

PRESS RELEASE

OJK DECREASES DOWN PAYMENT OF MOTOR VEHICLE FINANCING IN FINANCE COMPANIES

Jakarta, July 3, 2015. Financial Services Authority (OJK) supported government in maintaining national economic growth by issuing a policy on down payment of motor vehicle financing. The policy was issued in order to lift motor vehicle sales growth and to boost national economic growth in general. In the first quarter of 2015, motor vehicle sales recorded a negative growth of respectively -15.36 percent for cars and -17.27 percent for motorcycles.

The policy was stipulated through the following two circular letters:

- a. OJK Circular Letter Number 19/SEOJK.05/2015 on the amount of down payment of motor vehicle financing in finance companies; and
- b. OJK Circular Letter Number 20/SEOJK.05/2015 on the amount of down payment/urbun of motor vehicle financing in Sharia finance; both of them have been effective since June 30, 2015.

Through the policy package, OJK decreased the amount of down payment for motor vehicle financing in finance companies, Sharia finance companies, and Sharia business units by 5 to 10 percent.

This policy is also expected to support Sharia finance industry development so that the industry is able to contribute more optimally to national economic growth. Different adjustment in the amount of down payment in Sharia finance companies is expected to boost motor vehicle financing growth by Sharia finance companies and Sharia business units.

Apart from that, adjustment in the amount of down payment of motor vehicle in finance companies, Sharia finance companies and Sharia business units needs to be implemented proportionally and measurable so that it will not increase risk against motor vehicle financing. Therefore, the decrease of down payment for motor vehicle financing is only imposed to finance companies with good risk management, that is those with non-performing financing (NPF) ratio of less than 5 percent. Details are described in the following table:

Type of motor vehicle	Down payment based on previous regulation	Adjustment				
		NPF ≤ 5%		NPF > 5%		Sharia Business Unit's credit > 50%
		Conventional	Sharia	Conventional	Sharia	
Two or three wheeled vehicle	20%	15%	10%	20%	15%	15%
Four or more wheeled vehicle for productive purposes	20%	15%	15%	20%	20%	15%
Four or more wheeled vehicle for consumptive purposes	25%	20%	20%	25%	25%	20%

The adjusted amount of down payment referring to NPF ratio is reviewed periodically every semester based on monthly report as of June and December.

The amount of down payment is calculated after motor vehicle's selling price is reduced by amount of discount and other kinds of price cuts. Furthermore, the policy also regulates that payments for insurance, first installment, administration fee and other kinds of payment that debtors/consumers must pay are not to be included as components in calculating the amount of down payment.

For more information:

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