Factors Affecting Borrowers' Choice of Housing Loan Packages

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Abstract: Shelter is one of the basic human needs and yet bad economy and high interest rates have caused the public to be extremely prudent and hesitant when it comes to acquiring a house. This study investigates factors affecting borrowers' choice of housing loan packages in Melaka. The researches categorize six factors that affect consumers/borrowers loan choices. These factors encompass those of the loan elements (interest rate, repayment period and monthly payment, loan-to-value ratio) and of bank's services (bank's reputations, employees' services-quality, marketing methods). Data was collected from 210 respondents who are mainly working adults with stable income in Melaka using self-administered questionnaires. The results showed that there are significant relationships between interest rates, employee services-quality and marketing methods when it comes to borrowers' choice. Among the three, employee services quality is the most influential factor. Besides, education mediates the effect of loan-to-value ratio on the borrowers' choice of housing loan.

Key words: Housing loan, interest rate, repayment period and monthly payments, loan-to-value ratio, banks' reputation

INTRODUCTION

Shelter is one of the basic human needs. Home ownership usually incurs huge and long term financial commitment to any family (Hjalmarsson and Hjalmarsson, 2009). Most individuals would treat the issue of acquiring a house to be an important aspiration in life as it will help securing good living standards when they retire (Kupke and Rossini, 2011). Home affordability has become a major issue for the low-income households and it is only attainable with the supports from the public (Tutin and Vorms, 2014). Malaysian government has introduced several housing programs such as People's Housing Programme (PPR) since 1998 and 1 Malaysia People's Housing Programme (PR1MA) since 2012 to ensure all the families; especially the lower income earners can afford to have their own houses.

Since 2008, youths and low-income households in Malaysia have found themselves to be shouldering higher debts as a result of a whopping 60% increase in housing price. Such increase has obviously outpaced the growth of personal income and rental returns. Despite the increased in housing prices, most of the houses-sizes have becomes smaller. This unfortunate scenario has effectively caused houses to be more expensive and unaffordable (Hashim, 2010). Mortgage loans provide aids to the public to purchase houses even though they may be unable to cover the full cost of a house at the moment of engagement (Mints, 2008).

In their February 2015 report, Mc Kinsey global institute flagged a concern about sustainability of household debt in Malaysia as household 'debt-to-income ratio' has grown as high as 146% by the end of 2014 (Fig. 1). This surprising finding shows that the increase of such ratio is even higher than those in the US

Fig. 1: Household debt-to-income ratio in developing countries (haver analytics, national central banks, Mc Kinsey global institution analysis)

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Fig. 2: Malaysia bank lending rate from 1996-2015 (www.Tradingeconomics.com|BankNegara Malaysia)

and UK markets which observed a recorded rise of 139% back in 2007. In recent years, several measurements have been taken by Malaysia government and Bank Negara Malaysia (BNM) to restrain the rise in housing loans. In 2013, BNM restricted the developers on pre-approved loans, at the same time reduced the maximum terms of mortgage loan to 35 years and personal loan to 10 years. Subsequently, BNM took more stern actions by increasing 25 basis points on the overnight policy rate in July 2014.

In addition to that, BNM also announced in 19 March 2014 that base rate would be substituting Base Lending Rate (BLR) as the main reference rate for retail loans, effective from 2 January 2015. BLR has lost its significance as the main reference rate as most of loans offered by bank nowadays are lower as compared to the recommended BLR. From the period 1996-2005, bank lending rate reached its peak at 13.53% in May 1998 and at it's as low as 4.44% in February 2014 as shown in Fig. 2. The average bank lending rate for the 20 years period is 6.76%.

Real estate and housing developers' association Malaysia (Redha) revealed that bankers become more concerned about risk associated with the high loan debts; this could be seen by the fact that rejection rate of loan applications in 2014 increased by 7% as compared to 2013. The launching of a Goods and Services Tax (GST), effective on 1 April 2015 is also expected to further cool down the residential properties in Malaysia.

In the past, researchers mostly discussed about interest rates (Huang, 1969; Boyd *et al.*, 1994), what types of interest rate that borrower favor (Szerb, 1996; Tiwari and Moriizumi, 2003), how banks' service affects their operating income (Corbett and Mitchell, 2000; Yeo and Youssef, 2010) and etc. Most of the research papers investigate from the bankers' perspective rather than customers' perspective. The authors of this research paper would like to investigate the factor affecting borrowers' choice on mortgage loan packages from the

borrowers' perspective. Besides, Melaka exhibits a different trend in housing sizes compared to other states in Malaysia.

