

No maintenance, no home loan

Maintenance defaulters are shortly going to find it much more difficult, if not impossible, to buy property, thanks to proposed amendments to the National Credit Act (NCA) regulations.

That's the word from Richard Gray, CEO of Harcourts Real Estate, who explains that the amendments, which are due to be tabled in Parliament soon, provide for monthly maintenance payments to be added to the list of debt obligations that lenders must include when conducting the affordability assessments that are required before any new credit can be granted.

They also provide for any judgment against a maintenance defaulter to be added to that person's credit record and to remain there for five years or until it is rescinded by a court.

"Sadly, maintenance defaulting is all too common in SA, where almost half of all children are being raised by single parents, but the Justice Department is really hoping that these amendments will help change this situation," he says.

"And we certainly anticipate that they will make it extremely difficult for anyone who is not meeting their maintenance obligations to their children to then just go and obtain finance to buy themselves a new home or investment property."

Currently, Gray explains, the NCA already stipulates that any bank considering a home loan application must first establish what the potential borrower's income is, what his or her regular monthly expenses are, and what debt repayment obligations he or she already has as per any credit agreements listed by the credit bureaux.

"It also sets out very stiff penalties for anything perceived to be 'reckless' lending, and we all know how this has affected home loan lending over the past few years, with the banks tending to err very much on the side of caution.

"Now with maintenance payments added to the list of debt obligations they must include in their calculations, and maintenance defaults to be included when it comes to credit scoring, it is very unlikely that anyone who is neglecting their maintenance obligations will be able to obtain a home loan – or any other kind of credit, for that matter."

Issued by Harcourts Real Estate
For more information contact
Richard Gray on
031 201 1060 or
richard.gray@harcourts.co.za