

How to double your chance of getting a home loan – and a good rate

The chances of a home loan application succeeding now if it is not submitted through a reputable originator is less than 40%, according to the latest statistics from BetterBond Home Loans, SA's leading mortgage origination group.

“Our latest figures show that in the past 12 months we have succeeded in ‘rescuing’ almost one in four (37%) of all the home loan applications we've handled, by being able to motivate them properly and, if necessary, submit them to a second and sometimes even a third lender,” says BetterBond CEO Shaun Rademeyer.

“They also show that our overall approval ratio for this period was 74%, which means that only 37% of applications succeeded in attracting an offer from the first bank to which they were submitted – or would have been likely to succeed if the applicants had submitted them on their own.”

However, he adds, this is not because the banks themselves have had less appetite for lending. “In fact, if anything, they have been more accommodating, with both the number and value of home loan approvals obtained in the 12 months to end-September remaining virtually unchanged compared to the previous 12 months, despite a slight drop in the number of applications submitted.”

What is more, Rademeyer says, lenders are working really hard now to retain their own customers as home loan clients. “A year ago, the banks were losing almost one in four home loan clients (23,5%) to their competitors. Now that number is down to just over 10%, because they are not only attracting more applications from their own clients, but rejecting fewer of them.”

Surprisingly, given the current lack of economic growth, uncertain employment outlook and rising cost of living, there are also fewer problems now with bad credit records or debt judgments, he says, especially with the repeat buyers who are currently dominating the market. “We find that most people applying for home loans now have worked hard to get a handle on their finances in the past few years, and a large percentage have even saved up a substantial deposit.

“So actually the main obstacles prospective borrowers now have in getting a home loan application approved are not realizing how much discretionary income (after tax and regular expenses) they will need in order to qualify, and the banks automatic evaluation processes, which can often result in an application being refused unless there is a knowledgeable originator on hand to motivate it to the correct ‘real’ person in the bank, and then resubmit it.”

Meanwhile, Rademeyer says, the mortgage originator's original role of negotiating interest rates on behalf of home loan applicants has started to come to the fore again thanks to the two rate increases implemented by the Reserve Bank this year and the resulting increase in the variable mortgage rate from 8,5% to 9,25%.

“Consumers have grown much more aware in the past few years of the major difference that even a slight rate concession can make when it comes to the overall cost of an item or generating savings and they are looking to us once more to help them secure those concessions.

“On a R1m home loan taken over 20 years, for example, an interest rate of 9,75% instead of 10,25% will not only lower the borrower's monthly loan repayments, but generate savings of at least R80 000 on the total cost of the property. And that's definitely worth negotiating for.”

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