

## The Prudential Banking Principles in Providing Subsidized Housing Loans

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**Abstract.** *The home ownership loans are one type of credit service provided by banks to customers who want special loans to meet the needs of home ownership. Credit disbursement by banks must be carried out with the principle of prudence (prudential banking), and must go through a careful analysis of the 5C's of Credit aspects, so that the loans that will be given can be returned on time. In reality, often loans that have been distributed to debtors become non-performing loans. This study discusses the implementation of the precautionary principle and the problems faced by banks in providing subsidized mortgages. This type of research is a normative juridical research with data sources from primary, secondary and tertiary legal materials. Using literature study as a collection technique. The results of this study explain that in implementing the prudential principle of banking in providing subsidized mortgage loans, the 5C's of Credit aspects are used. And in its implementation it uses Act No. 7 of 1992. There are obstacles in the implementation of the precautionary principle, starting from the various aspects of the character of the debtor, the uncooperativeness of the debtor and the mortgage house itself whose facilities are incomplete, causing a lack of interest from the public and the lack of socialization of the minimum period of use of subsidized housing.*

*Keywords: Credit; Loans; Ownership.*

### 1. INTRODUCTION

The house is one of the primary human needs that must be met, after food and clothing as basic human needs. When primary needs have been met, then humans will fulfill secondary and tertiary needs. The function of the house apart from being a protector from all weather and natural disturbances and other living creatures, the house also functions as a family education center, a cultural nursery center and improving the quality of the young generation of a nation. Fulfillment of housing needs is increasingly difficult to fulfill, along with rapid population growth<sup>1</sup>. This increase is not relevant to the availability of land as a place to live, resulting in higher land prices. In the end, many Indonesians have lower incomes not sufficient to meet their needs in

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<sup>1</sup> Dora Kusumastuti, "Kajian Terhadap Kebijakan Pemerintah Dalam Pemberian Subsidi Di Sektor Perumahan", *Yustisia Jurnal Hukum*, 4 (3), 541-557

terms of housing<sup>2</sup>. Such conditions require them to live in inadequate houses, especially those concentrated in urban areas.

Population growth that is concentrated in urban areas is prone to creating slum areas, both on the banks of railroads and along rivers. Slum areas are synonymous with unhealthy environments, resulting in less than optimal generation growth. Therefore, the government is responsible for providing a decent house and a healthy environment in accordance with the guarantees in Article 28 H Paragraph (1) of the 1945 Constitution which states that, "Everyone has the right to live in physical and spiritual prosperity, to have a home, and to receive a good and healthy environment and have the right to obtain health services". In accordance with the mandate of the 1945 Constitution, the state is obliged to fulfill these rights, including the right to obtain a place to live.

One of the efforts of the government in meeting the need for decent housing, the state regulates policies regarding housing and settlement areas<sup>3</sup>. From this policy, it is necessary to provide housing provided by both the government and the private sector. The housing is classified according to the type of house by taking into account the level of affordability of purchasing power by the Indonesian people, this is explained in Act No. 1 of 2011 concerning Housing and Settlement Areas. In addition, the government's efforts are also needed to deal with housing problems in the midst of various obstacles such as limited housing land with the government's housing subsidy program through the subsidized housing program.

In terms of the availability of housing needs, the government provides subsidies to low-income people (MBR). Low-income people (MBR) are people who have less income. Mortgage subsidies by the government are an effort to increase home ownership for low-income people, in the midst of high house prices. Act No. 4 of 1992 concerning Housing and Settlements is no longer in accordance with the development and needs of decent and affordable housing and settlements in a healthy, safe, harmonious and orderly environment so that it is replaced by Act No. 1 of 2011 concerning Housing and Areas Settlement.

The provision of subsidies through a decrease in debtor installments, in the form of interest in certain time and subsidies to increase the down payment on mortgages. The implementation of subsidized Home Ownership Credit (KPR) requires a regulation that aims to protect and avoid losses that can be experienced by prospective owners of subsidized housing<sup>4</sup>. In subsidized housing loans, the implementing bank refers to regulations from the Ministry of Public Housing regarding the implementation of subsidized mortgages. The policy for providing subsidies is regulated in the Regulation of the Minister of Public Housing Number 3 of 2014 concerning Housing Financing Liquidity Facilities through Credit/Financing for Welfare Home Ownership. The

