

Finding the Best Financial Advice

The global market crunch coupled with tighter credit controls locally means anyone considering accessing their home loan to renovate their home, consolidate debt or further their loan should get sound advice before doing so.

Bond Choice mortgage originators CEO Mark Beckett says that the international credit crunch will have a ripple effect on the South African economy for the foreseeable future. Beckett says it has been the forethought of the National Credit Act that has shielded South Africa from the worst of the global credit crunch by reining in people's ability to live off credit and over-extend their commitments.

Bond Choice head of direct business initiatives Rory Conacher says that in the past few weeks the country's leading banks have further tightened their lending criteria. ABSA and First National Bank, specifically, have amended their policies on allowing clients to draw cash from their home loans in a bid to manage their risk.

This means particularly high-risk clients will have to apply to the banks to access additional funds in their home loan account including repaid capital and equity that has accumulated over the years. The application includes an affordability assessment to gauge the client's ability to repay the loan after the funds have been withdrawn. This is due to the 10 concessive interest rate hikes.

ABSA executive director Louis von Zeuner says that there are two important issues. Firstly, if a homeowner has deposited a lump sum or once-off payment into their mortgage account, they will be able to access this capital. Secondly, where clients have been paying more than their specified monthly instalments into their home loan and now want access to the accumulated reserve, they will have to complete a credit application.

Rory Conacher believes that homeowners should be proactive in identifying their credit scoring with their bank. He says, given that the home remains the largest single asset most people will own, seeking out best advice ahead of any move to access your home loan account for finance – be that consolidating debts into the lowest possible interest rate or seeking a further loan for home improvements – is critical.

Conacher says Bond Choice has developed its business model on "best advice" and its 160-strong national consultancy network has the resources and expertise to equip home owners with the knowledge to make informed decisions. Although not a financial planning institution, Bond Choice consultants consistently work with home loans and thus understand the asset inherent in home loan products.

"Consumers need to be aware that the banks have changed their lending criteria and it is in their best interests to review their debt position and ranking before embarking on major changes in their financial positions. One key element is establishing whether or not you actually have an access facility on the bond," he says.