

ABSTRACT

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ZERO DOWN PAYMENT MORTGAGE REGULATION IN INDONESIA

(ix+94 pages)

On March 1st, 2021, the Indonesian central bank (Bank Indonesia) started to enforce the PBI 23/2/PBI/2021 act which obligates banks to comply with a 100% high LTV ratio for mortgages. In other words, banks are obligated to provide zero down payment mortgages. The regulation was enforced by Bank Indonesia as a stimulus to accelerate the economic restoration since it is still in its recovery phase. However, without the down payment, banks are in a riskier position as a lender. A down payment can demonstrate the borrower's commitment, motivate the borrower to pay off the whole mortgage and limit lender loss in the event of credit default. Consequently, banks need to be prudent in providing zero down payment mortgages. Hence the objective of this research is to find out and analyze the zero down payment regulation and its lending based on the prudential banking principle. This research is normative legal research with legal principles approach. Based on the results and analysis, banks with less than 5% gross impaired loans ratio and less than 5% gross impaired mortgages ratio are obligated to lend zero down payment mortgages. A real estate purchase agreement with mortgage financing is classified as a sale and purchase agreements with installments, which although not regulated in KUHPperdata, still can be made based on the freedom of contract principle, providing that it doesn't violate chapter 1320 of KUHPperdata. Banks are also required to make the mortgages in writing and take heed to Chapters 8 and 11 of UU Perbankan 10/1998 just as in any other lending. Chapter 8 and 11 of UU Perbankan 10/1998 are considered to be the interpretation of the prudential banking principle in credit lending. Therefore, banks need to use the 5 C's of credit to assess a potential borrower, possess and implement credit lending guidelines as well as pay attention to the BMPK requirements when lending a zero down payment mortgage. Banks could also use loan protection insurance as a way to help secure the lent money in zero down payment mortgage.

Keywords: Zero Down Payment, Mortgage, Banking

References: 75 (1847-2021)