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<sup>2</sup> Uly Farhah H D & Indra Kesuma Hadi, "Analisis Yuridis Penerapan Prinsip 5c Dalam Perjanjian Kredit Pemilikan Rumah (Kpr) Di Pt. Bank Tabungan Negara Wilayah Banda Aceh", Jurnal Ilmiah Mahasiswa : Bidang Hukum Keperdataan, Vol. 4(2) Mei 2020 p. 231-244

<sup>3</sup> Dora Kusumastuti. Kajian Yuridis POJK Tentang Perlindungan Jasa Keuangan, Qistie. Jurnal Ilmu Hukum. Vol 8, No 1 (2015) DOI: <http://dx.doi.org/10.31942/jqi.v8i1.1228>

<sup>4</sup> Dora Kusumastuti. (2019). *Perjanjian Kredit Perbankan dalam Prespektif Welfare State*. Dee Publis

regulation regulates the mechanism for providing housing credit subsidies through housing financing liquidity facilities<sup>5</sup>.

In its role, banks provide credit to the public from collections in the form of savings, time deposits, and demand deposits. The provision of credit at this bank is the provision of money or claims based on a loan agreement between the bank and other parties which requires the borrower to repay the debt within a certain period of time with the amount of interest, compensation, or profit sharing. Mortgage or Home Ownership Credit is one type of credit service provided by banks to customers who want special loans to meet their needs in house construction or home renovation<sup>6</sup>.

Credit disbursement by banks must be carried out with the principle of prudence (prudential banking), and must go through a careful assessment/analysis of the 5C's of Credit aspects. Assessment of the 5C's of Credit aspect is an assessment that includes aspects of Character, Capacity aspects (management, production, marketing, personnel, and financial capabilities), Capital aspects, Condition of economic aspects (business conditions and prospects), and aspects Collateral. The obligation to pay attention to prudential banking principles and the obligation to conduct a careful assessment/analysis of the 5C's of Credit aspects is intended so that the credit to be given to the debtor can be returned to the bank on time in accordance with the agreement. The reality is, even though at the time of granting credit, in fact, a careful analysis of the 5C's of Credit aspects has been carried out as well as paying attention to prudential banking principles, often loans that have been distributed to debtors cannot be returned by the debtor to the bank as agreed and become non-performing loans and even bad loans<sup>7</sup>.

In the implementation of the subsidized mortgage process, there are several findings that can be said to be a problem. Where, the lack of socialization in subsidized housing. The residents do not know that the subsidized house must be occupied for approximately 1 year, because most residents have left the subsidized house before 1 year. This is because the facilities of the subsidized housing are incomplete, such as the absence of electricity, the availability of drinking water, public transportation and the weakness of the roof foundation. The next obstacle is the delay in the distribution of revolving funds and the FLPP (Housing Financing Liquidity Facility) fund rate by the implementing bank<sup>8</sup>.

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<sup>5</sup> Regulation of the Minister of State for Public Housing Number: 18/PERMEN/M/2008 concerning Procedures for Implementing Housing Subsidies through Subsidized Mortgages.

<sup>6</sup> Hardjono, (2008), *Mudah Memiliki Rumah Idaman Lewat KPR*, Jakarta: PT. Pustaka Grahatama, p. 25.

<sup>7</sup> PBI number 15/2/PBI/2013 concerning Status Determination and Follow-up Supervision of Conventional Commercial Banks.

<sup>8</sup> Eko Djoeli Heripoerwanto selaku Dirjen Pembiayaan Infrastruktur Pekerjaan Umum & Perumahan (PUPR), Bisnis.com, "*Ini 7 Temuan Masalah dalam Pembangunan Rumah Bersubsidi*" <https://ekonomi.bisnis.com/read/20210615/47/1405736/ini-7-temuan-masalah-dalam-pembangunan-rumah-bersubsidi>. Diakses pada 25 Juni 2022

## 2. RESEARCH METHODS

This type of research is a normative juridical research, namely legal research that analyzes law in terms of norms or *das sollen*. The data source uses secondary data sources. Secondary data consists of primary legal materials, secondary legal materials and tertiary legal materials in the form of the 1945 Constitution, Act No. 7 of 1992, Act No. 1 of 2011 concerning Housing and Settlement Areas, Regulation of the Minister of Public Housing Number 3 2014 concerning Housing Financing Liquidity Facility. Data collection techniques using literature study and data analysis techniques using deductive logic, namely drawing conclusions from the major premise to the minor premise.