The aim of this research is to understand the future market of the mortgage loan from borrower's perspectives. This study attempts to identify the most important factor that affect borrowers' choice of housing loan packages and examine whether education moderates the factors and borrowers' choice of housing loan packages.

Literature review: Most commercial banks provide housing loan as one of their products and services to their customers. However, with the technology advancement in the new era, the commercial banks are now losing their market share (John, 2007) as information on housing loan are becoming more transparent. The customers can now compare and analyse the details like interest rates, monthly payments and repayment periods that proposed by the different banks in the market. Moreover, due to time saving, conveniences and cost effectiveness, internet banking has become a common tool in our daily lives across whole nation today (Arnold and Ewijk, 2011). On another note, globalisation and technology advancement have brought about a negative impact on commercial banks as they are now facing more competition as compared to the past.

Hence, the purpose of this study is to investigate which factors influence borrowers' choice the most when selecting a housing loan package. The independent variables in this study are the factors that influence borrowers' choice. This study divides the independent variables into two main areas: loan elements and bank services. For loan elements, it includes interest rates, repayment periods, monthly payments, loan to value ratio and penalties. For bank services, they contain reputations, employees and promotion methods.

Interest rate: According to Boyd *et al.* (1994), interest rates represents one of the main element in housing loan as compared to other elements such as employee behaviour, advanced facilities and drive-in service. This issue had been reasserted by Kohn and Bryant (2011) on their prior research papers. They found that the interest rate of a 30 years mortgage loan will not have much impact on the increment in housing prices. Hence, interest rates are still not considered as major elements that contributed to the housing policy. Many of the prior studies focused on interest rates and banks' services rather than repayment periods, monthly payments and loan-to-value ratio. As compared to few years back, now a days banks require more documentations in order to approve a mortgage loan. This is to protect the banks from defaults

in mortgage repayments. Although, interest rates are considered to be one of the important elements, it is still not a major factor (Kohn and Bryant, 2011). Fixed mortgage loans and adjusted rate mortgages are favoured by the borrowers depending on their expectations about the future market (Szerb, 1996). Hence, the following hypothesis is constructed:

- H_1: there is a significant relationship between interest rate and borrowers' choice of housing loan package

Repayment period and monthly payments: Generally, monthly payments are determined by the principal amounts and the interest rates (Tiwari and Moriisumi, 2003). Repayment period for a long term mortgage loan also depends on the interest rate charged by the bank (Scanlon *et al.*, 2008). Therefore, it will not be surprised for borrower to find that even with only a small adjustment on interest rate, the impact on monthly payments and the repayment period could be extensive (Yard, 2004). On that account, this study synthesized both the monthly payments and repayment period as independent variables as these two variables are interdependent. The lower the monthly payments, the longer the period of repayment, assumed all other variables remain unchanged. It is common for borrower to default monthly payments when they are faced with a short term financial dilemma. Once the financial barrier is lifted, their monthly payment will resume. Many countries around the world are having an average of 25-30 years repayment periods on their mortgage loans. However, majority of the borrowers are not able to pay their monthly payment on time. Some of them even end up with mortgage loans turning into bad debts (Malpass and Murie, 1994). Therefore, this study tests the relations between repayment periods and monthly payments and the borrowers' choice of housing loan package:

- H_2: there is a significant relationship between repayment period and monthly payment and borrowers' choice of housing loan package

Loan-to-value ratio: Loan-to-value ratio is a common tool used by banks to guage the risk of a mortgage loan. Donald *et al.* (2009) has provided evidences that this ratio is still the best indicator to access mortgage loan risks for banks. In order to detect risks, a list of mortgage loan choices will be given to the borrowers for selections. Each and every choice is classified according to the loan-to-value ratio in distinctive classes of risks. Generally, loan-to-value ratio represents 80% of the loan value. Prior researches have proved that borrowers with higher loan-to-value ratio will be more inclined to stress more on interest rates. Besides, government has offered all first-time homeowners special loan incentives with

higher loan-to value ratio and lower down payment in the hope to help this group of people obtaining approval on their mortgage loan more easily and readily. Hence, the third hypothesis is as following:

- H_3: there is a significant relationship between loan-to-value ratio and borrowers' choice of housing loan package

