



Introduction of New Reference Rate – Base Rate



Base Rate as the new Reference Rate

Purpose of Base Rate :

- Promote a transparent reference rate that allows meaningful comparison to be made for informed decision making by customers;
- Encourage more disciplined and efficient practices by the financial institution/bank in the pricing of retail loans / financing facility; and
- Better reflect changes in the cost of funds arising from monetary policy or market funding conditions



Before 2 Jan 2015

Base Lending
Rate

Loans extended prior to 2 January 2015 will continue to be referenced against the Base Lending Rate (BLR) or Mortgage Lending Rate (MLR) until their maturities.

From 2 Jan 2015

Base Rate

Effective 2 January 2015, a new reference rate known as the Base Rate (BR) will be used for NEW floating rate loans, such as housing loans

Standard Housing Loan Indicative Effective Lending Rate:

Terms	Conventional
Loan Amount	RM350,000.00
Loan Tenure	30 years
Lock-in Period	NIL
Effective Lending Rate	5.05%

What should you do as a borrower?

1. Compare the effective lending rates quoted by different financial institutions before taking out a new loan.
2. Ask for a Product Disclosure Sheet (PDS) providing you with the effective lending rate and total repayments amounts for the loan/financing facilities you plan to take out.
3. Ask your financial institution to explain the factors which may lead to a change in the Base Rate.
4. Your monthly repayment amount will increase or decrease when there is a change in the Base Rate.
5. You should also assess whether you can continue to afford the loan repayment if the lending rate increases in future.