

PRESS RELEASE

OJK SUPPORTS HOUSING FINANCING POLICY

Jakarta, January 14, 2025. Indonesia Financial Services Authority (OJK) supports the Government's program to provide housing for the community, particularly for Low-Income Communities (MBR), enabling broader access to homeownership through the 3 million housing units program.

In the process of granting Housing Ownership Credit/Financing (KPR), OJK allows Financial Services Institutions (LJK) to make credit/financing decisions based on risk management aligned with their risk appetite and business considerations. OJK has issued a letter to banks and other financial institutions encouraging expanded KPR financing for MBR.

The Role of the Financial Information Service System (SLIK) in Supporting Credit/Financing Distribution

SLIK contains neutral information and is not a blacklist. It is used to minimize asymmetric information (moral hazard and adverse selection), facilitating credit/financing processes and risk management by LJK. Additionally, credible SLIK is essential for maintaining a favorable investment climate in Indonesia.

The use of SLIK in housing credit/financing processes serves as one of the tools for assessing the feasibility of potential debtors and is not the sole factor in granting credit/financing.

OJK does not have any provision that prohibits credit/financing granting for debtors with non-performing credit, including cases involving the consolidation of small-scale credit/financing facilities. As of November 2024, 2.35 million new credit accounts were created by LJK for debtors with non-performing credit in their SLIK reports.

OJK has also prepares complaint hotline, Kontak 157, to address reports on issues in requesting KPR for MBR, including on the Certificate of Full Payment (SKL) from other LJK's credit/financing that has not been updated in accordance with the SLIK report and other issues on full payment. To handle the complaints effectively and timely, OJK and the Ministry of Housing and Settlement along with other stakeholders will establish a special task force.

OJK's Strategic Policies in Supporting Housing Sector Financing

Additionally, OJK has several strategic policies that supports financing in the housing sector:

1. KPR quality assessment is only based on the payment timeliness. In accordance with POJK No.40/POJK.03/2019 on Quality Assessment of Conventional Banks Assets, the determination of the debtor's Productive Asset quality with the highest ceiling of Rp5 billion may be based on timely principal payment and/or interest (1 pillar). This assessment criterion is applicable for KPR. The assets quality assessment is more lenient compared to other credit such as in banks, where banks assess the 3 pillars (business prospects, debtors' performance, and payability).
2. KPR may be subjected to low-risk weight and determined granularly in the calculation of risk-weighted assets for credit risk ("Credit ATMR"). As stated in the SEOJK No.24/SEOJK.03/2021 on ATMR Calculation for Credit Risk Using Standard Approach for Conventional Banks, credit for housing estate may be subjected to Credit ATMR risk weight lower than credits to corporate. In this provision, the risk weight is determined granularly with the lowest weight of 20 percent, based on Loan to Value (LTV). LTV in Credit ATMR is calculated at the end of the month based on the recorded credits, where LTV along with the Credit ATMR weight will decrease as due date is approaching. Therefore, Banks have larger capital freedom to distribute the next KPR.
3. To support the financing to housing developers, the credit provision for land acquisition/processing has been annulled since 1 January 2023. OJK has provided freedom for housing developers to obtain land provision/processing financing, whereas previously POJK No.44/POJK.03/2017 jo. POJK No.16/POJK.03/2018 on Restrictions on the Provision of Credit or Financing by Commercial Banks for Land Acquisition and/or Land Processing prohibited credit distribution for land acquisition/processing. With this prohibition annulment, banks are advised to further focus on good risk management.

OJK and related stakeholders will discuss liquidity support for financing the 3 million houses programs as the program requires a large sum of fund. The discussion will include the refinement of Asset Backed Securities Participation Letter (EBA SP) schemes in the Capital Market.

The Government's 3 million houses program is expected to succeed with the supports to these policies.

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