

Lower taxes, deposit rates give first-time buying a boost

First-time homebuyers are still working hard to get into the property market and as a result they currently account for more than 40% of all home loan grants, according to the latest statistics from BetterLife Home Loans, which is SA's biggest mortgage originator. "Despite all the economic gloom, we have also seen the actual number of home loan applications from first-time buyers start to pick up again in the past few months," says BetterLife CEO Shaun Rademeyer.

"This has perhaps been prompted by rising prices and the prospect of higher interest rates in the near future that might prevent them from being able to afford a home or from qualifying for a bond. However, the increase in the transfer duty threshold has really helped, as has a decline in the average deposit size required."

The BetterLife statistics, which represent 25% of all residential mortgage bonds being registered in the Deeds Office, show that in the 12 months to end-May, the average percentage of the home purchase price that first-time buyers were required to pay as a deposit was 7,64%, compared to 8,51% in the previous 12 months. This meant, he says, that the actual cash amount such buyers had to pay as a deposit also declined during this period – even though the average home purchase price for first-time buyers increased. "What is more, a home at the current average first-time buyer purchase price of R648 000 has since March attracted no transfer duty, so the total amount of cash that such buyers need to complete their transaction is now considerably smaller than it was a year ago."

Meanwhile, says Rademeyer, there has been a strong gain in the past 12 months in the percentage of loans being granted for more than R1m – even though the overall average home purchase price for this period is only R945 000. "Our statistics show that the percentage of loans granted for more than R1m rose by more than 7% - with most of the corresponding decline occurring in the under-R500 000 category."

Most of this gain, he says, occurred due to repeat buyers expressing their confidence in the market by "trading up" - and in many cases using the equity they had built up in their existing homes to do so. As it is, repeat buyers account for some 53% of all home loan applications at the moment (compared with 46% two years ago) and of course for 60% of loan grants.

On the lending front, Rademeyer says, the percentage of home loan applications that are being declined outright fell to 28% in the year to end-May from 32% a year ago and 37% in 2013, which he believes is largely due to the fact that many prospective borrowers are in much better financial shape now than they were two years ago. "They have less debt, their salaries have risen and, as mentioned, many now have more equity in their existing homes that they can use to put down bigger deposits and lower their risk profiles."

Nevertheless, he says, it is still advantageous for homebuyers to go through a reputable mortgage originator like BetterLife to make sure that their application is prepared and presented properly and that they will get the best interest rate possible.

"The evidence of this is that BetterLife has been able to secure the approval of 73,6% of all the home loan applications it has submitted to the banks in the past 12 months, while the average approval rate in the home loan sector is below 60%."

ISSUED BY
BETTERLIFE HOME LOANS
FOR MORE INFORMATION
CALL SHAUN RADEMEYER ON
011-516-5500 OR VISIT www.betterbond.co.za