPA is prohibited for properties that are governed by the Housing Development (Control and Licensing) Act 1966.



# 3.

## RUMAWIP checklist

### Requirements to be eligible for RUMAWIP or Residensi Wilayah Keluarga Malaysia

RUMAWIP or Residensi Wilayah as it is now known, is a government initiative to provide first-time buyers with affordable housing. Eligibility is based on the following:

**21**

Applicant must be a minimum **21 years old Malaysian Citizen** at the time the application is submitted

**1**

Only one application will be accepted per household

**Income**

Individual or combined household income (husband & wife) under RM10,000 (single) and RM15,000 (married)

**10  
Years**

**Sales restrictions (moratorium) for 10 years will be imposed** whereby a house bought cannot be transferred or sold without the permission of the government except to next of kin such as husband/wife or heirs

**FT**

Applicant must be born or live or work in any of the Federal Territories

**Register**

Applicants must **register at Residensi Wilayah website**



## d. HOUSE BUYER'S CHECKLIST

# 4.

### Steps to applying for RUMAWIP

**Step  
1**

Visit [www.residensiwilayah.kwp.gov.my](http://www.residensiwilayah.kwp.gov.my)

**Step  
2**

Register a new account

**Step  
3**

Update your profile information

**Step  
4**

Browse for your preferred property

**Step  
5**

Upload all required documents

At the menu bar, clicking on “Manual” will download a user guide in pdf with a detailed step-by-step process from registration to completing the application.



# 5.

## PR1MA checklist

### Documents required

For the complete list of required documents, just visit the portal section here:  
[residensiwilayah.jwp.gov.my/application](https://residensiwilayah.jwp.gov.my/application)

### Applying for PR1MA housing

PR1MA is managed by a government-owned company – Perbadanan PR1MA Malaysia under the Ministry of Local Government Development. Their objective is to provide affordable and high-quality properties for middle-income Malaysians.

### PR1MA eligibility criteria



Applicants must be Malaysian citizens



Individual or combined gross monthly household income (husband & wife) between RM2,500 and RM15,000

21+

Single or married, aged 21 and above at the time of application



A PR1MA home can be purchased as your first or second home only



## d. HOUSE BUYER'S CHECKLIST

# 6.

### Steps to applying for a PR1MA home

<b>Step 1</b>	Register here: <i>register.pr1ma.my/Account/Register</i> (A reference number will be sent to you for future reference)	<b>Step 5</b>	If successful, applicants will be invited to a unit selection process
<b>Step 2</b>	You will receive a notification of new property launches in your preferred area of residence	<b>Step 6</b>	Loan application
<b>Step 3</b>	Apply for your preferred property	<b>Step 7</b>	Signing the SPA
<b>Step 4</b>	Balloting will be conducted for eligible applicants	<b>Step 8</b>	Vacant possession & key handover





# 7.

### Checklist for first-time home buyers


#### Required documents for PR1MA home application

You will need to provide the following documents:

- Photocopy of applicant's NRIC (If single)
- Photocopy of applicant's and spouse's NRIC (If married)
- Photocopy of applicant's children's NRIC or birth certificate (whichever is applicable)
- Photocopy of applicant's salary slip





A photograph of a family of three—a man, a woman, and a young girl—sitting closely together on a blue sofa with yellow pillows. The man, on the left, wears glasses and a white t-shirt, smiling broadly while holding the girl's hands. The girl, in the center, has dark hair with bangs and is also smiling. The woman, on the right, has long dark hair and is smiling warmly. They are all wearing white t-shirts. In the background, a large window shows a city skyline. The text "Home is the sanctuary of your heart" is overlaid on the right side of the image in a dark blue, sans-serif font.

Home is  
the sanctuary of  
your heart



A hand is holding a small, dark-colored model house with a gabled roof and a chimney. The house is resting on a patch of grass. The background is a blurred landscape with a body of water and hills under a blue sky. The entire image has a blue tint.

## Final Word

Buying a property is a major event in anyone's life. The topics covered in this guide should help give you a better understanding of the house-buying process and hopefully make it a smoother experience when buying your dream home.

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