

CAPE TOWN TO SPRINGS - 8 PROPERTY DEVELOPERS MAKE RENT2BUY UNITS AVAILABLE

Property buyers may find it tough to qualify for a home loan post lockdown.

Already financial institutions released their protocol to follow to review each current home loan approved, but not yet registered. It is expected that similar strict measurements will apply for new home loans.

Consumers not being able to pay their debt may also downgrade their credit score profiles and it may hamper their ability to raise a home loan or negotiate the best home loan interest rate.

We realized many home buyers will need innovative and alternative methods to secure their own properties, says Meyer de Waal the driving force behind the Rent2buy concept.

We called on reputable and established property developers to make available a few rent2buy units in their various developments to assist home buyers. We were blown over by the spirit of co-operation by these property developers who all agreed to provide rent2buy units.

THERE IS A HUGE DEMAND TO OWN YOUR OWN PROPERTY

The outcome of a recently published financial survey amongst the members of the Old Mutual Rewards Programme is a significant one for property industry.

“The outcome of this survey is perhaps a reflection of the collective longing for the security and comfort of owning one’s own home, highlighted during the lockdown period,” says Meyer de Waal, a conveyancing attorney in Cape Town after analysing this survey. De Waal went on to state further,

The survey indicated that 61 % of the members indicated that their first financial priority is to own their own home.

This is a significant piece of research, as the second financial priority at 37 % was to buy a car.

36% of the members indicated that they wished to save for their children’s education; and in addition, 36% wanted to save enough wealth for retirement.

ONE WOULD WONDER, WHY IS THIS THE CASE?

One’s own home gives one a sense of comfort and security. A home owner is not at the beck and call of a landlord, with the constant fear of being put to terms or having the lease cancelled.

This desire can best be described in an old adage from Medieval England. When asked by the King what they would want in return for their loyalty, he offered a castle to every man. The

English, not to be at the mercy of the Crown, quickly responded: “Every Englishman’s home is his castle!”

Many tenants and home owners are concerned as to their ability to be able to pay their rent or their home mortgage at the end of the month, following the Covid-19 pandemic.

Home owners may be placed in a better position if they cannot pay their monthly instalment.

THE VALUE OF EQUITY IN YOUR PROPERTY

The peace of mind for a home owner lies in the equity of your property.

The equity is the difference between the outstanding home loan due and the value of your property.

If you made use of a FLISP subsidy and paid the subsidy into your home loan to reduce your home loan exposure to the bank, or if your property increased substantially in value since you took ownership, then you may have sufficient equity in your property; and it may be your saving grace.

The bank that holds your home loan may be more sympathetic to grant you a payment holiday, in particular during times when you cannot afford to pay your home loan instalments if you have sufficient equity in your property and if your home loan payments were up to date.

A tenant has no equity in a property, only a deposit to cover damages when the property is vacated.

Says Anele Matakane of My Bond Fitness, who assists first time home buyers with their FLISP subsidies and home loan applications.

FLISP SUBSIDIES

A [FLISP subsidy](#) is available to first time buyers who have already qualified for a home loan; and who earn from R3 501,00 up to R22 000,00.

The subsidies are allocated on a sliding scale according to income, with the highest subsidy being a substantial R121 600,00.

A person earning R22 000,00 in gross income per month can qualify for a subsidy of R27 960,00.

Click here for a [FLISP Subsidy calculator](#).

MORE FINANCIAL SOLUTIONS AVAILABLE - ARE PROPERTIES STILL BEING PURCHASED?

Most home buyers rely on property finance to buy a property.

With the current prime interest rate of 7.75%, being the lowest in recent memory, one would expect many home buyers to be stepping forward to buy their own home.

Financial institutions are currently very aggressive to secure more home loan clients, says Chantelle Wallace, a mortgage consultant,

We recently managed to obtain the maximum home loan for a first-time buyer as the financial institution allowed a repayment to income ratio of 35 % of expenses compared to income.

This allowed the buyer to qualify for the best home loan and interest rate, as usually a financial institution would consider a 30 % income to repayment ratio at most.

This however depends on the good credit score and debt vs income ratio of the applicant.

Most financial institutions indicated that they would still process home loan applications during the lockdown period, but will review the credit score and the affordability of the home buyer again, before registration at the Deed's Office.

