ELIGIBILITY AND SELECTION CRITERIA UNDER THE OPEN REGISTRATION SYSTEM (ORS) FOR LOW COST HOUSES IN MALAYSIA

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ABSTRACT

Computerized Open Registration System (ORS) for low cost house buyers was introduced by the Malaysian Ministry of Housing and Local Government (MHLG) in May 1997. The ORS aims to standardize the policies and selection criteria for the purchase of low cost houses developed by the Malaysian public and private sectors. In addition, the ORS functions as a database containing information on persons that are considered eligible to purchase low cost houses. The paper highlights the modus operandi and key issues pertaining to the implementation of the current ORS in Malaysia.

1.0   INTRODUCTION

Malaysia is a middle income developing country. Analogous with the scenario faced by many developing countries, problems associated with housing also prevailed in Malaysia. The problems include inadequate supply of cheap housing stocks, inability of the poor to afford appropriate housing, urban squatter settlements, etc. Consequently, competition to buy and own cheaper homes became intense.

The computerized Open Registration System (ORS) for low cost house buyers was introduced by the Ministry of Housing and Local Government (MHLG), Malaysia in May 1997 (MHLG, 2004, pg. 1). The ORS aims to standardize the policies and selection criteria for buyers of low cost houses developed by the Malaysian public and private

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sectors[6]. The system also incorporates systematic and effective measures for the buying and selling of low cost houses.

The computerized ORS represents part of the efforts by the MHLG to achieve its objective of ensuring only the targeted and eligible buyers will be able to buy and eventually own low cost houses in Malaysia.

A low cost house has been defined as a unit of residential property[7] that:
- is priced between RM25,000[8] to RM42,000 per unit;
- the minimum floor space is 650 sq. ft.; and
- is targeted for citizens with income less than RM1,500 per month.

A low cost house can be in one of many forms – a detached, semi-detached, barracks or high density dwellings such as flats and apartments.

2.0   THE OPEN REGISTRATION SYSTEM (ORS)

Basically, the ORS is a mechanism employed by the MHLG in the processes and procedures associated with the buying and owning of low cost houses by eligible Malaysian citizens (MHLG, 2004, pg.2). It is decentralized in its implementation: the MHLG appoints agents – the Offices of the State Secretary, District Offices, etc – to implement the system at state and districts levels[9].

The current ORS comprised three main data; the data is used by the MHLG in their efforts to ensure only the targeted and eligible buyers will be able to buy and eventually own low cost houses in Malaysia:-

1. Applicants' monthly income;
2. Applicants' background – occupation, size of family, health, etc; and
3. The extent of housing needs of applicants – displaced persons, squatters, etc.

The main purposes of the ORS are as follow:-

1.   To provide a countrywide "waiting list" of eligible low cost house buyers;
2.   To standardize the criteria for the selection of eligible buyers that are considered qualified and therefore can be "short listed";
3.   To avoid misconduct in the selection of eligible low cost house buyers;
4.   To ensure that only eligible buyers will be entitled to buy and subsequently own low cost houses and that no buyers shall be allowed to purchase more than one unit of low cost house; and
5.   To make the selection process more transparent.

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[6] Much of the public sector housing is for the civil servants in critical services such as the police, teachers and the armed forces; and the very poor persons (hard core poor).
[7] Guidelines for Low Cost Housing in Malaysia, 1998 by Ministry of Housing and Local Government
[8] RM3.80 = USD$1.00; RM3.50 = Yen100
[9] Malaysia is a federation of 14 states. For the purpose of administration, each states is divided into districts; there are 170 districts in Malaysia

Consequently, the ORS also functions as a database containing data of potential buyers of low cost houses.

Under the ORS, applicants who aspire to purchase a low cost house must register with the MHLG; registration is open throughout the year. Registration can be done manually at all offices of the MHLG as well as at the offices of the agents appointed by MHLG. Subsequently the MHLG inputs the data into the computerized ORS.

The ORS reflects objectivity in its implementation. Data on the applicants are sorted by computers and on the basis of their incomes, backgrounds and their housing needs, numerical scores are assigned to each applicant (see Table 1 and notes later on in this paper). Eligible applicants with the highest marks will be given priority to buy and eventually own low cost houses.

