

GH Bank's higher mortgage cap for Bt30,000 wage bracket tests rivals

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THE NATION

COMMERCIAL BANKS may have to launch special mortgage campaigns to attract potential home buyers with average monthly salaries of Bt30,000 to defend their market shares from Government Housing Bank, which is targeting these same customers.

GH Bank will allow people in that wage bracket to borrow a maximum of Bt3 million, a change from the previous cap of Bt1.8 million. It will execute this new loan criterion today in line with the government measures launched last week to give low-income people easier access to housing loans.

Nathapol Luepromchai, senior vice president of Bank of Ayudhya, said it would closely monitor the impact of this as it means GH Bank and the commercial banks will be going after an overlapping segment – people earning Bt30,000 a month who are looking for a home worth Bt3 million.

To defend its share of this market, Krungsri might consider increasing its promotions in cooperation with property-developer partners, or it could even reduce the interest rates it charges to home buyers earning Bt30,000 a month.

Under GH Bank's new interest-rate programme, it offers 3.5 per cent in the first year and 4.25 per cent in the second year of a mortgage.

From the third year, the interest will be MRR (minimum retail rate) minus 0.75 percentage point. This translates to a rate for the first three years of 4.58 per cent, while commercial banks charge 4–4.3 per cent.

Nathapol said Krungsri had room

Backlogs of major developers

Homes worth less than Bt3 million account for a major share of the backlogs of major residential property developers. Those wanting to buy homes worth around Bt3 million are also the main focus of commercial banks.

Companies	Backlog of homes priced below Bt3 million	Total backlog
Pruksa Real Estate	Bt44.83 billion	Bt80.74 billion
Sansiri	Bt24.62 billion	Bt59.53 billion
Quality Houses	Bt19 billion	Bt62.25 billion
Supalai	Bt14.19 billion	Bt43.82 billion
LPN Development	Bt12.77 billion	Bt13.18 billion
AP (Thailand)	Bt9.9 billion	Bt38.81 billion
Land and Houses	Bt2.51 billion	Bt62.58 billion

Source: Companies' reports to the SET

to cut interest rates because cost per head at the bank is lower than at GH Bank.

Home loans of Bt3 million are the major proportion of Krungsri's mortgage portfolio.

Pikul Srimahunt, head of mortgage and small-enterprise products at Siam Commercial Bank, said homes costing Bt3 million commanded 80 per cent of the housing-loan market, as people earning Bt30,000 a month and above can afford to carry such mortgages, making them a target of commercial banks.

The competition in this segment could be more intense after GH Bank raises the cap to Bt3 million from Bt1.8 million, she said.

SCB also targets this segment, and the average home loan at the bank is Bt2.2 million.

CIMB Thai Bank is considering special programmes to tap people in

the Bt30,000-a-month wage bracket because they will benefit the most from the government's incentives. However, the bank will not use a pricing tactic but will select customers eligible for its special programmes according to their risk profiles, Adisorn Sermchaiwong, senior executive vice president, said.

Thaweelap Rittapirom, executive vice president of Bangkok Bank, said the government's stimulus measures for the property sector would encourage more buyers to take delivery of their homes. Customers previously delayed housing transfers as they wanted to see what kinds of incentives the government would come up with.

Alongkot Boonmasuk, head of the housing loan product management and marketing department at Kasikornbank, said loan demand this quarter was expected to expand by 15–20 per cent from the previous three quarters.