Banks' reputation: Customers' choice in choosing a bank is potentially determined by its reputations. Banks began to understand the importance of reputations towards their operating income and mortgage loan income (Jagelaviciene *et al.*, 2006). Good reputation will lead to customer loyalty and even influence customer behaviour. Word of mouth is an important media among the customers (Yeo and Youssef, 2010). However, Devlin (2002) claimed that banks' reputations do not affects the taking up of mortgage loan rather most of the customers evaluate banks from the prior purchases of mortgage. Therefore, the forth hypothesis is proposed:

- H_4: there is a significant relationship between banks' reputation and borrowers' choice of housing loan package

Employee services quality: Customers will form their first impressions of the banks through the officers/employees as they are the one who are contacts with customers. Customer perceived banks' service quality through the employees' involvement (Cheung and To, 2010). Frontline service employees with positive demeanors and attitudes are able to meet the expectations of a customer better and more easily since they will have an effect on customers' emotion (Pugh *et al.*, 2002; Schneider and White, 2004). Banks' identities can be portrayed and upheld by the frontlines employees in order to achieve the banks' service quality which is expected by customer (Herstein and Zviling, 2010). Thus, the following hypothesis is proposed:

- H_5: there is a significant relationship between employee services quality and borrowers' choice of housing loan package

Marketing methods: Due to the economy recession, banks are finding new ways to expand their networks by using different marketing techniques. Advertisements, promotions and relationships marketing are used to differentiate products and services from other competitors. At the same time, banks have to understand customers' needs and wants before customer realise them (Fu and Wu, 2010). Relationships marketing is the most effective and long-term solution towards the decrease in customer loyalty and increase of competitive in mortgage

markets. Opening a new branch does not necessary give rise to significant increase in operating income. However, promotion spending has always resulted in better sales returns. Hence, the following hypothesis is proposed:

- H_6: there is a significant relationship between marketing methods and borrowers' choice of housing loan package

Education as moderator: There are few studies focused on income level affecting borrowers' choose (Devlin, 2002) and there are even far less prevalent study on how education level effect on mortgage loan. Devlin (2002) found that there are significant different between education levels on branch location, previous mortgage, other account, interest rate, cashback, discounts in the UK market. As simple dichotomous variable was used in Devlin (2002) where the most important criteria is coded one and the rest as zero, no details analysis has been conducted. This study intends to close the gap by proposing the following hypothesis:

- H_7: education level significantly moderates the factors affecting borrowers' choice of housing loan package

Figure 3 show the 2-tier research framework for this study. Factor affecting borrowers' choice c of housing loan packages categorized all the independent variables into 2 main categories which are loan elements and banks' services. There are a total 6 independent variables. In the loan elements, independent variables include interest rates, repayment periods and monthly payments and loan-to-value ratio. On the other hand, reputations,
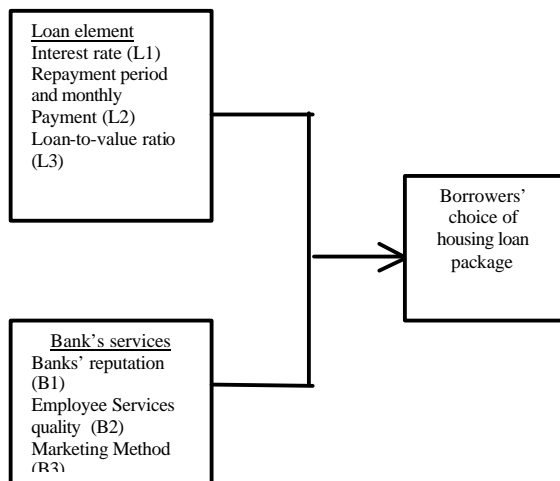

Fig. 3: Research framework

employees and marketing methods are categorised under banks' services. In this framework, education is the only moderating variable

MATERIALS AND METHODS

Sampling method: In this research study, the researchers use 2 probability sampling methods. Firstly random sampling is used at the beginning of the research data collection phase in order to target a sufficient amount of sample size. After that, stratified sampling is used to filtered data to reduce sampling error in the research data. Respondents need to be either a Malaccan with a stable income, i.e., someone with full time job or continued employment with current employer or a Malaysia from other states who have already bought a house in Melaka. Only respondents who fulfil either one of these requirements are used in data analysis.

Data collection: Questionnaires were distributed in Melaka to 223 respondents within 1 month. After filtering these respondents using sampling methods as stated above, a total of 210 research data was used in data analysis. Firstly, the authors went through demographic profiles and general questions. Secondly, means and standard deviations were calculated for each independent variables and dependent variables. Thirdly, reliability analysis was included in order to know how consistent the data collected was. Lastly, multiple regression analysis was analysed.

