

FREQUENTLY ASKED QUESTIONS (FAQ)

Please read this FAQ on the Conversion of conventional Mortgage facility to Commodity Murabahah Property Financing-i Facility (CMPF-i) – For individual customer.



1. What if I want to view the Notice and this FAQ in Bahasa Malaysia version?

You may visit our website at www.mbsb.com.my to view the Notice and FAQ in Bahasa Malaysia version.

2. What is the Conversion exercise all about?

The Conversion is an exercise undertaken by MBSB to convert MBSB's conventional loans and deposits to Islamic assets and liabilities to ensure that MBSB becomes a fully Shariah compliant financing institution.

As such, all of MBSB's existing conventional Mortgage loan accounts will be converted to Shariah-compliant Property Financing facility accounts in **March 2018**.

3. What will happen to my/our existing conventional Mortgage loan?

Your existing conventional Mortgage loan will be converted to CMPF-i. MBSB wishes to assure you that even with this Conversion exercise, you shall continue to enjoy the same or better benefits with CMPF-i.

4. What is the Shariah contract applicable under CMPF-i?

The Shariah contract applied is Tawarruq (also known as Commodity Murabahah) which comprises Murabahah and Wakalah contracts. Tawarruq means an arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent sale of the asset to a third party to obtain cash.

For this product, the Tawarruq arrangement shall be as follows:

MBSB will sell the commodities to you on Murabahah basis at MBSB's Selling Price on deferred payment. Under this arrangement, the purchase of the commodities will be performed by MBSB as your Purchase Agent. MBSB will then sell the commodities to a third party in its capacity as your Sale Agent at an amount equivalent to the principal balance of the existing conventional Mortgage loan. The proceeds of the sale of the Commodities will then be used to settle the conventional Mortgage loan and thereupon your payment obligation under the CMPF-i commences.

Murabahah refers to the selling of goods/assets at a price whereby the costs and profit margin (mark-up) are made known and agreed to by both parties.

Wakalah refers to a contract in which a party mandates another party as his agent/wakeel to perform a particular task in matters that may be delegated voluntarily. In CMPF-i, MBSB will act as your Purchase Agent and Sale Agent to complete the Tawarruq arrangement.

5. What are the criteria set for a conventional Mortgage account to be eligible for the Conversion?

Only accounts with zero (0) month in arrears (0 MIA) as at the Conversion date will be eligible for the Conversion.

6. What will be the changes made to my/our conventional Mortgage loan upon Conversion to CMPF-i?

Details	Conventional Mortgage Loan	CMPF-i
Nature of financing	A lending-base loan	A sale-based financing with Selling Price computed at Contracted / Ceiling Profit Rate
Underlying assets	Nil	Shariah compliant goods and commodities acceptable to MBSB purchased under the platform of any commodity trader appointed by MBSB.
Financing amount	Loan amount granted by MBSB as per the existing conventional Mortgage loan instruments	Only the remaining principal balance of the existing conventional Mortgage loan will be converted
Tenure	As per the existing conventional Mortgage loan instruments	On Conversion, your remaining financing tenure will remain the same .
Instalment	There will be NO CHANGE to your monthly commitment or instalment.	
Account Number	The Account number will remain the same .	

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Details	Conventional Mortgage Loan	CMPF-i
Profit Rate	<p>Interest charged is as per the existing conventional Mortgage loan instrument/notices as advised by MBSB.</p> <p>Eg: For loan granted under variable rate: MBSB's ECOF - 1.50% p.a: 5.25%</p> <p><i>ECOF - Effective Cost of Fund MBSB's current ECOF is 6.75% p.a.</i></p>	<p>Under CMPF-i, there will be two (2) rates for variable rate financing; Effective Profit Rate (EPR) and Contracted/Ceiling Profit Rate (CPR).</p> <p>The EPR is as per the rate charged under your conventional mortgage loan. Hence, there will be NO CHANGE to the rate upon conversion.</p> <p>Eg: MBSB's ECOF-i - 1.50% p.a: 5.25%</p> <p>Since the CMPF-i is a sale-based financing, there will be a CPR of 11% p.a. or 9% p.a. (for Statutory Housing Loans) to calculate the Selling Price.</p> <p>It also serves as a protection from the fluctuation of MBSB's ECOF-i throughout the facility Tenure.</p>
Selling Price	Not Applicable	Selling Price is computed based on the principal balance at the CPR and the remaining CMPF-i Tenure.
Rebate / Ibra'	Not Applicable	For variable rate financing, MBSB will grant a rebate if the amount of profit calculated based on the EPR is lower than the CPR or upon settlement in any of the scenarios under item 10 (Rebate) below.
Standing / Auto Debit Instructions	All existing standing / auto debit instructions (if any) will not be affected and shall continue .	
Late Payment Compensation (LPC) / Ta'widh	LPC will remain the same i.e. 1% p.a. on such overdue amount under the facility.	
Other Charges	All outstanding charges (if any) such as renewal of fire insurance, will remain due until payment is made.	
Other Terms	As per the existing conventional Mortgage loan instruments and/or security documents	<p>As per Addendum which will be issued and attached to the existing conventional Mortgage loan instruments and/or security documents pursuant to the Conversion. All other terms, save for terms in contradiction with the Shariah principles, remain unchanged.</p> <p>However, as the converted financing is a sale-based financing based on Shariah principle of Tawarruq, terms and new set of transaction documents for Commodities trading shall be applied.</p>
Costs	Not applicable	There will be NO COSTS to be borne by you for the Conversion.

