

PRESS RELEASE

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Don't let an upfront deposit stop you from renting

If you want to rent accommodation, but find the upfront deposit a steep financial challenge, there is a solution: take a short term loan that covers the deposit and pay it back over 12 months. When your lease ends, you are entitled to get back your deposit plus interest from the landlord.

This is the niche offering of Deposit4U, a financial services company that recognised a need for finance among young people starting out in life and filled the gap, says the company founder and CEO, Andile Nomlala.

"Most student interns, recent graduates and young professionals do not have a cash lump sum in their bank account or wealthy parents to pay the upfront deposits on rental accommodation," he says. "When they enter the working world for the first time, moving into their own space is exceptionally difficult, if not impossible."

He explains that they may have left the security of a university residence to begin an internship or are employed in their first job in a city far from home. Their most urgent need is to find accommodation close to work or a transport route. "But with no or brief bank records, formal financial institutions do not easily lend them money for a deposit, and so they are forced to make other arrangements that may not be suitable."

At this life stage, it is also difficult to amass the amount for a rental deposit, considering that starter salaries need to cover expenses such as a working wardrobe, transport, communication, furniture, food, utilities and, in many instances, student loan repayments. A monthly rental may well be affordable, but the upfront deposit may be an insurmountable barrier.

To illustrate this, if a monthly rental is R3 500, and the landlord requires two months' upfront rental deposit plus the first month's rental in advance, a tenant would need to pay a lump sum of R10 500. The average starting salaries of graduates range from R9 534 per month for those with a BA degree. Assuming a young person earns the average starting salary of a BCom graduate of R11 070 per month, the upfront deposit is almost 95% of his/her salary.

"Young South Africans are not the only youth to experience this problem," says Nomlala. "In the UK, the government has recognised and addressed this problem by providing loans to cover one month's tenancy or rent in advance. People aged 18 to 30 may borrow up to £2 000 from the government to use as a deposit on rented accommodation and are required to pay back the loans over either 12 or 24 months."

Even in the UK private sector, employers have recognised that young people need help with rental accommodation. Starbucks, a company with around 70% of its workforce younger than 25 years old, planned to provide interest free loans to employees from 2016 to help them afford the cost of a deposit on

a rental property. It will lend up to one month's wages to employees who have been at Starbucks for more than one year, which the employee will pay off over 12 months.

"A loan for this purpose not only makes rental accommodation more accessible, but it also helps a client with cash flow. It is far easier to pay back a loan in equal monthly instalments over a year, than to fork out a lump sum almost equal to one month's salary," says Nomlala.

"The short term nature of this type of loan ensures lenders do not get trapped in debt, while the loan cannot be abused as it is paid directly to the landlord after the lease agreement is signed. When the tenant's lease expires, and all terms and conditions have been met, the tenant is entitled to the deposit with interest."

For the convenience of being able to rent, Deposit4U charges an administration fee and monthly interest on loans to clients. If the client pays back the loan sooner, the client saves on interest payments. While earning an income or stipend is important, the company considers all applicants in line with responsible lending criteria.

"I want to run a business that fulfils a need but also makes a profit," says Nomlala. "By tapping into this market, I meet both objectives."

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About Deposit4U

Founded in 2014, Deposit4U is an authorised financial services company that provides short-term loans to cover upfront rental deposits and administration fees on rental accommodation. We champion the rights of tenants and apply NCR affordability standards.

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