

Home buyers benefit as banks compete for home loans

According to Rudi Botha, CEO of BetterBond, banks are competing for new home loan business at the moment and prudent home buyers are benefitting. BetterBond statistics show that the average approved bond size in South Africa is currently 6.05% higher than it was 12 months ago, even though the average house price has only risen 2.85% in the same period.



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“This corresponds to a drop in deposit levels, from around 22.5% of purchase price at the end of February last year to an average of just under 20% at the moment, which makes it easier and more affordable for home buyers to qualify for a home loan – and has helped to boost our average bond approval rate from 75% to 80% over the past 12 months,” says Botha

At the same time, he notes, prospective borrowers are playing their part by lowering their debt levels. “The household debt-to-income ratio has dropped from 80% to 70% over the past five years, and is still on a downward trend now, thanks to lower inflation and stable interest rates.

“And on top of this, our statistics show that the average home buyer’s household income has risen by about 4% in the past year, so there is significantly more disposable income available now to cover a monthly bond repayment.

Easier for first-time buyers to enter the market

In the first-time buyer sector, says Botha, the average bond size has risen by 8.26% as opposed to a 7.28% increase in the average purchase price, taking the average deposit required down from 12% of purchase price to 11.2% over the past 12 months.

“In addition, the average household income in this sector has jumped by 7.75%, to produce a substantial boost in affordability which has enabled many buyers to enter the market at a higher level. This is confirmed by a drop in the percentage of bonds granted in the R250,000 to R500,000 category, from 18.8 to 15.4%, and a corresponding increase in the percentage of bonds granted in the R500,000 to R1m category, from 38.5% to 41.2%.”

Lenders still careful

However, he says, increased confidence in the real estate market and an increased willingness to lend does not mean that the banks have or are about to relax their credit qualification criteria.

“The percentage of applications that are declined outright due to credit record problems has declined from 27% to 23% over the past year, but SA’s economic recovery is still tenuous at this stage, and households are still very vulnerable to sudden cost increases or emergencies. Lenders know this of course and are being very careful not to make hasty bond approval decisions that would put both borrowers and themselves at risk.”

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