Hong Leong Bank

DUITSMART

A Better Future for all Malaysians

JARGON BUSTER

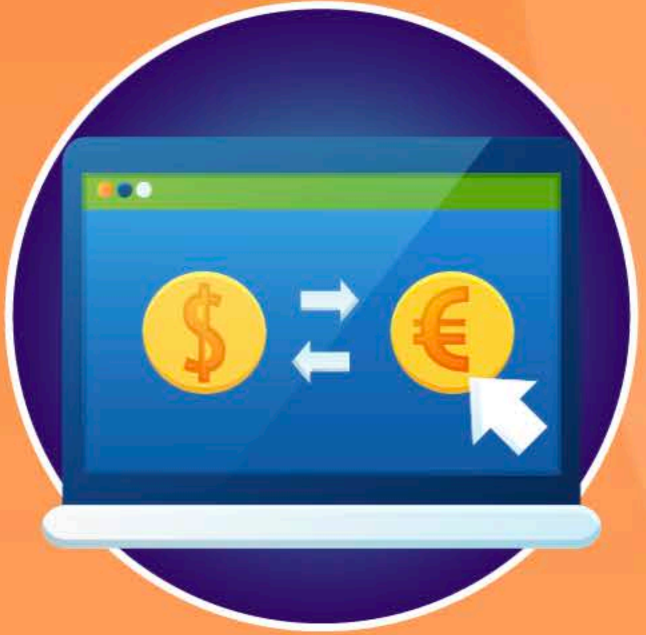
TERMS YOU WILL SEE WHEN GETTING A HOME LOAN

Looking to get your first home?

Your bank or real estate agent may use terms or names that aren't familiar to you. However, getting a grip on home loan lingo will help make the whole process a lot easier.

HERE ARE SOME OF THE MOST COMMON

HOME LOAN JARGON YOU NEED TO KNOW:



MARGIN OF FINANCING (MOF)

Want to buy a house? One of your first questions may be, "Okay, how much money will the bank lend me?" This is known as the margin of financing (MOF). The MOF is the percentage of your property price that the bank is offering to you as a loan.

In Malaysia, the maximum margin of financing you can get for a home loan is 90% the price of the house. However, if you qualify for the My First Home Scheme, you can get a margin of financing of up to 100%.

MLTA AND MRTA

If you suddenly pass away or experience total permanent disability (touch wood!), having a mortgage insurance policy will pay off the remaining debt on your home loan so your loved ones won't end up stuck in debt.

In Malaysia, there are two types of mortgage insurance:

MORTGAGE LEVEL TERM ASSURANCE (MLTA)

This is a lot more expensive, but you will receive cash value at the end of the tenure. This means that after the bank has settled your outstanding loan balance, you (or your beneficiary) will receive additional cash. You may put this cash into savings or reinvest it to grow your wealth!

MORTGAGE REDUCING TERM ASSURANCE (MRTA)

This is cheaper, but you won’t get any money when the mortgage is fully paid.

FIXED RATE HOME LOAN

A fixed rate home loan has an interest rate that stays the same throughout the entire home loan tenure.

FLEXIBLE RATE HOME LOAN

A flexible rate home loan (a.k.a. floating rate or variable rate home loan) has interest rates that can go up and down, as they are pegged to the Base Rate.

Flexible rate loans generally offer lower interest rates than fixed rate loans. However, if the Base Rate rises in the future, your interest rates could end up higher than those of fixed rate loans, causing you to pay more interest!

COLLATERAL

A collateral is an asset that you pledge as security for a loan. This means that you are saying to your bank, "I promise to pay you back. You can take my house/car/shares if I don't."

If you don't make your loan repayments, your bank can legally take your collateral and resell it to recover their losses.

When you take a home loan, your house is used as collateral. So, please – make sure you don't miss your mortgage payments.

Find yourself baffled by other financial jargon?

These home loan terms are just the tip of the financial jargon iceberg.

Find out where you stand financially! Get your credit score report and tips on how to improve your financial health from Hong Leong Bank and iMoney today.

Click here for a rundown of general financial terms

Click here for an explanation of credit card interest rates