## 3. RESULT AND DISCUSSIONS

### 3.1. Implementation of the prudential banking principle in granting subsidized mortgages

Banking institutions as one of the financial institutions have a strategic value in the economic life of a country<sup>9</sup>. The principle of Indonesian banking is economic democracy with the principle of prudence, as the executor of its main function is to collect and channel public funds in the context of increasing equity, economic growth and national stability in the direction of increasing people's welfare.

In terms of credit agreements, banks implement the precautionary principle. The implementation of the principle of partnership between banks and customers is carried out in the context of creating a healthy and prudent banking system that is capable of protecting funds entrusted by the public to banks by channeling them back to the public through credit. The relationship between banks and debtors is based on the principle of prudence with the aim that banks are able to pay back money from customers who hold funds<sup>10</sup>. The purpose of providing credit is to seek profit in the form of interest as remuneration, administrative fees, and fees received by creditors from debtors, assisting business customers who need funds for both investment and working capital, and assisting the government with a lot of credit extended to the community, will increase prosperity and welfare of the people<sup>11</sup>.

The prudential banking principle is regulated in Article 2 of Act No. 7 of 1992 concerning Banking, banks have an obligation to carry out their business based on the prudential principle. The regulation of the precautionary principle in the Banking Law means an implicit affirmation that this prudential principle is one of the most important principles that must be applied and implemented by banks in carrying out their business activities<sup>12</sup>. The provisions of Article 8 of the Banking Law contain the

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<sup>9</sup> Soejono Dirjosiswoyo, *Hukum Perusahaan mengenai Hukum Perbankan di Indonesia (Bank Umum)*, Mandar Maju, Bandung, 2003, p. 34

<sup>10</sup> Undang-Undang Nomor 7 Tahun 1992 tentang Perbankan.

<sup>11</sup> Johannes Ibrahim, *Mengupas Tuntas Kredit Komersial & Konsumtif Dalam Perjanjian Kredit Bank (Prespektif Hukum Ekonomi)* Mandar Maju, Bandung, 2004, p. 93.

<sup>12</sup> Chatamarrasjid and Hermansyah, 2008, *Hukum Perbankan Nasional Indonesia Ditinjau Menurut Undang-Undang No. 7 Tahun 1992 tentang Perbankan Sebagaimana Telah Diubah dengan Undang-Undang No. 10 tahun 1998 & Undang-Undang No. 23 Tahun 1999*

precautionary principle which states that in providing credit or financing, Commercial Banks are required to have confidence based on an in-depth analysis of the debtor's ability and ability to pay off the debt in accordance with the agreement<sup>13</sup>. To obtain this assurance, before granting credit, the bank must conduct a careful assessment of the debtor's character, ability, capital, collateral, and business prospects<sup>14</sup>.

The affirmation of the precautionary principle is also regulated in Article 29 of Act No. 7 of 1992 concerning Banking paragraph (3) with this precautionary principle it is hoped that in lending and other activities, banks do not cause losses to customers who entrust their deposits to banks. In paragraph (4) banks are expected to be able to protect funds deposited by the public. The precautionary principle applied by this bank is intended to protect customer funds. Elucidation of Article 11 of Act No. 7 of 1992 concerning Banking states that the relationship between a bank and a depositor of funds is a contractual relationship between a debtor customer and a creditor customer based on the prudential principle. Thus, the relationship that arises between the customer and the bank is a prudential relationship<sup>15</sup>.

The precautionary principle applied by banks in terms of providing credit to customers includes the ability and willingness to maintain security and the benefits of granting a bank credit. The principle of sound credit is needed in credit management, this is because the funds in the bank belong to a third party<sup>16</sup> entrusted to the bank, thus the bank is required and obliged to always maintain the trust given by a third party, so that in determining the conditions for obtaining credit Banks have to be very careful.

The bank's prudential principle is embodied in standardized credit agreements, so that the agreement contains a standardized agreement and contains standardized clauses by the user and basically other parties do not have the opportunity to negotiate or request changes. As for what has not been standardized, there are several other things that are very specific in nature from the object of the agreement. A standard agreement is an agreement that is determined unilaterally by the producer which contains provisions that are generally accepted (bulk) so that the consumer only chooses to agree or reject it.

