



rent2buy

moving financial barriers

Rent2Buy Information

www.irent2buy.co.za

2013

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 % x 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 and a bank may not approve a home loan if you still have a judgment against your name.

Example of rent2buy rental:

[1,1 % x 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 % x the purchase price of the property which includes:

- * rates and taxes, levies and be responsible for maintenance;

Example (R500 000.00 purchase price = R5 500.00 rent per month)

- * insure the rent income through **r2b** Rental Insurance – (optional) see below.

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

and must enroll with the “My Budget Fitness” programme of budget rehabilitation,

to assist a buyer to develop and prepare a plan and goal to:

- build up &
- establish a good credit record
- improve his 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.

r2b 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.

HOW TO BUY YOUR OWN HOME

During the rent2buy education you will receive a 6 step process to teach and show you all that you need to prepare yourself to own your own home – the value of the course is R500.00 and it is included in this course and your subscription of R150.00 per month. To get more information in this course – go to <http://consumerhousingeducation.co.za/>

FREQUENTLY ASKED QUESTIONS to RENT2BUY

We often receive the following questions:

Question

I want to rent2buy as I cannot get a home loan.

How can you help me?

Reply by rent2buy The first question is most often met by a question by rent2buy. “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 currently under debt review, rent2buy would usually recommend that the aspiring buyer first settle the outstanding debt, complete the debt review.

If it is matter of affordability – ‘almost” ready to pay 1,1 % x the purchase price and no judgments, it will be the ideal client for rent2buy.

Question:

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

Reply by rent2buy

The time and duration

- * your **current** credit profile [which includes your **past** credit behavior, payment profile, debt exposure, affordability and credit criteria of the banks]
- * your **future** improved credit profile – backed by supporting documents and data to reflect such improvement [the regular use of tools such as mobile2budget www.mobile2budget.com and other tools provided by your MBF Personal Trainer]

will determine the time and duration – thus each person has his or her own “time profile”

Question:

Why am I expected to pay rental of +/- 1,1 % x the purchase price,[R500 000 x 1,1 % = R5 500 pm]
when I can rent a property valued at R500 000.00 for +/- R3 500 per month [0,6 %]?

Reply by rent2buy

- * 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

- * “Stress test”

The rent2buy payment per month will “stress test” his/her budget and cash-flow 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, such ought to improve his or her chances to obtain a home loan.

Question:

What will happen to the extra money that I pay on my rental?

R5 500 rent2buy rent per month vs. "market related" rental of R 3 600?

Reply by rent2buy

Extra rent

A portion of the 'extra" rent is credited towards a savings account for the purchaser, when he takes transfer.

In the example of the R500 000 house, a credit of R1 400.00 can be saved per month as example. (depending on the finances of each transaction)

Rent2buy will work out this "savings account" and suggest to the seller and buyer.

Question:

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

Reply by rent2buy

The seller will retain it as rental received.

Question:

Will the "savings amount" improve my chances to get a bond approval?

Reply by rent2buy

Yes it ought to, as one of the criteria of approving a loan is your 'loan to value" ration – thus, the bigger your deposit, the more comfortable a bank will be to approve your loan.

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

Question:

Where can I find a rent2buy property?

Reply by rent2buy

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 as a family home owner as seller wants to conclude a faster sale process than to wait for a buyer to get his budget fit to re-apply for a home loan.

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.

Question:

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

Reply by rent2buy

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

The other banks 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.

Question:

Will I be guaranteed a home loan approval if I follow the Rent2buy programme?

Reply by rent2buy

No, - as 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”.

Question:

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

Reply by rent2buy

It is recommended to join My Budget Fitness as the main reason why the bond was declined was due to credit behavior and debt management and My Budget Fitness will assist the aspiring buyer to restore and improve such.

Question:

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

Reply by rent2buy

The rent2buy period is usually between 6- 18 months, but can be longer, depending on the arrangement by the seller and buyer. It is beneficial to always strive to achieve “Budget Fitness” as soon as possible as it still be best security when you can take transfer in the deeds office and be the registered owner..

Question

HOW DO I START WITH r2b ?

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 for such is R500,00 and we will do the following:

- * Obtain your credit report and determine your credit health status
(we need your written permission and will provide a form to sign)
- * A Credit Report from Credit Health will show your data from 3 different bureaus.
- * Calculate your affordability:
 - * We will provide you with a My Budget Fitness Calculator to complete to enable you to work out your actual affordability –

We provide assistance and guidance how to complete the MBF Calculator and work out your affordability.

FINDING A PROPERTY

EXISTING PROPERTY

If you have already identified a property to buy (example – 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/Deed of Sale.

NO RENT2BUY PROPERTY FOUND YET

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

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

CONTINUAL ASSISTANCE AND GETTING YOUR BUDGET FIT TO BUY AT THE END OF THE RENT2BUY PERIOD

We recommend that you enroll with My Budget Fitness for at least 6 x months once you have signed the rent2buy agreement – for more information – refer to the My Budget Fitness Brochure.

Question**WHERE DO I PAY THE FEES TO ?**

- Trust Account of our attorneys
- OOSTHUIZEN MEYER DE WAAL INC Attorneys

Bank: Standard Bank, Branch: Paarl Branch Code: 05210

Account Number: 07 218 0587, Reference: Your surname and ID number

Fax proof of deposit together with the documents above to: 086 56 11 618 or email to admin@budgetfitness.co.za

NEED MORE INFORMATION ?**CONTACT**

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