



Rent Your Home Now
Buy It Later



FREQUENTLY ASKED QUESTIONS

www.irent2buy.co.za



How does rent2buy work?

The Seller/Mortgagor sells his property to a buyer who cannot obtain a bond, but he may be able to qualify for a bond in the near future, once he or she is able to meet the requirements of a bank as lender.

The parties enter into a r2b agreement and the purchaser rents the property from the Seller, with the right (option) to buy it (just before the option expires).

The aspiring buyer obtains a home loan before he exercises the final option to purchase.

An ideal rent2buy client will thus have the affordability to pay rent equal to $1,1\% \times$ the purchase price, but may struggle with his/her payment profile and as such secure a home loan.

Buyers with judgments, under debt review or “black-listings” are usually not accepted as we propose that this debt is first settled and then you can proceed with a rent2buy process.

The reason is that the ultimate aim is to secure a home loan towards the end of the rent2buy process a bank may not approve a home loan if an aspiring buyer still has a judgment against his/her name.



Example of rent2buy rental

$1,1\% \times$ the purchase price is an estimate of how much it will cost a new home owner to own a home, considering the new bond repayment, rates, taxes and levies (it will depend on the interest rate and expenses for each property).

During the r2b option period, the buyer rents the property and assumes the responsibilities of a property owner. He or she will:

- Pay rent equal to the future bond repayment per month, calculated as follows: $1,1\% \times$ the purchase price of the property which includes:
 - Rates and taxes, levies and be responsible for maintenance; e.g. R500 000 purchase price = R5 500 rent per month.
 - Insure the rent income through r2b Rental Insurance (optional), see next page.

A portion of the rental paid can be credited towards a deposit.

The buyer must enroll with the “My Budget Fitness” programme of budget rehabilitation to assist them to develop and prepare a plan and goal to:

- Build up & establish a good credit record.
- Improve his/her affordability during the r2b Option Period, which may take from 6 or 9 – 18 months (each client will have a different restructure period).

This will enable the buyer to exercise the option to buy once he or she obtains a bond approval.

rent2buy Rental Insurance (optional)

We secured an exclusive contract with a National based Insurance Company to assist landlords and developers who rent out their properties and combined the contract with r2b:

- Rent is paid via the rental insurance administration on the 1st day of each month (guaranteed).
- Rental income is guaranteed for three months, should the tenant default with rental payments.
- The insurance covers legal costs should eviction proceedings be instituted against a defaulting tenant.

Rental insurance to be considered for approved customers.

Deposits of 2-3 months rental may be required, based on the credit profile of a customer (terms and conditions apply).

How to buy your own home

During the rent2buy period you will receive a 6-step First Time Home Owners Education plan to guide you with what you need to know to prepare yourself to own your new home – the value of the course is R500 and is included in rent2buy and your subscription of R150 per month.

To get more information go to:
consumerhousingeducation.co.za



Frequently asked questions

“I want to rent2buy as I cannot get a home loan. How can you help me?”

The first question we often get is “why can you not get a bond approval now?”

The reason: If the aspiring buyer cannot qualify for a home loan due to a judgment, “black-listing” or he/she is currently under debt review, rent2buy would usually recommend that the aspiring buyer first settle the outstanding debt and complete the debt review.

The ideal client for rent2buy is someone who can afford to pay 1,1% of the purchase price and has no judgments.

“How long must I expect to rent2buy before I can take the transfer in my own name?”

Your rent2buy timeline depends on:

- Your current credit profile which includes your past credit behavior, payment profile, debt exposure, affordability and credit criteria.
- Your future improved credit profile, backed by supporting documents and data to reflect such improvement.

The regular use of **mobile2budget** and tools provided by your MBF Personal Trainer will determine the time and duration – thus each person has his or her own rent2buy timeline.

“Why am I expected to pay rental of $\pm 1,1\%$ x the purchase price, (R500 000 x 1,1% = R5 500 pm) when I can rent a property valued at R500 000 for \pm R3 500 per month (0,6%)?”

- The aspiring buyer must get used to paying a monthly amount that is equal or as close as possible to his future expenses when he owns a home, such to include:
 - bond repayment
 - rates and taxes
 - levies
- The rent2buy payment per month will “stress test” his/her budget and cashflow per month (the first 3 months of owning a home and paying all the above mentioned expenses are usually the biggest “shock” to the budget of a new home owner)
- Improve and build up a track record of good behavior. If an aspiring home owner can show commitment, punctuality, affordability and a good and solid credit behavior during the rent2buy period, it ought to improve his or her chances to obtain a home loan.