The implementation of the prudential banking principle in granting subsidized Home Ownership Loans (KPR) as a whole is almost the same as the implementation of the prudential banking principle in providing credit in general. Banks in applying the principle of credit must be guided by the 5C principle in terms of assessing credit or financing. The 5C principles used must have clarity in terms of procedures, guidelines, and financing policies in order to determine the quality of credit or financing provided by banks to customers<sup>17</sup>. Before a credit facility is given to a prospective credit recipient, the bank must feel sure that the credit given will actually return. This is

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jo.UndangUndang No.3 Tahun 2004 tentang Bank Indonesia, Kencana Prenada Media Group, Jakarta, p. 147

<sup>13</sup> Act No. 10 of 1998 concerning Amendments to Act No. 7 of 1992 concerning Banking

<sup>14</sup> Ibid.

<sup>15</sup> Sutan Remi, Sutan Remi Syahdeni, *Kebebasan berkontrak & perlindungan yang seimbang bagi para pihak dalam perjanjian kredit bank di Indonesia*, Graviti, Jakarta,2009., p. 228

<sup>16</sup> Muhamad Djumhana, *Hukum Perbankan di Indonesia*, Citra Aditya Bakti, Bandung,2003hal 5

<sup>17</sup> Permadi Gandapradja, *Dasar & Prinsip Pengawasan Bank*, Jakarta: PT. Gramedia Pustaka Utama, 2004, p. 23.

because the bank wants to minimize the risks that arise. This confidence is obtained from the results of the credit assessment before the credit is disbursed. Credit assessment by banks can be carried out in various ways to gain confidence about the prospective debtor, such as through the correct assessment procedure<sup>18</sup>, which is as follows:

- Application for credit application

The process of granting a mortgage by the Bank begins with an application which is the initial stage of granting credit. Credit applicants can directly come to the Loan Service section to get credit facility services. After the prospective debtor fills out the credit application form, the Loan Service immediately checks the data whether it is complete or not. After the files are complete, they will then be entered by the Loan Service so that prospective debtors have a queue number for interviews.

- Interview

The interview is the next stage in the credit application stage. This activity is the most effective means of communicating with prospective debtors. By conducting interviews, answers will be obtained about the character or character of the prospective debtor. In addition, various information that has been filled in previously on the credit application form can be known for its accuracy.

- Credit Analysis

This aims to achieve good credibility of prospective debtors in repaying loans so that credit risk can be minimized. The application of the 5C principle in analyzing credit at each bank is not the same. OJK does not specifically regulate how to assess the 5C principles. This is stated in the Attachment to the Regulation of the Financial Services Authority Number 42/POJK.03/2017 concerning the Obligation to Prepare and Implement a Credit or Bank Financing Policy for Commercial Banks in Chapter IV regarding the credit or financing approval policy which explains that in analyzing credit there is a minimum of an assessment of character, capacity, capital, collateral, and the debtor's business prospects (condition of economy) or better known as the 5C Principle.

In implementing the prudential principle in providing credit to customers, the bank conducts an in-depth credit analysis in granting credit by asking for various requirements that must be met by prospective credit recipients. This analysis is one of the implementation of the precautionary principle, from credit requirements consisting of several principles that serve as bank guidelines, namely the 5C principle<sup>19</sup>:

- Character Aspect, is data about the personality of a prospective customer or customer related to the basic nature that is in a person's heart. To find out whether a person's character is good or bad, the analyst needs to investigate the origin of the debtor and how his daily life is. The character of the

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<sup>18</sup> Kasmir, Bank & Lembaga Keuangan Lainnya, Jakarta: PT. Raja Grafindo Persada, 2012, p. 95

<sup>19</sup> Sudiarto, kurniawan, hayyan, Perjanjian Kredit Pemilikan Rumah (Kpr) Subsidi Di Bank Tabungan Negara (BtN) Cabang Mataram, UnizarLawReview Volume 3 Issue 2, Desember 2020

prospective debtor is one of the factors that must be considered and is the most important element before deciding to give credit. In this case, the bank believes that the prospective debtor has a good reputation, meaning that he always fulfills his promises and behaves well.

