

Home loan ratios

The number of black home buyers entering the South African residential property market is increasing steadily and already exceeding white applicants, says CEO of ooba, Saul Geffen.

South Africa's leading bond originator, ooba's research shows that the number of applications by black buyers currently represent 45% of total home loan applications. However, the number of applications submitted by white home buyers represents only 41% of the total number of home loan applications.

Geffen says, "This ratio has changed considerably since last year, where blacks only represented 30% and whites 56% of approved home loans. When it comes to first time homebuyers, the trend is clearly skewed in favour of black applicants. Currently, first-time homebuyers represent 49% of the total number of applications, and 44% in approved loans. Of these first time applications, 59% of the total number was for black applicants, compared to 27% for white applicants."

When it comes to approved home loans, 55% of the total number of first-time homebuyers' approved loans are for black applicants compared to 31% for whites. This ratio has also changed considerably since last year, where black applicants only represented 48%

and white applicants 36% of approved home loans.

Geffen says that the higher levels and sustained increases in black home buyers can be attributed to the changing economic demographic in South Africa, as well as the fact that purchasing levels are currently higher at the lower to middle income levels and for first-time buyers. Clearly, the improved property market conditions play a role, which has resulted in increased affordability. "The shifting economic base in South Africa, largely influenced by the emerging black middle class, means the racial demographic of homebuyers is changing."

"The growth in first-time applications from black applicants can be attributed to improved property market conditions, a reduction in interest rates of 650 basis points since 2008, coupled with subdued property price inflation, improved bank approval rates and lower deposit requirements."

He says that first-time home buyers should ensure that they have sufficient deposit to put down, as it will result in a more favourable interest rate which



significantly reduces the total cost over the term of the loan.

"A meaningful deposit significantly improves a buyer's chance of getting a home loan approved."

Other factors that contribute to boosting the chances of a successful bond application include having a positive credit profile and a stable employment history, as it reflects a pattern of consistent income, which is key when lenders assess a bond applicant's risk profile.

Geffen says that it is strongly advisable that buyers are pre-qualified when looking for a new home. "This will give the buyer a good sense as to the value of the property that he is able to purchase. The pre-qualification process can also pick up issues on credit records that will need to be addressed before formally applying to a bank. The process not only streamlines the home buying process, but ensures that the buyer is able to negotiate from a position of strength." ■