REDUCING BALANCE METHOD FOR HIRE PURCHASE FINANCING PURSUANT TO HIRE- PURCHASE (AMENDMENT) ACT 2026

Frequently Asked Questions (FAQs)

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1. **What is the Reducing Balance Method (RBM)?**
   RBM is a financing method where interest/profit is calculated based on the outstanding financing balance. As the balance reduces over time, the interest/profit also decreases.

2. **What is Effective Interest/Profit Rate (EIR/EPR)?**
   EIR/EPR reflects the actual annual financing cost borne by the customer over the financing tenure. It is calculated based on the outstanding financing balance, not the original financing amount.

3. **How does RBM differ from the current flat rate hire purchase financing?**
   ***Flat Rate (Current)**: Interest/profit is calculated based on the original financing amount throughout the financing tenure.*
   ***RBM:** Interest/profit is calculated based on the remaining outstanding financing balance, which reduces as repayments are made.*

4. **What are the key benefits of the RBM?**
   RBM offers several benefits to customers, including:
   - *Interest/profit is calculated based on your remaining financing balance.*
   - *The financing balance reduces over time as repayments are made.*
   - *Better visibility of the actual financing cost through the Effective Interest Rate (EIR)/Effective Profit Rate (EPR).*
   - *You may benefit from a lower settlement amount when you settle your financing early, as future interest/profit is calculated based on the remaining financing balance.*
   - *Easier comparison of Hire Purchase financing options.*

5. **Will customers benefit from early settlement under RBM?**
   Yes. Early settlement can result in lower financing charges, since interest/profit is only charged up to the settlement date based on the outstanding financing balance.

6. **Does RBM mean monthly instalments will change every month?**
   No. Monthly instalments remain fixed, unless stated otherwise in the agreement. The RBM calculation mainly affects the allocation between principal and financing charges as well as the settlement amount.

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7. **Why is the EIR/EPR under RBM higher than the flat rate used under the previous method?**
   The two rates are measured differently and therefore should not be compared directly.
   - ***EIR/EPR*** *reflects the actual financing cost based on the reducing outstanding balance.*
   - ***Flat Rate*** *is calculated based on the original financing amount throughout the financing tenure.*

   Although the percentages may appear different, the overall financing charges are determined according to the applicable financing structure.

8. **Can customers make advance payments or partial prepayments?**
   Yes. Customers may make advance payments subject to the terms and conditions of their financing agreement. Such payments may help reduce the outstanding principal financing balance and potentially lower future financing charges.

9. **Is prior notice required before early settlement?**
   Customers are advised to contact Maybank Auto Finance Centre/Auto Hub to obtain the latest settlement amount and applicable procedures. The required notice period, if any, will be subject to the terms and conditions of the financing agreement.

10. **When will Maybank implement RBM for Hire Purchase financing?**
    The implementation is targeted to take effect from ***1 August 2026****, in line with the regulatory requirements.*

11. **Will RBM affect my existing monthly commitment?**
    No. RBM applies only to new Hire Purchase financing facilities offered under the new framework. Existing Hire Purchase Loan/Financing facilities will continue to be governed by their existing terms and conditions, and your monthly instalment amount will remain unchanged.

12. **Can I switch my existing Hire Purchase Loan/Financing from the current flat-rate method to the new RBM?**
    No. Existing Hire Purchase Loan/Financing facilities will continue to be governed by the agreed financing terms and conditions. RBM applies only to eligible new Hire Purchase financing applications under the new framework.

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13. Will there be any fees, charges or penalties to switch to the new RBM?

No. Existing Hire Purchase Loan/Financing facilities cannot be switched or migrated to the new RBM.

If you wish to apply for a new Hire Purchase financing facility under the new RBM, the applicable fees and charges, if any, will be disclosed during the application process.

14. What documents are required if I wish to apply for a Hire Purchase financing facility under the new RBM?

The required documents may vary depending on the financing application and customer profile. Maybank will advise customers on the applicable documentation and requirements during the application process.

15. When can I apply for Hire Purchase financing under the new RBM?

*Customers may apply for available Maybank Hire Purchase financing options under the new RBM effective **1 August 2026**.*

16. Who can I contact for assistance or further information?

Customers may visit their nearest Maybank Auto Finance Centre/Auto Hub or contact the Maybank Group Customer Care for assistance on:

- *The Goodwill Discount Programme*
- *Available Hire Purchase financing options under the new RBM*
- *Early settlement enquiries*

Disclaimer: The above FAQ is for general information purposes only. The actual terms, conditions, eligibility criteria and financing calculations will be determined in accordance with Maybank/Maybank Islamic financing agreements and applicable regulatory requirements.