

ADJUSTMENT OF LOAN-TO-VALUE RATIO FOR PROPERTY LOANS, FINANCING-TO-VALUE RATIO FOR PROPERTY FINANCING, AND DOWN PAYMENTS ON AUTOMOTIVE LOANS OR AUTOMOTIVE FINANCING

Bank Indonesia adjusts macroprudential policy in the property and automotive sectors by: (i) relaxing the loan-to-value (LTV) ratio for property loans and the financing-to-value (FTV) ratio for property financing; (ii) providing additional incentive on the loan-to-value (LTV) ratio for green property loans and the financing-to-value (FTV) ratio for green property financing; (iii) relaxing down payments on automotive loans or financing; (iv) providing additional incentive on down payments on green automotive loans.

I. Policy Background

- a. In response to global and domestic economic developments, Bank Indonesia is maintaining an accommodative policy mix to maintain the economic growth while also maintaining macroeconomic and financial system stability. This effort will be targeted to several potential sectors.
- b. Considering the ongoing needs to stimulate the property and automotive sectors which have a huge backward and forward linkages to other sectors in the economy, Bank Indonesia decides to relax LTV/FTV policy for property loans/financing and down payments on automotive loans in compliance with prudential principles.
- c. Additional incentives are also given to support sustainable development through green financing in order to reduce potential disruptions to financial system stability stemming from environmental degradation.
- d. As a prudential mitigation, those relaxations will be given to borrower with strong repayment capacity and low credit/financing risk.
- e. Bank Indonesia will regularly evaluate this policy at least once a year.

II. Main Regulatory Points

a. Adjustment of LTV Ratio for Property Loans and FTV Ratio for Property Financing

- 1) Bank Indonesia decides to relax the LTV ratio for property loans and FTV ratio for property financing by 5% from the current ratio as follows:

Table 1. Current LTV/FTV Ratio

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria						
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT			
	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landed House											
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%	
Type >21 - 70	-	85%	-	90%	-	80%	70%	-	80%	70%	
Type ≤21	-	-	-	-	-	-	-	-	-	-	
Apartment											
Type >70	-	80%	-	85%	80%	70%	60%	85%	75%	65%	
Type >21 - 70	-	85%	-	85%	90%	80%	70%	90%	80%	70%	
Type ≤21	-	85%	-	85%	-	80%	70%	-	80%	70%	
Office House	-	85%	-	85%	-	80%	70%	-	80%	70%	

Table 2. Adjusted LTV/FTV Ratio

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria						
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT			
	1	≥2	1	≥2	1	2	≥3	1	2	≥3	
Landed House											
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%	
Type >21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%	
Type ≤21	-	-	-	-	-	-	-	-	-	-	
Apartment											
Type >70	-	85%	-	90%	85%	75%	65%	90%	80%	70%	
Type >21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%	
Type ≤21	-	90%	-	90%	-	85%	75%	-	85%	75%	
Office House	-	90%	-	90%	-	85%	75%	-	85%	75%	

- b. Additional incentive on the loan-to-value (LTV) ratio for green property loans and financing-to-value (FTV) ratio for green property financing

- 1) The Green Property criteria refers to the standards/certificates issued by a nationally or internationally recognised environmental institution.
- 2) Green property that is granted for the incentive has to meet the following standards:
 - a. For residential areas/buildings in certified green belt areas, each unit in the residential area/building is considered to meet the criteria.
 - b. In case that the residential area/building is not a certified green belt area, an evaluation will be conducted on each unit as follows:
 - i. For buildings < 2500m², the bank may conduct a self-assessment using the tools/applications provided by a recognised institution;
 - ii. For buildings > 2500m², the assessment must be conducted by a recognised institution;
 - iii. For new buildings constructed in an area by one developer or group of developers, the assessment must be conducted by a recognised institution and the certificate must be submitted by the developer.
 - c. Additional incentive for green property on the LTV ratio for property loans and FTV ratio for property financing is 5% from the LTV/FTV ratio presented in Table 2 above as follows:

Table 3. LTV/FTV Ratio for Green Property

	Meets NPL/NPF Criteria				Does Not Meet NPL/NPF Criteria					
	Property Loan & Property Financing based on Akad Murabahah & Akad Istishna		Property Financing based on akad MMQ & akad IMBT		Property Financing based on Akad Murabahah & Akad Istishna			Property Financing based on akad MMQ & akad IMBT		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%
Type ≤21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type >21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%
Type ≤21	-	95%	-	95%	-	90%	80%	-	90%	80%
Office House	-	95%	-	95%	-	90%	80%	-	90%	80%

c. Adjustment of Down Payments on Automotive Loans or Financing

- 1) Down Payments on Automotive Loans or Automotive Financing is adjusted as follows:
 - a. Relaxation on the down payments of automotive loans or automotive financing 5%-10% from current regulations;
 - b. The relaxation should consider the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans or financing;
 - c. The adjustment of down payments of automotive loans or automotive financing in points a and b is as follows:

Table 4. Current Down Payment on Automotive Loan or Financing

	Current Down Payment	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	20%	25%
3-Wheeled or more (non productive)	25%	30%
3-Wheeled or more (productive)	20%	

Table 5. Adjusted Down Payment on Automotive Loan or Financing

	Adjusted Down Payment	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	15%	20%
3-Wheeled or more (non productive)	15%	25%
3-Wheeled or more (productive)	10%	15%

d. Adjustment of Down Payments on Green Automotive Loans or Green Automotive Loans Financing

- 1) The green vehicles criteria refers to the Presidential Regulation No. 55 of 2019 concerning Battery Electric Vehicles.
- 2) The down payments on green automotive loans or green automotive financing is adjusted as follows:
 - a. Additional incentive of 5% on green vehicles from the down payment presented in Table 5;
 - b. The down payment incentives considers the gross NPL/NPF ratios and gross NPL/NPF ratios on automotive loans or financing;
 - c. The down payment regulation for green automotive loans or green automotive financing in points a and b is as follows:

Table 6. Down Payment on Green Automotive Loan or Financing

	Down Payment on Green Automotive Loan or Financing	
	Meets NPL/NPF Criteria	Does Not Meet NPL/NPF Criteria
2-Wheeled	10%	15%
3-Wheeled or more (non productive)	10%	20%
3-Wheeled or more (productive)	5%	10%

III. Adjustments of the loan-to-value ratio for property loans, financing-to-value ratio for property financing and down payments on automotive loans or financing will be effective from 2nd December 2019.