

FAQs on Hire-Purchase and Fixed Rate Islamic Financing Products

No.	Question	Answer
1.	<p>It was previously announced that the 6-month payment deferment for Hire-Purchase (HP) and fixed rate Islamic financing is automatic.</p> <p>Has there been a reversal in this decision?</p>	<p>No, 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 unavoidable, and is required to incorporate the changes to the payment schedule and/or amounts as a result of the six-month payment deferment in loan/financing agreements.</p>
2.	<p>Why are other loans/financing (e.g. mortgages, personal loans, business loans etc) not similarly affected?</p>	<p>Other loans/financing are not subject to the 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.</p>
3.	<p>Is there a change for borrowers/customers to qualify for the HP and fixed rate Islamic financing payment deferment?</p>	<p>There is no change in the eligibility criteria.</p>
4.	<p>As it is already the end of April, is there a change to the payment deferment period for these financing facilities?</p>	<p>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.</p>
5.	<p>For fixed rate Islamic financing, are there any additional legal fees if a new agreement is required?</p>	<p>In such cases, FIs are not allowed to impose any additional charges, including legal fees, on borrowers/customers.</p>

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6.	How would my HP or fixed rate Islamic financing monthly instalments change after the deferment period?	<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>This illustration relates to a RM50,000 HP loan with a remaining tenure of 5 years and a fixed interest of 2.71% (or an effective rate of 5.36%) per annum:</p> <table border="1" data-bbox="806 922 1858 1206"> <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 (RM)</td> <td></td> <td>RM1,130</td> </tr> </tbody> </table> <p>In this example the instalment amount increases by 2%, or RM19 a month.</p>		Before deferment	After deferment	Monthly instalment	RM712	RM731	Increase in monthly instalment		RM19	Increase in total interest (RM)		RM1,130
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7.	Do I still have a chance to opt out of the payment deferment now if I had not done so previously?	<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.</p> <p>See also Question 8 below.</p>
8.	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>No, FIs will not impose any late payment charges on borrowers/customers who decide to opt out of the deferment now.</p> <p>Your FI will inform you of the timeframe provided to pay off the instalments deferred 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 FI to discuss a revised repayment timeframe.</p>
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>

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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 of loan repayments is meant to ease cash flows for borrowers/customers affected by the COVID-19 pandemic. This intent remains the same.</p> <p>The confusion arises because of the misperception that the repayment amounts for a HP loan cannot be changed. This misperception also arose to some extent due to an illustration we provided in an early version of the FAQs, where certain assumptions and caveats were made.</p> <p>We later removed the example when FIs provided their own illustrations. Our illustration was not intended to preclude interest charges accrued on the deferred loans.</p> <p>Borrowers/customers who have had their HP loans and fixed-rate Islamic financing accounts automatically deferred since 1 April 2020 will continue to benefit from the payment deferment until 30 September 2020.</p> <p>HP loan and fixed-rate Islamic financing borrowers/customers who initially accepted the moratorium but have since changed their mind can still opt out of the deferment.</p> <p>See also Questions 7 and 8 above.</p>