- Capacity, is the ability of prospective customers to manage their business which can be seen from their education, experience in managing their business (business record), have experienced difficult times or not, how to overcome difficulties. Someone who will apply for a mortgage loan<sup>20</sup> needs to be investigated first whether that person can pay an advance or not).
- Capital, is the condition of wealth owned by the company it manages. This can be seen from the balance sheet, income statement, capital structure, profit ratios such as return on equity, return on investment. Based on the above conditions, the Bank must examine the capital of the prospective debtor in addition to the size and structure. This is necessary to measure the level of liquidity ratios and solvency.
- Condition of economics, the financing provided also needs to take into account the economic conditions associated with the prospect's business prospects. Conduct and seek information on other banks to find out whether the credit applicant has debts with these other banks, examine documents that explain the income of the applicant. If according to the assessment of the bank, it will not be able to pay off or pay the monthly installments, the bank will reject the credit application submitted by the applicant. Checking credit guarantees in this case is housing that is used as credit guarantee whether the situation is in accordance with the applicant's loan amount or not. In addition to the condition of the house, it will also be examined how the environment in which the housing is located. If based on the bank's analysis, it turns out that the guarantee is not balanced with the amount of credit requested or the environment is not in accordance with what is desired by the bank, then the credit application will be rejected by the bank.
- Collateral is a guarantee that may be done by means of a potential customer who really cannot fulfill his obligations. Collateral provided by the prospective debtor will be bound by a right to the collateral in accordance with the type of collateral submitted. In banking practice, collateral is the last step if the debtor can no longer fulfill his obligations. Some legal experts have added 2 additional elements, namely:
  - Coverage

To minimize the risks that may be faced by banks and customers, other safeguards are needed, namely insurance<sup>21</sup>:

- ❖ Property insurance, namely for the customer's property which is pledged as collateral to the bank.
- ❖ Life insurance, namely insurance against the customer's life.
- Constraint

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<sup>20</sup> Sukarmi, Soegianto. *The Settlement of Credit Due to Death*. Jurnal Akta Volume 8 No 4, Desember 2021.

<sup>21</sup> As Mahmoeddin, 1995, 100 Penyebab Kredit Macet, Pustaka Sinar Harapan, Jakarta, p. 28

Good character, supporting capabilities, sufficient capital, enabling economic conditions, and insurance that fortifies collateral, are not yet eligible to obtain bank credit. Banks must research and study various obstacles and obstacles, both in the form of official regulations, as well as generally accepted habits in society, so that credit will not experience disturbances later.

Therefore, because lending is a high-risk Bank activity, it is required for the Bank to have a written Credit or Bank Financing Policy (KPB) as a form of risk management for Commercial Banks. The form of Risk Management in providing credit is submitted to the Bank. Banks may make Standard Operating Procedures (SOP) in granting credit, methods in providing credit, analysis of 5C principles in lending and other methods provided that the bank must be capable of mitigating credit risk. OJK will annually audit financial statements. If the financial statements produce a high level of non-performing loan (NPL), which is above 5%, the bank will receive administrative sanctions in the form of a written warning and a decrease in the bank's soundness level.

### **3.2. Problems faced by banks in implementing the precautionary principle in granting subsidized mortgages**

The banking business is a business full of risk, in addition to providing great benefits if managed properly and carefully (prudently). One of the things that causes the banking system in Indonesia to be unstable is the result of banking management which tends to pursue profit without paying attention to the principle of prudence.

The principle of prudence in granting credit can be in the form of terms or conditions that must be met by the debtor to obtain credit. At the time before and when the credit agreement occurs, the bank is in a strong position because the bank will hand over the credit if the specified conditions can be met by the debtor. If the debtor does not meet the requirements, the credit will not be given. On the other hand, the bank will be weak when the credit has been implemented because a person's ability to repay credit in a long period of time cannot be predicted, so that it can result in bad credit.

In the application of the precautionary principle (aspect 5C) in the provision of mortgages, of course, banks also face various problems. This problem makes the Bank must be more careful in applying the 5C principles and have ways to overcome it. Various problems that arise in the application of the 5C principles include:

- The problem with the character principle is because the prospective debtor is not cooperative in the interview or because the OJK report states that there is an inaccuracy in paying. Therefore, to deal with such potential debtors, banks carry out further analysis by submitting it to the Deputy Branch Manager (DBM) to decide to continue the analysis or refuse credit. This is intended so that credit risk can be minimized
- Problems that arise in the application of the principles of capacity and capital occur because prospective debtors are usually entrepreneurs who do not have a fixed income and do not have a good financial system. Therefore, the Bank will make visits or on the spot to the prospective debtor's business location, provide a form to be filled out by those who do not have a fixed source of



income, ask for quintasies because prospective debtors usually do not have good and systematic bookkeeping.