“What will happen to the extra money that I pay on my rental? R5 500 r2b rent per month vs. “market related” rental of R 3 600?”

A portion of the “extra” rent is credited towards a savings account for the purchaser, when he/she takes transfer. E.g. on a R500 000 house a credit of R1 400 can be saved per month (depending on the finances of each transaction).

rent2buy will work out this “savings account” and propose this to the seller and buyer.

“What will happen to the extra money I paid if I do not take transfer?”

The seller will retain it as rental received.



“Will the ‘savings amount’ improve my chances to get a bond approval?”

Yes, it ought to, as one of the criteria of approving a loan is your ‘loan to value’ ratio. Thus, the bigger your deposit, the more comfortable a bank will be with approving your loan.

Remember that the other criteria such as affordability and credit rating will also play a big role to obtain a home loan.

“How will a bank treat my application when I re-apply after my loan application was declined a few months before?”

One major bank (the “top” lender in 2011 and 2012) has already approved the rent2buy and My Budget Fitness programme for certain property developers.

Other banks also realized that they can achieve a better quality of home loan and client if the client has home ownership education and credit rehabilitation, all provided by rent2buy and My Budget Fitness.

“Where can I find a rent2buy property?”

Any type of property can be bought through a rent2buy structure, but it is usually a property sold by a property developer or an investor that will be most suitable for rent2buy.

The best advice is if your bond is declined, contact rent2buy and ask them to determine if they can investigate and then negotiate with the seller to enter into a rent2buy agreement.

We have rent2buy stock that we obtain from time to time. Visit rent2buyproperty.co.za



“Will I be guaranteed a home loan approval if I follow the rent2buy programme?”

No, each client is scored on an individual basis and your affordability, past track record (up to 2 years before you applied), and the deposit that you have available will all be considered. However, the better prepared you are will ensure that you have a stronger chance for a “bond approval”.

“Will I be accepted for rent2buy if I do not follow a My Budget Fitness programme?”

It is recommended to join My Budget Fitness as bonds are often declined due to credit behavior and debt management. My Budget Fitness can assist the aspiring buyer to restore and improve such issues.

“For how long can I rent2buy before I must re-apply for a home loan?”

The rent2buy timeline is usually between 6 – 18 months, but can be longer, depending on the arrangement by the seller and buyer. Each client will have his/her own rent2buy timeline.

It is beneficial to always strive to achieve “Budget Fitness” as soon as possible as it’s the best security when you can take transfer in the deeds office and become the registered owner.

“How do I find a property?”

If you have already identified a property to buy (e.g. you signed an offer to purchase, but the bank declined your loan), we will discuss and explain the rent2buy concept with the seller and estate agent and negotiate the rent2buy transaction.

We will then prepare the required r2b Option Agreement, using your existing Offer to Purchase or Deed of Sale.

No rent2buy property found yet?

Once we have done the rent2buy affordability and credit check we will know for how much and when you will be able to buy.

We will assist you to find a rent2buy property within your price range and preferred location.

You can also visit: rent2buyproperty.co.za

“How long do I need assistance with keeping budget fit to buy at the end of the rent2buy period?”

We recommend that you enroll with My Budget Fitness for the duration of rent2buy once you have signed the rent2buy agreement.



“How do I start with rent2buy?”

To determine if you can qualify for rent2buy, we have to assess your affordability and credit rating as this will determine how long it will take you to rent before you can qualify for a home loan in the future.

Our fee is only R500 or R589 (R89 extra for your spouse) and include the following:

- A credit report to determine your credit health status (we need your written permission and will provide a form to sign)
- Calculate your affordability. We will provide you with a My Budget Fitness Calculator to complete with our assistance and guidance to enable you to work out your actual affordability.

“How much will it cost to negotiate the rent2buy agreement?”

Our fees are R2 500 for all negotiations, drafting of the agreement and signature of the rent2buy agreement payable by the Purchaser.

- The R500 (credit check and affordability calculation) is payable over and above and forms part of the first fee payable to My Budget Fitness. The total = R3 000
- If you participate with My Budget Fitness – it will be R150 per month for the duration of the rent2buy period.

“How do I pay the fees?”

R500 / R589 (R89 extra for your spouse) payment can be made to our attorneys:

Acc Holder: Oosthuizen & Co Meyer de Waal Inc
Acc: 072 180587
Bank: Standard Bank
Branch: 050 2190

*Please forward proof of payment with your **reference number** to Juanita at admin@budgetfitness.co.za*

For More Information Contact:

Contact: Juanita van Vuuren
Tel: 021 461 0065
Email: admin@budgetfitness.co.za
Web: irent2buy.co.za



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