

## How to Qualify for a Bond

Before the introduction of National Credit Act (NCA), a buyer's affordability was based on 30% of his gross income without taking liabilities into account.

Where this may have been a far simpler procedure than the process used today, it often led to buyers being over indebted. Today, much more weight is placed on the client's surplus income.

"The first thing to do is check the client's gross income and make sure he qualifies for the purchase price of the property. Once the expendable amount required to qualify is determined, the next step is to minus the client's expenses from his gross income to see whether he has the required surplus available. We require the client to sign a declaration for us to undertake a credit bureau check. Information is also acquired by conducting an expenditure interview," says Deon Lessing, marketing director of Betterbond.

The expenditure interview will assess the client's credit track record. The financial position of the client, income and purpose of the loan will also be discussed. A thorough breakdown of expenses must be provided.

Background factors such as job stability and age of the applicants will also be taken into consideration. The banks can now consider an 18-year old person for a loan, as they are no longer minors in the eyes of the law. The applicant's age will also determine the term of the loan agreement.

"The applicant needs to be honest in the interview so they do not overextend themselves financially. There may be situations where an applicant cannot afford the property because his nett income after deductions is less than the minimum required. Where applicable we can motivate that the rent the applicant is currently paying will fall away and form part of his bond repayment," adds Lessing.

Given the current economic climate and past interest rate hikes, buyers may not be able to afford properties they previously could. With mortgage originators pre-screening applicants, estate agents will then be able to guide potential buyers with regard to their price band and refine their search for property within a range that is affordable to them.

"With the introduction of the National Credit Act (NCA), credit providers have become more vigilant in checking information provided by potential buyers. If we submit falsified income and liabilities that we can not substantiate by looking at the bank statements, we will lose credibility and waste the bank's time. It is important that a client has a nett profit at the end of his liabilities, and that amount has to be enough to repay his bond," Lessing concludes.

For a pre-screening the following information is required:

- Latest payslip: If the client gets overtime pay or works on a commission basis, the last six months payslips are required.
- Bank statements: These ensure income and expenses are accurate by checking debit orders going through the account.
- Applicant's permission to do credit check.