

# What happens when your home loan payment holiday comes to an end?

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A number of South Africans were offered home loan payment holidays by their respective banks at the beginning of the Covid-19 pandemic. Some of these payment holidays are coming to an end soon. Here is some guidance on what to expect and do going forward.



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You will start to receive communication from your bank regarding your options. Look out for this and take the bank's call. If you have not been contacted by your bank and you took a payment holiday, it's your responsibility to contact your bank now. Your option to catch up on the payment holiday will be an extension of your home loan term (the number of years to repay your mortgage) by the necessary amount to enable you to keep the same installment, as if the payment holiday never happened!

## What are the benefits of extending your term?

Your account will be brought up to date as if the payment holiday never happened, without you paying more than your previous installment. Yes, you heard right, your monthly installment will remain the same as before. If you had pre-paid funds in your access mortgage, you will still have access to your pre-paid amounts. However, Covid-19 is not over, and even as the payment holiday ends, you might still need help to manage your home loan repayment situation.

Here is what to do.

If your financial difficulty is such that you can't keep paying your previous installment, be proactive and call your bank and make payment arrangements that suit your affordability. For example, if Covid-19 has meant you're getting paid less but things will improve in six months time, then call your bank to restructure your mortgage, using solutions such as a "distressed restructure agreement". This is done by extending the loan term even further and thereby reducing your monthly repayments from your previous installments.

If you believe your financial difficulty will be prolonged for longer than six months or more i.e. you have lost your job and your financial difficulty is long term, then contact your bank's home loan department and ask them to assist you in selling your house. The bank will assist you in getting the best market price and even make some concessions to make it easy for your property to be purchased by a new buyer. For example, banks may consider giving the new buyer 100% LTV (loan-to-value) on the property. This way you prevent value in the property from being destroyed, because your house won't be sold with a distressed factor attached to it. The bank can appoint a normal estate agent to sell your place, like any other property, to ensure you get more than what you're owing on the place and hopefully get some money back.

This will preserve both the value of the house and your credit record.

## ABOUT THE AUTHOR

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