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 The system will be a boon for house buyers. Pay 10 per cent now and the rest of the purchase price when the houses are completed. But the mechanism to kick-start this is nowhere in sight, writes CHOK SUAT LING.

<font color="#000000">ALEX Goh signed the sale and purchase agreement for his dream home in Selangor two years ago, but he is still waiting. His unit was to have been completed last year, but work has stalled pending the restructuring of debts of the developer.

"I am at my wits end. All I hope for is that the government will one day enforce the build-then-sell (BTS) system so that future house buyers will not suffer," he says.

The government's approval in June of the 10:90 concept for housing delivery was a big step in that direction.

Existing alongside the current sell-then-build (STB) system, it would put the risk on the developer and the bank, not the buyer.

Under the 10:90 concept, buyers pay a 10 per cent deposit to lock in their purchases. The remaining 90 per cent is only payable upon completion of the house. The 10 per cent payment is held by a lawyer acting as a stakeholder.

This way, buyers would be insulated from the disastrous fallout should the developer abandon the project.

But the execution of the new system has not been moving at speed. It is three months now and the authorities have yet to come up with a mechanism to make it workable on the ground.

Both buyers and developers agree that there are many unresolved issues.

Buyers are worried the concept will be forgotten with the passage of time.

National House Buyers' Association (HBA) vice-president Datuk Goh Seng Toh says there must be changes to regulations or else the concept cannot take off.

"We have drafted two new standard sale and purchase agreement schedules which we have handed over to (Housing and Local Government Ministry secretary-general) Datuk Ahmad Fuad Ismail on Aug 3 for consideration."

The proposals involve amending Schedules G and H of the Housing Developers (Control & Licensing) Regulations to accommodate the 10:90 concept.

For one, progressive payments in accordance with the stages of construction should be removed and replaced with a payment of 90 per cent of the purchase price once vacant possession of the property has been delivered, says Goh.

The HBA is also asking for vendors to provide purchasers and financiers with periodical reports on the progress of construction.

"When construction is at the 80 per cent stage, the vendor must give purchasers written notice to apply for loans.

"The vendor should also give buyers notice in writing for a joint inspection of their buildings, during which all defects must be rectified at the vendor's expense," Goh says.

Real Estate and Housing Developers' Association (Rehda) president Ng Seing Liong says developers are not taking on the 10:90 as there are as yet no regulations governing it.

"We need to be protected. We are ready for all systems to go, but can't move yet."

He is aware that some developers are using advertisements claiming they are adopting the 10:90 concept but says these are just gimmicks to get rid of unsold houses.

Ng asks: "What if a purchaser, after signing the agreement, cancels it? What if he dies? What about financing? How are the banks going to finance us?"

He notes that even in Australia, from which Malaysia copied the 10:90 system, there are problems. The government had to step in when purchasers stepped out in some projects.

Says Ng: "Without financing, the concept will not work unless we are talking about really big and rich developers.

We can only proceed if banks help us."

Ng is, however, concerned over the lack of urgency and commitment among financial institutions in helping make the concept a reality.

"Two weeks ago, the Housing and Local Government Ministry had a meeting with banks but the institutions were non-committal. Their representatives were from the lower management. Even Bank Negara did not send anyone high up."

The Association of Banks in Malaysia (ABM) disagrees with the contention that it is not supportive of 10:90.

ABM executive director Wong Suan Lye says it welcomes this government initiative.

"Banks will continue to lend to viable projects and support the housing industry."

A banker says several issues need to be sorted out first before there can be further progress: "But the 10:90 variant is a safer bet for banks as we will be dealing with developers with good financial track records. Developers will be more committed to the industry as they will have to use more internal funds for a project."

HBA secretary-general Chang Kim Loong hopes property developers are not just making excuses.

He says as it is, Rehda seems to be attempting to confuse the public by giving the impression that the 10:90 concept is the same as the BTS system.

"They want to justify their claims that it is difficult to implement," he says.

Chang explains that the 10:90 is not a true BTS system. It is a model that sits between the present STB and the complete BTS, where developers can only sell their houses after they have been completed.

"Nevertheless, I am glad that Rehda seems to be coming around and admitting the advantages of 10:90 despite its initial vigorous objections," he adds.

And to make it more attractive for property developers, Chang feels the government should introduce more incentives.

It could offer developers lower premiums for land conversion, he suggests. Currently, many Land Offices already offer a 15 per cent discount to encourage fast payment of land premiums. "With 10:90, this rebate could be even more."

Although the 10:90 system will help buyers, Chang is still hoping for more. "A complete BTS system is our nirvana, but we don&#65533;t see it becoming a reality in the short or medium term."</p>