

Potential home owners should not be deterred by bond refusals

Although the ongoing publicity on the National Credit Act and the continued tightening up of the banks' criteria for issuing bonds is to be welcomed in general, it has had the unfortunate effect of deterring many potential home owners from trying to realise their dreams.

This was said recently by Mike van Alphen, national manager for the Rawson Property Group's bond origination division, Rawson Finance. "While it is true that we at Rawson Finance have seen a 20% increase in the number of bond applications and a 15% increase in the rise of approvals this year, we know that many people who could actually qualify for a bond have given up."

Talk to bond originator

Van Alphen said that very often such people have been badly advised at the outset and have been deterred by a refusal at one bank. Such people should be talking to reputable bond originators such as Rawson Finance.

"If this is done, we will generally be able to establish what size bond they qualify for and, with the help of the credit bureau, find out what obstacles there may be. If they do have a tarnished credit record, it is very often possible to rectify matters and most bond originators have professional contacts in the credit reinstatement field to whom they can refer applicants."

Van Alphen added that bond originators have to keep propagating the message that it is not logical to rent rather than to buy. "Time and again we come across tenants who are paying a very high percentage of their salaries, say R5 000 to R8 000 per month, when, if they took the bull by the horns, they might qualify for a mortgage bond over a 20 year period, which, with the same or a slightly increased monthly outlay, would have a value of anything from R600 000 to R950 000.

Now is the best time

"It also has to be said that although we have heard so much on this subject, the plain truth is that with prime at a 31 year low of 8.5% and with banks often willing to offer fixed rates for up to five years, there could be no better time to be borrowing money."

After talking to a bond originator, the first step should always be to start saving, if only because 100% bonds are difficult to come by and banks will look far more favourably on those who are able to provide a 10 to 15% deposit. "We have to get the message across that, in the long run, it will be far more satisfactory to spend that extra cash on becoming a home owner," he concludes.

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