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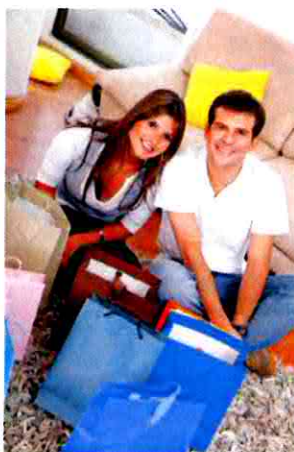
## An option for first-time buyers?

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At least 50% of bond applicants are not granted a loan by banks and almost 60% of people who are self-employed will not qualify for bond finance according to figures compiled by ooba.

Bonds are declined for a number of different reasons that may include a poor credit history, the lack of a deposit, late or slow payment of accounts or even because the bank in question feels that the client is borrowing too much money.

Without a bond – or a substantial amount of cash – it's



difficult for anyone to buy a house but particularly so for those first-time buyers who are keen to own their own property.

Rent2Buy is a possible alternative for these people because it sets out to negotiate an agreement between the buyer and seller so that the buyer can rent the property for a predetermined period and then only buy it when that period ends.

In terms of the agreement the buyer pays the higher bond amount from the start – equivalent to the amount he or she would pay if the property was sold immediately – and the seller benefits from getting a higher rental for the property than he or she would in a normal rental agreement.

It also provides a probation period for the buyer to prove affordability and to establish a track record of steady payments, which may help with a future bond application. If, on the other hand, the buyer cannot afford the property after all, the sale is simply cancelled and the property reverts to the seller.

Meyer de Waal, founder of Rent2Buy says that the process offers advantages for buyers and sellers. The first option allows for a period of up to a year before the buyer takes transfer of the property and during that period the buyer pays the equivalent amount of the bond.

"This means that the seller gets a higher rental for the property and it also allows the buyer time to reduce the amount of money needed to cover the full bond needed to take transfer," he says.

Over a two-year period, the buyer pays a rental of about 10% (which is about 4% more than the usual rental because rentals are normally about 6% of the value of the property) and, after two years, the buyer will need a 95% bond.

"On a property worth a million rand, the buyer would need a bond of R950 000 after two years," he says.

De Waal claims this is an attractive option for the seller who receives a higher rental income and takes the property off the market for that period while the purchaser benefits because the price is fixed when the agreement is signed.

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