

Buying a home should be a top priority

Middle class South Africans, said Mike van Alphen, national manager of the Rawson Property Group's bond origination division, Rawson Finance, were once known for the conservative lifestyles and their ability to "make do" during harsh times.



"Thirty to 40 years ago," he said, "excessive debt was seen by most people as a disgrace, proof that the person involved had a superficial, irresponsible attitude to life. Nowadays, by contrast, many people, especially young people, regard high debt levels as the norm - and this makes it very difficult for them to become home owners because banks giving mortgage bonds are wary of those with high levels of debt."

In a recent talk to Rawson Property Group franchisees, Van Alphen gave examples of the reasons why mortgage bonds applications are so often declined by the banks. The most common reasons were: (1) retail, credit card, vehicle and hire purchase accounts falling into arrears; (2) debts not declared to the bank; (3) adverse court judgments not revealed; and (4) in certain cases aiming for too expensive a home in relation to the applicant's income.

In seven cases out of 10, said Van Alphen, the applicant was, on paper, in a position to qualify for a bond. His income was sufficient and his job record satisfactory. However, he had somewhere along the line defaulted on credit payments and often had forgotten or was not even aware of this - and the sad truth is that, again in seven cases out of 10, the credit impairments had usually been occurred for some non-essential item or luxury that either need not have been bought or could have been bought less expensively.

Second-hand cars not considered

In one typical case, said Van Alphen, an applicant was rejected because he had fallen behind on monthly payments of R12 000 incurred for buying vehicles for both himself and his wife. Both vehicles were new.

"The fact that this applicant might have bought less expensive, say second-hand, cars had never even occurred to him," said Van Alphen.

"At Rawson Finance," he added, "it is part of the fundamental philosophy to popularise the idea of making a home the top priority expenditure and, in addition, to encourage paying it off ahead of the stipulated date by raising the monthly repayment charges by 10 to 15% above the agreed amount.

"It has to be stressed," said van Alphen, "that by paying off a bond at a rate higher than that stipulated by the lender, the borrower is in effect making a tax-free saving of anything from 8.5 to 10.5%, which, it has to be pointed out, compares exceptionally favourably with the usual fixed deposit account of 5% taxable interest."

"As a result of the ongoing difficult economic times," said Van Alphen, "many South Africans are changing their attitudes and are learning to become more saving conscious. However, there are still a very large number who, regrettably, are reconciling themselves to becoming tenants in perpetuity."

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