



Can't get a home loan? Read on

25 Mar 2014

So many [South Africans](#) cannot get a home loan because they do not have the required 15 percent deposit or enough savings to cover the transfer duty and bond costs that have to be paid out-of-pocket to buy a home.



Essentially, the Rent-to-Buy approach involves the prospective homeowner securing the [ideal property](#) at today's market value by signing a rental agreement on the property for 12 or 24 months, with the option to buy the property at the end of the rental period at a fixed purchase price at the commencement of the agreement. Others have impaired credit records that exclude them from obtaining home loan finance, while some are considered high risk by the banks because they already have extensive credit commitments and lack sufficient affordability.

This is according to Meyer de Waal from Oosthuizen & Co Meyer de Waal Attorneys, who says if you cannot obtain a home loan from the banks, don't give up on your dream of owning your own home.

He says while it requires a slightly longer-term strategy, there is an alternative approach: Rent-to-Buy.

De Waal explains that before granting a home loan, banks will require a good credit rating and proof of affordability that the prospective homeowner can pay the home loan instalments each month - and, most likely, a deposit.

He says if prospective homeowners cannot fulfil all of these requirements immediately, they will have to wait longer to own their own home, while they build up a good credit record, proof of affordability and a deposit.

But, he says this could mean losing the opportunity to buy the ideal property or paying more for a property a year or two down the line. Rent-to-Buy is the solution to this problem, he says.

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During the rental period, the prospective homeowner pays a rental that is slightly higher than the average market-related rental and equivalent to the monthly instalments on a bond for the property. This allows him to build up proof of affordability over the rental period, as well as time (six to 24 months) to rehabilitate and maintain a solid credit record.

Furthermore, a portion of the additional rental can be credited to the buyer on transfer to be used as a deposit when the property is bought at the end of the rental period.

As such, the benefits for buyers include taking immediate occupation of their dream home and securing the property at a purchase price based on today's buyers' market, without the immediate upfront requirements of a deposit, bond approval and payment of transfer duties, legal costs and bond registration costs. While the buyer is occupying the property, he has the time to build up the deposit, a solid credit record and proof of affordability. The seller also benefits as the buyer assumes responsibility for the levies, rates and taxes, and maintenance, and receives an above-average rental income, which can be insured through the unique Rent-to-Buy insurance product to ensure the rental is received in full and on time each month and to cover the costs of recovering outstanding rentals or evictions.

De Waal says the Rent-to-Buy concept will help prospective home buyers who cannot obtain a bond now to make their homeownership dreams come true, while also relieving distressed or keen sellers from the financial responsibilities involved in owning a property.

He says it is a win-win situation for all involved and a practical alternative for those who have found their dream home but risk losing the opportunity because they cannot get bond approval immediately.

For more information, visit www.irent2buy.co.za.

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