- In analyzing the collateral principle, the problem that arises is related to the existence of prospective debtors<sup>22</sup> who increase the value of the collateral. The attitude taken in overcoming problems in this principle is that the bank forms an appraisal team to carry out building assessments. Therefore, the actual value of the collateral will be obtained in accordance with existing market conditions.
- Problems that arise from the application of the conditional principle of economy, namely when there is a drastic decline in the value of the currency, known as inflation. Therefore, the bank must always follow the interest rate set by Bank Indonesia.

In addition to the above, there are several obstacles in the implementation of the precautionary principle in granting subsidized mortgages, including:

- Characteristics of customers are very diverse, requiring different handling for each case. The nature of the aspects of the characteristics that tend to be difficult to assess because they are visible and the assessment requires a special skill. Assessment of the character of the debtor, namely in assessing a person's personality requires an analyst who has foresight and special abilities.
- Most of the prospective debtors who apply for KPR are not domiciled in the place where they were submitted. So because of the distance factor, the interview process is more difficult to do.
- Because many people who will apply for KPR have not used a bank, so to find out information and transaction history of prospective debtors is still minimal.

In addition to obstacles to the implementation of the prudential banking principle in providing subsidized mortgages, there are also problems arising from the mortgage house itself, including the following<sup>23</sup>:

- Lack of socialization

In subsidized housing, at least, you must occupy the house for at least one year of use. However, many of the occupants of the subsidized housing have not yet used the house for a year and have left the house. This is due to the lack of socialization related to the minimum length of use of the house.

- Inadequate facilities

In addition to the lack of socialization, it turns out that the factor of the subsidized housing facilities is incomplete. It is one of the factors behind the abandonment of

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<sup>22</sup> Handitya, Binov. *Redesign The Relevance Of Justice In Debtor Protection Related To Parate Executions Performed By Separate Creditors In Liability Agreements*. Jurnal Akta Volume 8 No 4, December 2021.

<sup>23</sup> Eko Djoeli Heripoerwanto selaku Dirjen Pembiayaan Infrastruktur Pekerjaan Umum & Perumahan (PUPR), *Bisnis.com*, "Ini 7 Temuan Masalah dalam Pembangunan Rumah Bersubsidi" <https://ekonomi.bisnis.com/read/20210615/47/1405736/ini-7-temuan-masalah-dalam-pembangunan-rumah-bersubsidi>. Diakses pada 25 Juni 2022

subsidized houses and residents who stay for less than one year. The lack of facilities is quite worrying, including the lack of electricity facilities, water availability and public transportation. In addition, the foundation of the construction of the roof of the house is not solid, causing the occupants of the house to choose to die from the subsidized house.

- Subsidized mortgage housing that is not in accordance with spatial planning or licensing
- There is a delay in the distribution of revolving funds and the FLPP (Housing Financing Liquidity Facility) fund rate by the implementing bank
- There is a finding of subsidized housing that is unoccupied, rented or transferred before 5 -20 years
- Found two mortgage houses, which were combined into one house

#### **4. CONCLUSION**

Implementation of the prudential banking principle in providing subsidized mortgages applies the 5C aspect which is carried out in a fairly careful and structured manner. Based on the results of the research, it is known that the application of the 5C principles consisting of character, capacity, capital, collateral, and conditional of economy in granting mortgages to bank debtors is carried out since the credit application stage by the debtor where the prospective debtor must fill out a credit application form. After the file is complete, the next step is an interview to get to know the character of the prospective debtor and to determine the accuracy of the data that has been written by the prospective debtor in the credit application form. After the interview process, a credit analysis will be carried out using the 5C principle to assess whether further credit can be granted or rejected. The efforts made by the Bank in overcoming problems that arise in the implementation of the precautionary principle in the application of the 5C aspects in the mortgage agreement are regarding character, the credit analyst will ask the Deputy Branch Manager (DBM) to decide to continue the analysis or refuse credit. Regarding capacity and capital, a visit will be made to the prospective debtor's business location, providing a form to be filled out by those who do not have a fixed source of income. For collateral, the Bank will form an appraisal team to carry out building assessments. Regarding the conditional of economy, Bank Indonesia must monitor and follow interest rates. Then there are, the inhibiting factors for the implementation of the precautionary principle in the application of the 5C aspect are the various characteristics of customers, the large number of prospective debtors who apply for mortgages who are not domiciled in the place where the credit is applied for, many people who apply for mortgages do not use banks.

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Regulation of the Minister of State for Public Housing Number: 18/PERMEN/M/2008 concerning Procedures for Implementing Housing Subsidies through Subsidized Mortgages.