

Good credit habits for prospective tenants

With buy-to-let investors and new rental stock both being in short supply, it is becoming increasingly difficult for prospective tenants to secure the homes they want – especially if they have a less-than-great credit history.

So says Shaun Rademeyer, CEO of SA's leading mortgage origination group, BetterBond Home Loans, who notes: "SA landlords are quite understandably cautious when letting their properties to new tenants because legislation such as the PIE Act and the Consumer Protection Act make it very difficult for them to dislodge those tenants even if they default on their rent or damage the property.

"And to limit their risk, the first thing most landlords or managing agents will do now is draw a credit report to establish whether the prospective tenants have a history of paying their bills on time and in full, and whether they have any current major debts outstanding or debt judgments against their names."

Thus a blemished credit record can become just as big an impediment to renting a property as it is to obtaining a home loan with which to buy a property, he says, and prospective tenants may need to work just as hard as prospective buyers to clean up and improve their records, even if they have a good income and can put down a big rental deposit.

Some suggestions for doing so include the following:

*Be in charge. Stay on top of your accounts and instalments and make sure you make all the payments early or on due date every month. This may sound basic but it's the simplest way to show that you manage money well and are responsible about meeting your credit obligations. Remember it is not enough to make the payments "sometime" during the month they are due because if they are not paid on or before the actual due date they will show up as late payments.

*Get ahead. Don't just paying the minimum balances due on your accounts each month. Bring down the debt load you're carrying by upping your monthly payments – which can also save you interest – and then systematically apply any spare cash you have to paying those accounts off completely.

*Don't create new debt. Seek out and accept any offer of new credit very sparingly, in order to keep your credit-utilization rate to the minimum. What landlords want to see is that your monthly income is not currently mostly committed to debt repayments, and that you tend only to use credit for serious purchases, like a car to get to and from work.

*Don't max out your credit or store cards. To demonstrate that you can use credit responsibly, you must keep your spending on cards under control and not just run them up back up to the limit every time you have made a payment. If you can't do this, it is better not to have them.

*Keep track. Check your own credit report at least once a year – and more if you are working on improving your credit score. Consider what it will look like to a prospective landlord and what more you can do to improve it.

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CALL SHAUN RADEMEYER ON
011-516-5500

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The Mega/ Press Network
Pse direct any enquiries to
012-333-6644,
073-946-9649 or
megw@telkomsa.net