

TIME TO BUY REAL ESTATE



AS OF AUGUST 29, through regulation 18/16/PBI/2016 on Loan to Value (LTV) ratio for property loans, Financing to Value (FTV) ratio for property financing, and Down Payment for Loan or Vehicle Leasing (PBI), the LTV and FTV ratios have been eased for property purchases. The easing of LTV

and FTV ratios is important to increase domestic demand in a weakening economy. Banks making property loans (KP) or property financing (PP) for the first, second, third, and thereafter facility, must comply with ratio requirements of LTV for KP and FTV ratio for PP:

With these changes, one hopes property sales will move faster and eventually positively impact Indonesia's economy as a whole

In determining a loan or financing, a bank must calculate all KP and PP received by the debtor or customer at the same and other banks in accordance with the sequence of loan or financing agreement's date. If the loan or financing agreement has the same date, then the sequence of the facility

will be from a loan or financing having the lowest value of security.

For a primary market property, the PBI regulates that the bank is only able to provide KP or PP if the proposed financed property is actually available, in which its physical form can be seen according to the agreement and ready for delivery. If that property is unavailable, the bank must comply with requirements that the loan or financing is KP or PP on a second facility, with a cooperation agreement between the bank and developer that at least comprises the developer's ability to complete the property according to the agreement between debtor and customer. There should also be a security given by the developer to the bank, whether it is from the developer or other party, that can be used to settle developer's obligation if the property is not completed or delivered according to the agreement. For this purpose, the bank must gradually disburse the KP or PP.

The PBI is long awaited to ease the buyer for the purchase of property, especially for those who intend to use the loan facility for the first time. Nevertheless, even though the down payment is smaller, the installment will be bigger. Consumers need to consider this. With these changes, one hopes property sales will move faster and eventually positively impact Indonesia's economy as a whole. **f**

KP & PP (based on Akad Murabahah & Akad Istishna')			
Property Type (m2)	Facility KP & PP		
	I	II	III etc.
Landed House			
Type > 70	85%	80%	75%
Type 22 - 70	-	85%	80%
Type < 21	-	-	-
Condominium			
Type > 70	85%	80%	75%
Type 22 - 70	90%	85%	80%
Type < 21	-	85%	80%
Shop House/Home Office	-	85%	80%
PP (based on Akad MMQ & Akad IMBT)			
Property Type (m2)	Facility PP		
	I	II	III etc.
Landed House			
Type > 70	90%	85%	80%
Type 22 - 70	-	90%	85%
Type < 21	-	-	-
Condominium			
Type > 70	90%	85%	80%
Type 22 - 70	90%	85%	80%
Type < 21	-	85%	80%
Shop House/Home Office	-	85%	80%