

## **Banks hike home loan deposit requirements back to recession levels**

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The average home price rose at an annualised rate of 6,15% in September to R886 000, but the average percentage of purchase price required as a deposit in order to obtain a home loan also continued to accelerate.

It rose to 19,3%, compared to 17,4% in August and 16,5% in July, according to the latest statistics released by BetterBond, SA's biggest mortgage originator.

“So in spite of lower interest rates and rising levels of affordability, the average homebuyer must once again have almost one fifth of the home purchase price available in cash before applying for a home loan, in addition to the funds required to cover transfer duty, bond registration and legal costs,” says Rudi Botha, CEO of BetterBond.

“This is similar to the situation during the recession of 2008/ 09 and, given the mounting pressures on the lending institutions to lower their risk, we do not anticipate that this trend of increasing deposit requirements will change for some time, meaning that those who are currently on the fence about buying property should do so without further delay.”

First-time buyers, he says, are still likely to find it somewhat easier to take this step, with the average first-time buyer home price now at R648 000 and the average percentage of purchase price required as a deposit at just 12% - even though this has also increased, from 11,6% in August and just 9% in July.

However, the BetterBond statistics – which represent a quarter of all residential mortgage bonds being registered in the Deeds Office and include applications to, and bond grants from, all the major lending banks in SA – also reveal a sharp drop in the percentage of loans being granted for 100% of the purchase price.

This dropped to 29% in September (from 35% in August, 39% in July, and 41% in June) and could signal a slowdown in first-time buying over the next few months.

Indeed, the percentage of bonds granted in the R500 000 to R1m bracket that is traditionally the preserve of first-time buyers has already dropped to 35% from 38% a year ago.

For now though, says Botha, housing demand continues to rise – “perhaps because more consumers in the upper price brackets are realising that if they don't buy soon, while prices are still at relatively low levels, the increasing deposit requirements and other costs of home acquisition could drive them out of the market”.

The BetterBond statistics show an increase of 11% month-on-month in the total number of home loan applications made during September – with a surge in demand for bonds of more than R1,5 million, even though the average deposit required in such cases is well above 20%.

“Some 29% of the bonds granted in September were for homes priced at more than R1,5m, compared to 25% a year ago, which resonates with a number of reports recently about an increase in sales activity at the upper end of the market.”

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