Borrowers in the pound seats as bank battle restarts

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There are strong indications that after a three-year lull, the Battle of the Banks for home loan market share is about to heat up again – to the benefit of homebuyers and the property market in general.

“This month’s decision by major lender Absa to once again start accepting applications for 100% loans from mortgage originators is, we believe, just the first salvo in the renewed battle,” says Lew Geffen, chairman of Sotheby’s International Realty in SA. “The move will no doubt prompt counter-measures from the other banks anxious to retain and gain top quality clients, and shrewd consumers will be the real winners.”

There will no doubt be many people, he says, who believe this scenario is wishful thinking on his part, “but even now, most lenders are already offering bonds of up to 100% to their own existing clients in good standing – and bonds of 90% on average to new clients - despite their stated determination just a few months ago to insist that every potential borrower pay a sizeable deposit.

“What is more, I am not suggesting that the banks will immediately relax their lending criteria. Bond applicants will still need to have excellent credit records, low debt loads and good employment prospects in order to be approved – just now perhaps they won’t need to have such a large sum of cash on hand to pay a deposit and cover transfer costs.”

Geffen says that in due course – and if inflation tails down later this year as expected - the banks will probably also become more negotiable once again on interest rates.

“Meanwhile, bond applicants can at the very least expect higher levels of service and faster response times, as banks increasingly relearn that home loan borrowers are very often the most loyal consumers of their other, very profitable, banking products and services – and not just a high-risk nuisance as they have often been viewed in recent years.”

From an industry point of view, he says, the results of this shift in attitude will be an increase in the number of loans granted, and a decrease in the number of “repeat” sales for estate agents. “Indeed, originators are already reporting an increase in volumes of loans being approved over the past few weeks, and that will inexorably lead to surplus stock being absorbed and home prices starting to show real increases. In short, it will open the way to the proper recovery of the market over the next two to three years.”

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