Questionnaire design: The questionnaire consists of 3 main sections, i.e., demographic section, general questions and questionnaire section. Firstly, respondents' background information is obtained in part 1 followed by the respondents' preferences and experiences on house purchase on mortgage loan in part 2. Lastly, part 3 is designed with 35 questions using Likert scale to obtain respondents' feedback on the six independent variables and the borrowers' choice of housing loan package in Melaka. The Likert scale is ranged from strongly disagree to strongly agree which was indicated as 1-5 in numbers.

Demographic profiles of the respondents: Table 1 summarized the respondents' information obtained from the part 1 and 2 of the questionnaire. Among the 210 respondents, percentage of male respondents is slightly higher than female respondents. Besides, majority of the respondents are aged 21-30, non-bumiputeras, singles and are either degree holders or have attained an equivalent education level. About 82.4% of the respondents have

Table 1: Respondents' profiles

Demographic/categories	N	%
Gender		
Male	113	53.8
Female	97	46.2
Age		
<21	13	6.2
21-30	108	51.4
31-40	57	27.1
41-50	31	14.8
≥51	1	0.5
Ethnic group		
Bumiputra	71	33.8
Non-bumiputra	139	66.2
Marital status		
Single	123	58.5
Married	85	40.5
Divorced	2	1.0
Education level		
Primary school	4	2.0
Secondary school	19	9.0
Diploma/foundation or equivalent	47	22.4
Degree or equivalent	116	55.2
Master degree	24	11.4
PhD	0	0.0
Monthly income level		
<RM1000	15	7.1
RM1000-RM1999	22	10.5
RM2000-RM2999	60	28.6
RM3000-RM3999	51	24.3
≥RM4000	62	29.5
General question		
How many mortgage take before?		
None	98	46.6
1	68	32.4
2	35	16.7
>3	9	4.3
Which type of house you prefer to buy?		
Low-cost house	6	2.9
Terrace house	55	26.2
Semi-detached	50	23.8
Bungalow	35	16.6
Condominium	43	20.5
Apartment	21	10.0
Normally you would choose houses within which price range?		
Below RM100k	8	3.8
RM100k-RM149,999	15	7.2
RM150k-RM199,999	36	17.1
RM200k-RM249,999	41	19.5
RM250k-RM299,999	48	22.9
≥RM300k	62	29.5
What type of interest rate would you prefer?		
Fixed interest rate	122	58.1
Adjusted interest rate	88	41.9
Which bank are you having mortgage load with?		
Affin bank	0	0.0
Alliance	8	4.9
Hong Leong bank	25	15.4
This section is multiple response since borrowers can take more than more loan from different banks		
May bank	20	12.3
Public bank	31	19.0
RHB bank	8	4.9
Citi bank	9	5.5
HSBC bank	11	6.7
OCBC bank	10	6.2
Standard chartered	8	4.9
UOB bank	11	6.7
CIMB bank	57	24.3
Total	163	100.0

Table 2: Reliability analysis, mean and standard deviation scores

Variable Item	Cronbach's α	No. of items	Mean	SD
Interest rate	0.862	5	3.942	0.9496
Repayment period and monthly payment	0.789	5	3.768	0.9810
Loan-to-value ratio	0.689	5	3.542	0.9796
Reputation	0.820	5	3.776	0.8818
Employee services quality	0.791	5	4.068	0.8352
Marketing method	0.733	5	3.612	0.8500
Borrowers' choice of housing loan package in Melaka	0.805	5	4.068	0.7494

monthly income level range between RM2000 to above RM4000. Most of the respondents (46.7%) have not taken any mortgage loans before. Most of the respondents prefer to buy terrace houses (26.2%), semi-detached houses (23.8%) and condominium (20.5%). The price range of the preferred house by the respondents skewed to the left with mode at the price range of RM30,0000 and there are more respondents preferring fixed-interest rates than adjusted interest rates for their mortgage loans.

To find out which banks the respondents have taken their mortgage loans with, the respondents are allowed to choose multiple banks if they took more than one mortgage loans and those who did not take any mortgage loan are exempted to answer this question. Public bank berhad (with 19.0% votes) emerged as the most popular bank, followed by Hong Leong bank group (included EON bank) (15.4% votes).

Reliability test: To measure the consistency and stability, a reliability analysis was conducted. As shown in Table 2, all of the variables scores >0.6 for Cronbach's α. Therefore, it is concluded that all independent variables is reliable to the research topic (Hair *et al.*, 1998). All of the mean scores are above 3.5 where 'employees' services quality' has the highest mean score of 4.068 and 'loan-to-ratio' has the lowest mean score of 3.542 among the independent variables. The dependent variable has a high mean score of 4.068.

