Standard Bank has designed a product for those with impaired credit.

JOHANNESBURG – Standard Bank is piloting a rent-to-buy housing model in the affordable home segment, an initiative that is likely to help those with impaired records to qualify for home loans in the future.

“The model that we are interested in is deferred ownership for a while. It could be 12-18 months of rent but it will be as if they are paying the bond. We are just piloting it right now. We have agreed with one developer to put 100 people on the pilot,” Standard Bank’s Director of Affordable Housing Nicholas Nkosi said.

Nkosi said the affordable housing segment covered those who earn between R3 500 and R16 000 and properties of up to R500 000. With the rent-to buy model, a client would have to prove for a good number of months that they could afford to pay rent, rates and all other responsibilities that come with a home loan before the bank approved lending. So the customer would behave as if they are paying a bond although renting.

If the customer can demonstrate affordability a portion of his rental expenses will be used to contribute towards a bond. To make this possible Standard Bank wants to enter into agreements with developers who will first rent out the property and possibly sell it if the customer can demonstrate affordability of a home loan.

Nkosi said this would go a long way in helping people to own a home. He pointed out that banks were often criticised for not giving the customer an alternative after being declined a home loan. The pilot is expected to run for about six months.

“My mandate is to have an increase in home ownerships in the affordable housing segment,” Nkosi said, adding that the bank is open for business although the challenge is availability of housing in this market segment.

With an appetite to lend more, Nkosi said the bank planned to double the size of its affordable housing home loan book within four years. Currently the size of the book is R10bn and the plan is to boost it to R20bn by 2015.

This year alone Nkosi is confident that the bank will lend over R3bn compared to about R2bn last year. According to Nkosi, Standard Bank has the biggest market share in this space of about 31% and plans to maintain its dominance.

“Ultimately the true test is how many people we are putting into homes,” he added.

“The probability of default is higher. But as much as it is higher it does not mean it is certain. A lot of people do make a plan to pay their home loans,” Nkosi said.

Asked how bad the impairments were in this segment, he would not budge, only stating that it compared favourably to the higher segment.

He did concede that affordability was an issue in this market as the average house had now increased to about R320 000 compared to R250 000 two years ago.

He said pricing is very important in this segment and the bank also needed to make sure that the customer can afford to pay his debt when interest rates rise. To further boost lending Nkosi said the bank sometimes offered home loans of up to 30 years.