According to MHLG full implementation of the ORS throughout Malaysia may derive the following benefits (in respect of low cost houses in Malaysia):-

1.   Data on the potential and eligible applicants and supplies of low cost housing stocks can be compiled by relevant authorities in a more systematic and comprehensive manner;
2.   The processes can be monitored with relative ease;
3.   Evaluation of backgrounds of the applicants and selection of eligible buyers can be done within a shorter time frame; and
4.   The ORS affords a more transparent and fair distribution of low cost houses.

3.0   COMPONENTS OF ORS

The operation of the ORS has three main components:-

1. Registration/Application

   a)   Applicants' are required to complete the prescribed standard form;
   b)   Registration is open throughout the year, during office hours at all offices mandated by the MHLG (for example the Office of the State Secretary (SS), or District Offices); and
   c)   Every applicant will be given two choices of preferred location as first and second choice for the purchase of a unit of low cost house.

2. Processing

   a)   The application is processed using computer. Applications received are coded and sorted (according to their incomes, backgrounds and state of their housing needs) into the categories of "Eligible" or "To be considered"; and
   b)   At the end of the selection process, the system will generate (i) a full list of eligible applicants, and (ii) a full list of ineligible applicants; complete with their scores or reason(s) for their ineligibility.

3. Selection

    a) The list of eligible applicants will be vetted by a committee at state level known as State Selection Committee. If necessary interviews may be conducted to solicit further information or verify information provided by the applicants;

    b) The decision made by the selection committee is forwarded to the respective District Office and to the respective developers;

    c) Letter of Offer to purchase a unit of low cost house to successful applicant will be issued by District Office, copied for record purpose to the MHLG (the National Housing Department NHD);

    d) The successful applicant will liaise with the housing developer and financier to proceed with the purchase.

Chart 1 illustrates the processes involved under the Computerized OPR.

4.0 IMPLEMENTATION STRATEGIES

In order to ensure only eligible persons can buy and eventually own low cost houses, specific conditions were incorporated into the ORS. Two main aspects emphasized in the ORS's guidelines are:-

1. Computerized Registration System
    a. All state offices must put in place and adopt the computerized ORS;
    b. Specific form must be used for the purpose of registration of applicants;
    c. Application forms received must be filed and registered. A special number is issued to the applicant for reference;
    d. All information are kept and maintained in the ORS database.

2. Marking System
    a. Selection of eligible applicants is determined objectively by assigning marks to a set of critical factors as listed in **Table 1**.

5.0 ISSUES UNDER THE CURRENT ORS

The current Computerized ORS for low cost houses has drawn criticisms both in terms of the processes and procedures in concepts and in implementation. A study conducted by the International Islamic University Malaysia [10] identified several weaknesses in the system, the more important ones include:-

5.1 Weaknesses in the Selection Criteria and Marking Scheme

Most of the states failed to adhere to the selection criteria proposed by the MHLG (MLGH Guidelines to all States issued in 1998). Some states omitted

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[10] The first author headed a team of researchers comprising all the co-authors in a study to improve the current ORS. The study entitled 'A Study to Determine Criteria for Eligibility and Appropriate Scoring System for Low Cost Houses under the ORS, IIUM – NHD, 2004' was conducted between May 2004 and February 2005. The study is commissioned by the National Housing Department of Malaysia

some of the criteria proposed by the MHLG and added new criteria which they considered appropriate to reflect the local conditions (see Table 2). The inconsistencies led to poor co-ordination and inefficient management of the data on potential buyers of low cost houses and consequently demeaned the initial purpose of creating the ORS.

5.2   Bureaucracy

Almost all the states failed to use the standard application form proposed by the MHLG. Instead they use their own format. Some of the forms appeared to be very complicated for the applicants to complete and the extent of the data required often led to applicants requiring much longer time to complete the forms. In addition, some of the data required appeared to be irrelevant to the business of applying for a low cost house. Furthermore, applicants were burdened with the requirements of too much supporting documents. The situation is worsened when time taken from the day an applicant submitted his registration form to the time when the status of the application is announced is too long, a period of 1 to 3 years is considered the norm. These problems shunned some potential applicants from even considering registering their intention to buy low cost houses.

5.3   Lacks of Transparency

Despite the current ORS being objective in its nature of implementation, some states made provisions for officers to use their discretion in making decision on applicants' eligibility to buy low cost houses. This aspect of the implementation system drew criticisms from various quarters – cronyism, nepotism, abuse of power, political intervention, etc.