RESULTS AND DISCUSSION

Through the multiple regression analysis, the coefficient of determination value of 0.485 directs that 48.5% of borrowers' choice of housing loan package can be explained by the six independent variables. The F test with p-value of 0.000 shows that the model is useful in predicting the borrowers' choice of housing loan package (Table 3).

Table 4 shows that the Variation Inflation Factor (VIF) scores for all the variables are <10, indicating that the multicollinearity issue does not arise (Kleinbaum *et al.*, 1998; Chatterjee *et al.*, 2000). There are 3 independent variables which are interest rate (L1),

Table 3: Model summary and analysis of variance

Models	Sum of squares	df	Mean square
Regression	31.095	6	5.183
Residual	32.970	203	0.162
Total	64.065	209	

$R = 0.697$; $R^2 = 0.485$; Adjusted $R^2 = 0.470$; SE of the estimate = 0.403; F-value = 31.910; Sig. = 0.0009

Table 4: Table of coefficients

Models	Unstandardize coefficients		Standardized coefficients	t-values	Sig.	Collinearity statistics	
	B	SE	Beta			Tolerance	VIF
Constant	1.127	0.238	-	4.741	0.000		
L1	0.104	0.051	0.123	2.033	0.043	0.698	1.433
L2	-0.033	0.057	-0.035	-0.583	0.561	0.686	1.458
L3	0.024	0.044	0.031	0.541	0.589	0.774	1.292
B1	0.078	0.052	0.096	1.479	0.141	0.600	1.667
B2	0.371	0.054	0.439	6.906	0.000	0.628	1.592
B3	0.213	0.056	0.234	3.772	0.000	0.658	1.521

Table 5: Results from moderating analysis between D5, L3 and DV

Model	R	R^2	Adjusted R^2	SE of the estimate	Change statistics				
					R^2 change	F change	df1	df2	Sig. F change
1	0.370[a]	0.137	0.129	0.51680	0.137	16.435	2	207	0.000
2	0.392[b]	0.153	0.141	0.51315	0.016	3.956	1	206	0.048

[a]Predictors: (Constant), L3, D5; [b]Predictors: (Constant), L3, D5, D5L3

employee services quality (B2) and marketing method (B3). All these variables fit well into the model since its significant figure <0.05. Hence, H_1, H_5 and H_6 are accepted while H_2, H_3 and H_4 are rejected. With this, the authors found out that employees' services quality (B2) is the most influencing independent variable towards borrowers' choice of housing loan package in Melaka as it has the highest beta level for standardised coefficients which are 0.439. The regression equation based on Table 4 is:

Borrowers' choice of = 0.104 (L1)-0.033 (L2)+0.024 (L3)+

housing loan package = 0.078 (B1)+0.371 (B2)+0.213 (B3)+1.127

Where:

L1 = Interest rate
L2 = Repayment period and monthly payments
L3 = Loan-to-value ratio
B1 = Bank's reputation
B2 = Employee services quality
B3 = Marketing methods

On the other hand, the results from moderating analysis between education (D5) with all the independent variables and dependent variable reveal that education has significantly moderate the effect of loan-to-value ratio (L3) on the borrowers' choice of housing loan

Table 6: ANOVA[c]

Model (1, 2)	Sum of squares	df	Mean square	F-values	Sig.
Regression	8.779	2	4.389	16.435	0.000[b]
Residual	55.286	207	0.267		
Total	64.065	209			
Regression	9.821	3	3.274	12.432	0.000[c]
Residual	54.244	206	0.263		
Total	64.065	209			

Dependent variable: DV; predictors: (Constant), L3, D5; predictors: (constant), L3, D5, D5L3

Table 7: Coefficients[a]

Model (1, 2)	B	SE	Beta	t-values	Sig.
Constant	2.768	0.239		11.574	0.000
D5	0.101	0.041	0.159	2.462	0.015
L3	0.263	0.050	0.340	5.268	0.000
Constant	1.224	0.812		1.508	0.133
D5	0.515	0.212	0.808	2.430	0.016
L3	0.717	0.234	0.928	3.070	0.002
D5L3	-0.122	0.061	-0.868	-1.989	0.048

Dependent Variable: DV

package (DV) but not on the rest. The analysis result for the significant mediation is shown in Table 5. From the model summary in Table 5, R^2 change is 0.016 when education is added (model 2) to L3 (loan-to-value ratio) and dependent variable. This change is significant with p-value of 0.048, <0.05. By this meant, the presumed moderator (education level) does moderate the effects of predictor (loan-to-value ratio, L3) on the dependent variable (Table 6 and 7).