7. What happens to my/our existing insurance coverage taken under the conventional Mortgage loan?

- ✓ **Mortgage Reducing Term Assurance (MRTA)**
The existing coverage remains unchanged. You shall continue to enjoy the same coverage as per your conventional Mortgage loan.
- ✓ **Group Credit Life Assurance Scheme (GCLAS)**
You shall continue to maintain the same policy with yearly renewal.

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- ✓ **Assignment of Life Policy**
The existing assignment of the Life Policy remains unchanged.
- ✓ **Fire Insurance Policy**
The existing coverage remains unchanged. Upon yearly renewal, MBSB will arrange on your behalf, for the property to be covered according to its reinstatement value against fire and other contingencies as may be required by MBSB.

8. What are my/our obligations after the Effective Date of the Conversion?

There is no change to your obligations. You will continue to hold the same obligations and service the same amount of monthly instalment until maturity of the CMPF-i.

9. What am I/are we required to do upon receiving the Specific Notice ("Notice) for Conversion?

MBSB will issue a Specific Notice ("Notice") explaining the details of the Conversion process and specimen Addendum to the existing conventional Mortgage loan instruments and other security documents to the affected customers. Upon receipt of the Notice,

- i) **If you wish to proceed with the Conversion**, you are required to signify your consent in the Response Form that is attached to the Notice and return it to us within thirty (30) days of the Notice. You are also required to regularize the accounts in order to be eligible for the Conversion; **OR**
- ii) **If you do not wish to proceed with the Conversion**, kindly indicate your disagreement in the Response Form and return it to us within thirty (30) days from the date of the Notice. You are then required to redeem the account(s) within six (6) months from the date of the Notice.

If no response is received within the stipulated time, MBSB will proceed to convert the eligible accounts i.e. accounts with no arrears to CMPF-i deeming that you have accepted the Conversion and agreed to the Addendum attached to the Notice and further agreed to appoint MBSB as your agent in relation to the Tawarruq arrangement.

However, if the accounts are still in arrears as at the date of Conversion, you will then be required to redeem the account(s) within six (6) months from the date of the Notice.

10. What happens if I/we wish to proceed with the Conversion but my/our account is currently in arrears?

Accounts that are in arrears are not eligible for the Conversion. In this case, you will need to fully settle all amounts in arrears to regularize the account to zero (0) month-in-arrears before the Conversion takes place.

11. Upon Conversion to CMPF-i, what if I/we decide to make an early settlement of my/our financing?

MBSB will grant rebate (Ibra'), on such amount of the balance Selling Price remaining unpaid by you based on the full settlement of the CMPF-i by you in the following scenarios:-

- i) Redemption or prepayment of the CMPF-i.
- ii) Due to restructuring exercise.
- iii) In the case of default by you.
- iv) In the event of termination or cancellation of the CMPF-i before the expiry date.

MBSB shall grant rebate (Ibra') to you that is calculated in accordance to the following formula:

Settlement Amount = Outstanding Selling Price + Instalments Due + Late Payment Compensation (Ta'widh) + Other Charges – Rebate (Ibra')

Rebate (Ibra') = Deferred Profit – Early Settlement Charges (if any)

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12. What happens to the conventional Mortgage loan accounts that are not converted to CMPF-i?

Pursuant to actions required under item no. 8 above, MBSB will proceed to transfer the following accounts to a third party at no cost to you:-

- i) Accounts that are still in arrears as at the date of Conversion; or
- ii) Accounts that are still not redeemed after the six (6) months from the date of the Notice.

In such situation, MBSB will not be in any position to guarantee that the financing terms imposed by such third party will remain the same as per your existing commitments with MBSB.

13. Where can I/we get further information / clarification?

- ✓ Contact our dedicated Customer Call Centre (CCC) at **03-2096 3000** on weekdays between 8.30 am. to 5.30 p.m.;
- ✓ E-mail us at **conversion@mbsb.com.my**; or
- ✓ Visit MBSB website at **www.mbsb.com.my** or any of MBSB's Sales and Service Centres.