5.4   Groups with Special Needs were not given due Consideration

Under the current ORS, persons with special needs – the handicapped, single parents, persons with chronic health conditions, large families, etc – felt that they were being sidelined. In addition, many lower income persons residing in the big cities felt that the current ORS failed to address their needs in terms of urban poverty and high living costs.

6.0   CONCLUSION

The Computerized ORS was introduced in Malaysia by the MHLG in 1998 in efforts to ensure only the targeted and eligible buyers will be able to buy and eventually own low cost houses in Malaysia.

Detailed examination of the Computerized ORS revealed that:

- The original concept, processes and procedures is noble in its intention and approach;

- The system is relatively objective, robust and easy to implement; however

- The implementation of the system nationwide is plagued with problems including:
  - Serious weaknesses in the selection criteria and marking scheme;
  - Bureaucracies;
  - Lacks of transparency; and
  - Groups with Special Needs were not given due consideration

Consequently, further and in-depth study is urgently required in order to look into ways to make the current Computerized ORS more accountable and transparent in its implementation[11].

Table 1 : Maximum Marks Allocation Based On Criteria Under the Computerized ORS

Criteria	Marks	Percentage
a. Lost of House	100	29.85%
b. Monthly Household Income	50	14.93%
c. Status of Current House	50	14.93%
d. Marital Status	25	7.47%
e. Occupation	25	7.47%
f. Dependants (child)	25	7.47%
g. Disable	10	2.98%
h. Other Dependants	10	2.98%
i. Age of Applicant	10	2.98%
j. Place of Work	10	2.98%
k. Duration Living in the Current House	10	2.98%
l. Place of Birth	10	2.98%
Total	335	100 %

Source : Guidelines For Low Cost House Buyers Selection Under The Computerized ORS, National Housing Department (April 1998)

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[11] The said study, headed by the first author comprising all the co-authors as researchers, is now complete. A complete report entitled 'A Study to Determine Criteria for Eligibility and Appropriate Scoring System for Low Cost Houses under the ORS, IIUM – NHD, 2004' has been deposited with the Director General of National Housing Department Malaysia.