This research examines from borrowers' perspective which suggested by the past research (Cheung and To, 2010). From the multiple regression analysis, interest

rates (L1), employee services qualities (B2) and marketing methods (B3) are the factors that influence borrowers' choice on housing loan package. On the other hand, repayment periods and monthly payments (L2), loan-to-value ratio (L3) and bank's reputations (B1) have little or no impacts on borrowers' preference on housing loans. In addition, the moderating analysis revealed that education level moderates the effects of loan-to-value ratio on the borrowers' preference on housing loans.

Among these factors, employee services qualities (B2) is the most influencing factor towards borrowers' choice of housing loan packages in Melaka. Employees are at the frontline of a bank where they will be the one who interact with customers. If a bank wants to increase sales, they should take this factor into serious considerations (Yavas *et al.*, 2010). Normally, customers would get slightly annoyed after being left unattended for a period of time (Rafaeli, 1989). Employee should try to communicate with customers during the process of transactions (Gwinner *et al.*, 2005).

Other than employee services quality, interest rates (L1) of the mortgage loans also affect borrowers' choice. When borrowers want to survey for a housing loan, his/her first question would likely to be about interest rates. Customers are very sensitive to interest rate changes. If the interest rate goes up, many customers will think twice before buying a house (Huang, 1969). Some of them will just renovate their houses instead of buying new ones (Quigley, 1987; Potepan, 1989). This research also found that borrowers in Melaka are more conservative on adapting to adjusted interest rate mortgages. This might be due to borrowers' lack of confidence with the future markets (inflation rate). Through this research, we can conclude that Melaka borrowers are same as Japanese borrowers because borrowers in both countries prefer fixed-interest rate mortgages (Tiwari and Moriizumi, 2003).

Marketing methods (B3) influence borrowers' decision in choosing a housing loan. Marketing methods define a bank and separate it from the other banks (Fu and Wu, 2010). With an effective marketing method, customer will react aggressively towards the products and services. Sometimes, borrowers might feel confuse due to the overwhelming varieties of packages available in Melaka.

Effective advertising will imprint into the minds of customers and compel them to choose favourably to the advertisers in the future. When they need the services, they will first think of the banks that do the most advertising. Knowing that this bank have the services that customer want, customer will seek more information by visiting the bank or the official website.

Some customers prefer long-term relationships. Banks should apply relationships marketing to hold on to this group of customer. They are relatively more loyal and are more willing to seek for or initiate future transactions. With relationships marketing, banks understand their customer well enough to launch new products which suit their customer needs and wants (Abratt and Russell, 1999).

IMPLICATIONS

Knowledge implications: Most of the past researches examines from the banks' perspective. In this research paper, the authors instead examine from the borrowers' perspective towards the banks as suggested by Cheung and To (2010) who deemed this scope/perspective worth exploring. Besides, the authors had created survey questions for independent variables and dependent variable such as interest rates, repayment periods and monthly payments, loan-to-value ratio, marketing methods and borrowers' choice of housing loan packages in Melaka.

RECOMMENDATION

Each and every research findings will definitely benefits certain parties in their decision making. Since this research is done from the borrowers' perspective, government and institutional lenders will benefits from this research paper. Government is the policy maker and interest rates regulator for the banks. Interest rate cannot be set too high because borrowers' will have the difficulties to payback. Banks might end up with bad debts and borrowers' might be susceptible to bankruptcy. This will not be good for both parties after all.

Institutional lenders such as banks should increase their employees' services-quality by providing comprehensive training before they work at the front counter. The first impression that banks' employees gives to customers is very important. This would affect the banks' sales directly. Besides, banks should have effective advertising or marketing methods in order to especially for new products or packages. Adver retain customers and attract new customers. This is very important tisement should aim at 'penetrating' into customers' heart in order to achieve the goal of effective marketing.

CONCLUSION

Through this research study, 210 surveys data was collected around Melaka area within 1 month. The data

was subsequently analyzed using SPSS Software. This research paper concluded that employee services-quality is the most influencing factors among all the factors affecting borrowers' choice of housing loan. The authors recommended future researchers should continue to explore this espect with a bigger sample size. Target respondents should be limited to only for those people who have taken up mortgage loan before in order to increase the accuracy of this research topic.

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