

CCP PAPER 4 – APPLIED CONSUMER CREDIT
SAMPLE CASELET

Ms Lim Chin Sui, aged 25, intends to purchase a medium-cost terrace house for RM150,000 in Taman Molik, a new housing scheme in Kajang, Selangor. Ms Lim plans to move into this house upon its completion with her parents as the family is currently renting a house for RM500 per month.

As a clerk in a multi-national company in Bangi, Selangor, Ms Lim is paid a basic salary of RM1,500 per month plus overtime averaging RM200, and 2 months' contractual bonus. Being single and currently staying with her parents, she has no financial commitments apart from a credit card with a RM3,000 limit which she uses occasionally for shopping.

Both her parents are still working. Her father, Mr Lim Swee King, aged 53, is a lorry driver earning RM2,000 per month inclusive of overtime. Her mother, Grace, aged 48, is a primary school teacher earning a basic salary plus allowances of RM1,800 per month.

As your bank is the end-financier for the Taman Molik housing project, Ms Lim has approached you for a 90% loan to part-finance the purchase of the house over a tenure of 25 years. Based on your bank's current product offering, you have calculated the monthly instalment amount to be RM900 a month.

1. Briefly describe the 5Cs of credit. [5]
2. Applying the 5Cs approach, would you support Ms Lim's application based on her own merit? Provide your rationale. [10]
3. Notwithstanding your response to Question 2 above, how would you strengthen Ms Lim's case in the event the application is not approved by your Management? [5]
4. (a) What is the purpose of credit verification? [2]
(b) Where can you obtain the information to check if Ms Lim is a reliable borrower? Name 2 sources. [2]
5. One of the risks of residential financing would be associated with developer risks. In relation to Ms Lim's application, explain what these risks are and how your bank can minimise these risks. [6]

[Total: 30 marks]