Chart 1 : Low Cost House Buyers Selection Process Under the Computerized ORS
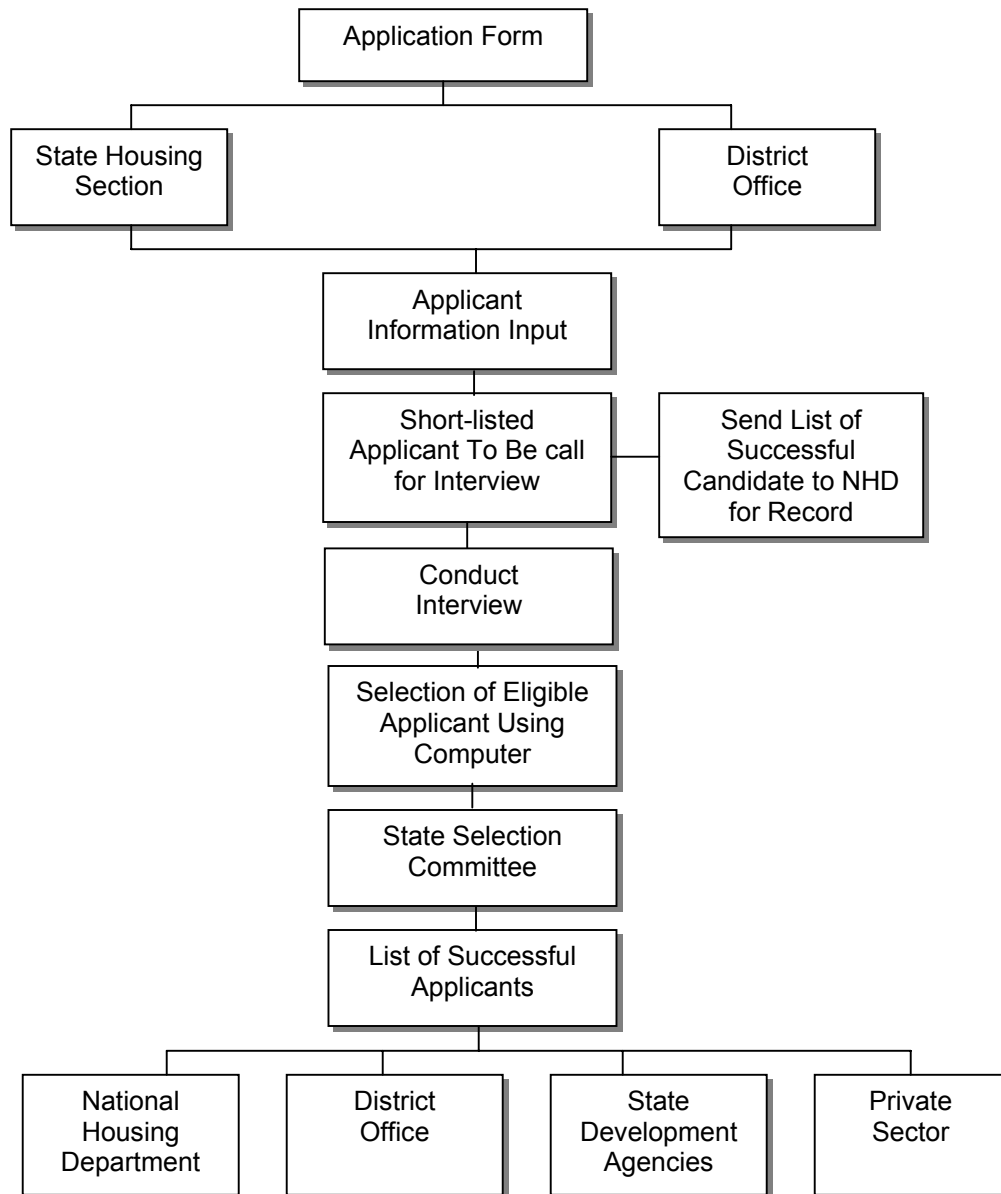
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                    ┌─────────────────────┐
                    │  Application Form    │
                    └─────────────────────┘
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          ┌───────────────────┴───────────────────┐
 ┌──────────────────┐                    ┌──────────────────┐
 │  State Housing   │                    │     District     │
 │     Section      │                    │      Office      │
 └──────────────────┘                    └──────────────────┘
          └───────────────────┬───────────────────┘
                    ┌─────────────────────┐
                    │     Applicant       │
                    │ Information Input    │
                    └─────────────────────┘
                              │
          ┌─────────────────────┐      ┌──────────────────────┐
          │    Short-listed     │      │    Send List of      │
          │ Applicant To Be call│──────│    Successful        │
          │    for Interview    │      │ Candidate to NHD     │
          └─────────────────────┘      │    for Record        │
                              │         └──────────────────────┘
                    ┌─────────────────────┐
                    │      Conduct        │
                    │     Interview       │
                    └─────────────────────┘
                              │
                    ┌─────────────────────┐
                    │ Selection of Eligible│
                    │  Applicant Using     │
                    │     Computer         │
                    └─────────────────────┘
                              │
                    ┌─────────────────────┐
                    │  State Selection    │
                    │    Committee        │
                    └─────────────────────┘
                              │
                    ┌─────────────────────┐
                    │ List of Successful  │
                    │    Applicants       │
                    └─────────────────────┘
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National Housing Department	District Office	State Development Agencies	Private Sector

Source : Guidelines For Low Cost House Buyers Selection Under The Computerized ORS, National Housing Department (April 1998)

Table 2 : Comparison of Existing Criteria and Marking System used by the State in Malaysia Under the ORS[12].

State	No. of Criteria and Sub criteria	Maximum Marks
1. MHLG Guidelines, 1998	66	335
2. Selangor	94	86
3. Negeri Sembilan	80	100
4. Terengganu	69	N.A.
5. Kedah	114	147
6. Melaka	76	198
7. Perak	97	217
8. Perlis	98	227
9. Pulau Pinang	101	317
10. Kuala Lumpur	74	316
11. Johor	76	304
12. Kelantan	84	N.A.
13. Pahang	77	120
14. Sabah	99	200
15. Sarawak	68	75

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[12] Sourced from 'A Study to Determine Criteria for Eligibility and Appropriate Scoring System for Low Cost Houses under the ORS, IIUM – NHD, 2004'

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