Financial institutions such as Housing Investment Partners – (HIP Housing) that specialise in finance for the affordable home loan market have also stepped up and increased their home loan offering from R650 000,00 to R950 000,00.

“A HIP home loan is specifically structured to assist a home buyer in the affordable market and aimed at home buyers who earns and income up to R30 000 a month, for an individual buyer and R60 000 income per month for a couple,” says Young Carr of HIP Housing.

Click here for to view the [HIP Home Loan offering and brochure](#).

DO NOT QUALIFY YET?

Rent2buy Finance, an alternative finance method, is also available to home buyers.

The Rent2buy Finance concept is unique in the property industry. Rent2buy finance is available in Gauteng, Cape Town Metro and Bloemfontein. The price ranges of Rent2buy Finance units are between R400 000,00 and R1,8 million.

Seven property developers already agreed to make their units available for Rent2buy Finance solutions to assist home buyers to get their foot on the property ladder.

The Rent2buy Finance applications we have received are on average more than double the applications for home buyers looking for traditional property finance, explains De Waal,

Many times, a buyer is unable to convince a bank to approve a home loan due to a small problem in their credit score. The buyer is almost ready to buy, but declined by the bank.

Often a home loan is approved, but the buyer does not have the required 10, 15 or 20 % deposit required by the bank.

We pre-qualify the aspiring home buyer to determine the rental that he or she can pay and then match it to a property value.

The Rent2buy Fund then buys the property for the client and owns it for a 2-year period.

During the rental period the purchase price is frozen.

At the end of the 2-year period the client can buy the property at the original price, plus a nominal option fee payable in addition.

For more information – click here to watch the [Rent2buy Video](#)

CONSUMERS ARE STILL TRAPPED IN DEBT

According to Paul Slot of Octogen, financial institutions are keen to approve home loans, however some 56% of home loans are still declined.

It is uncertain what the impact of Covid-19 will have on the credit profiles and affordability of consumers in South Africa, going forward to the end of the year.

The average South African citizen spends almost 66% of his or her income to service debt.

We have joined hands with mortgage origination companies to assist their clients who were unsuccessful in raising a home loan to lend a helping hand to improve the budget management; and as such improve affordability and credit profiles for future home buyers.

We also structured a budget fitness programme for clients who sign up for a Rent2Buy home ownership programme. The Rent2Buy programme is available in the price range of properties valued at R400 000,00 – R1,8 million.

Many FLISP first time buyers will also qualify for a Rent2Buy purchase opportunity.

“We assist the Rent2Buy client to stay budget fit and increase their affordability and improve their chances to qualify for a home loan approval at the end of a 2-year rent to buy cycle,” says Slot.

PROPERTIES FOR SALE

“We contacted a number of property developers and they were all very gracious to work with us to help their buyers receive access to the best property finance solutions, such that includes Rent2buy Finance, a home loan, a FLISP subsidy combined with a home loan,” says De Waal.

We also teamed up with the debt repair service, Octogen, to assist the aspiring home buyers with a low or bad credit profile or affordability to improve their profiles. This will enable them to be able to buy a property in the future.

The property developers that are making use of this combined service so far are:

- [Urbika Estate](#) in Boksburg;
- [Selcourt](#) in Springs,
- [Urban Salt](#) in Salt River Cape Town;
- [Conradie Park](#) Development in Pinelands;
- [Chappel Towers](#) in Cape Town;
- Emerald Place in Cravenby Estate, Cape Town;
- [Garden Cities, Greenville](#), Fisantekraal in Cape Town.
- Devmark

HOME OWNERSHIP AWARENESS – THE PROPERTY TOOLBOX

As 50 % of home buyers are first time buyers, we partnered with other experts in the property industry and developed a range of home ownership awareness material and online guides for home buyers.

The home ownership courses were recently incorporated into financial literacy courses and obtained SETA accreditation.

“We trust that a home buyer will first educate him or herself about all the major aspects about how to get started to buy their own home, apply for property finance, select the best property to buy and enjoy the full benefits of home ownership.

After all, buying a property is most likely the biggest investment one will ever make. We combined home ownership education, the tools and tips all in one [Property Toolbox](#), says De Waal.

We are experiencing an event that will likely shape the way we interact with our world in the years to come. The social and economic impacts will be deeply felt and range across the world. In all this uncertainty, many things remain the same. Investing in property, purchasing a home you can call your own and raise your family in, that will never change.

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