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Banks set to increase interest on borrowings for non-national car buyers

By YAP LENG KUEN

PETALING JAYA: Despite the economic slowdown, several banks are believed to be raising interest rates on car loans.

And the move may be implemented today.

It is learnt that these hikes, probably on a tiered basis, are likely to affect non-national cars.

The current reasoning for the hike in loan rates for non-national cars is to make up for provisions set aside for losses and administrative costs.

This could indicate that non-performing loans in the auto segment could be creeping up.

Sources said talk was rife in the banking and auto industries late last week that under the tiered proposal, better rates could be quoted on shorter term loans for non-national cars.

The duration of the car loans could stretch to five, seven and nine years.

Currently, a flat rate of about 2.7% to 2.8% is charged on loans for non-national cars although the effective rate over the duration of the loan could be higher.

It is believed that for a five-year loan for a non-national car, the hike could be only a few basis points, expected to be in the region of 0.4% to 0.5%.

However, rates which are higher at around 3.75% for national cars could see a reduction as the tiered scheme is supposed to provide more attractive rates for shorter term loans.

Car loans were adjusted sometime in the middle of last year as a lot of the rates were below or slightly above the interest rate of around 3.6%.

However, many are asking why should car loans go up when the base lending rate to which housing loans are tied is on a downtrend.

Car loans, however, are fixed rate loans and not tied to the BLR.

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