

MEDIA RELEASE 06-07-23

EXCITING DEVELOPMENTS FOR FIRST-TIME HOME BUYERS AND CURRENT HOMEOWNERS

The current real estate market has presented challenges for first-time home buyers, with soaring home loan interest rates that have risen from 7% to a substantial 11.75% over the past few months.

However, amidst this discouraging news, there is a glimmer of hope.

THE GOOD NEWS

Recent increases have been made to the First Home Finance Subsidies, previously known as FLISP, which could significantly benefit prospective buyers and provide relief for current homeowners.

For home buyers earning R3,501.00 per month, the maximum subsidy available has been raised to an impressive R169,264.60, a significant increase from the previous R130,505.00.

Similarly, the minimum subsidy has been enhanced to R38,911.40, up from the previous R30,001.00, for individuals earning R22,000.00 per month.

GOOD NEWS FOR NEW HOME BUYERS

These adjustments mean that first-time home buyers now have the potential for greater purchasing power, particularly when the subsidy is factored into their property finance arrangements.

GOOD NEWS FOR CURRENT FIRST HOME OWNERS

Additionally, there is fantastic news for current first homeowners.

If you have never applied for the subsidy before, you now have the opportunity to apply retrospectively, allowing you to potentially benefit from this initiative.

The application process differs depending on the institution you choose:

If you opt to apply through the National Housing Finance Corporation (NHFC), you can submit your retrospective application even if you completed the property transfer several years ago.

However, if you prefer to apply through the Department of Human Infrastructure (previously Human Settlements) in the Western Cape, it is crucial to note that you must submit your application within six months of completing the property transfer.

It's worth highlighting that residents of the Western Cape are not restricted solely to applying through the NHFC.

As Francois Du Toit of the MDW INC Subsidy team points out,

"Nothing, however, prevents a first homeowner that lives in the Western Cape from applying through the NHFC."

This means that individuals residing in this region have multiple avenues to explore when seeking assistance with late subsidy applications.

The increased subsidies and retrospective application options demonstrate a commitment to supporting individuals in their pursuit of homeownership.

These developments bring new opportunities and increased possibilities for prospective first-time buyers and current homeowners alike.

Aspiring homeowners should explore these initiatives and consult with industry experts to ensure they take full advantage of the benefits now available to them.

LATE APPLICATIONS OR EXISTING HOMEOWNERS

To check whether you qualify for the late subsidy payment, [click her for a quick online check](#).

CLOSE TO R2 000 000.00 RAISED

"We procured a MOU with the NHFC to assist first home buyers and owners with their subsidy applications.

Over the past few months our Subsidy Team assisted first homeowners raising close to R2 000 000.00 in subsidies."

says Du Toit.

HOW MUCH IS THE SUBSIDY FOR WHICH A BUYER COULD QUALIFY?

The subsidies range on a sliding scale as per the gross income of the buyer.

As example: based on an income of R21 674.00, the subsidy amount will be R40 327.00 for the new home buyer.

Subsidy Amount Calculator

R	<input type="text" value="21601 - 21800"/>	Income
R	<input type="text" value="40327"/>	SUBSIDY AMOUNT

To check the amount of the subsidy you qualify for, use the First Home Finance [subsidy calculator](#)

THE PURCHASE PRICE & THE SUBSIDY

The subsidy can be utilized in two different ways:

- either to reduce the home loan amount and apply for a lower home loan, or a
- as a deposit to augment the purchase price.

This is how it can be applied:

REDUCE THE HOME LOAN AMOUNT		USE AS DEPOSIT TO AUGMENT THE PURCHASE PRICE	
Purchase price	R600 000.00	Bond approved for	R600 000.00
Less: Subsidy on income of R21 674.00 per month	R40 327.00	Plus: Subsidy on income of R21 674.00 per month	R40 327.00
Balance home loan required	R559 673.00	Total purchase price	R640 327.00

UNLOCKING OPPORTUNITIES: THE POWER OF A DEPOSIT IN HOME LOAN APPLICATIONS

Obtaining a home loan can often be a challenging process, with only 33% of 100% home loan applications receiving approval from financial institutions, according to available statistics.

However, there is a significant advantage that can greatly improve your chances of qualifying for a home loan and even enable you to negotiate a favourable interest rate: having a deposit available.

THE IMPORTANCE OF A DEPOSIT

Having a deposit available when purchasing a property not only enhances your eligibility for a home loan but also empowers you to secure the best possible interest rate, compared to applying for a 100% home loan.

While it's true that most home buyers will require a deposit when purchasing a property, it's essential to consider the additional cash needed to cover transfer and bond registration fees and costs, unless these expenses are included in the purchase price, which is usually the case in new development purchases.

Let's say a bank requires a 5% deposit for a bond application of R600,000. In this scenario, the buyer must have an additional R30,000 available as a deposit.

Fortunately, the First Home Finance subsidy can potentially cover the deposit and legal fees, making homeownership more attainable.

THE IMPACT OF HOME LOAN INTEREST RATES

One crucial factor to consider when determining the affordability of a home loan is the interest rate applied.

The subsidy can be utilized to reduce the home loan amount, enabling first-time home buyers to apply for a lower loan.

By applying for a lower loan amount compared to the purchase price, borrowers can often negotiate a more favourable interest rate with financial institutions.

It's important to recognize the profound impact that even a slight fluctuation in interest rates can have on the total repayment over the loan term.

Hein Pienaar of MBF Home Loans emphasizes this point, stating,

"We did a calculation based on a 1% higher interest rate than the prime home loan rate, paid off over a period of 20 years.

The result is that a 1% extra load to your home loan interest rate can cost a home buyer up to 12% more on the total repayment, over the 20-year repayment period."

TAKING ACTION AND SEIZING OPPORTUNITIES

Armed with this knowledge, prospective home buyers can take proactive steps to increase their chances of obtaining a home loan and securing a favourable interest rate.

By accumulating a deposit, individuals can position themselves as more attractive borrowers to financial institutions.

Furthermore, by leveraging the First Home Finance subsidy to reduce the loan amount, borrowers can potentially negotiate better interest rates, resulting in significant savings over the loan term.

Navigating the home loan application process can be complex, so seeking guidance from mortgage professionals or financial advisors is highly recommended.

By leveraging available resources and understanding the power of a deposit, aspiring homeowners can unlock greater opportunities and embark on the path to homeownership with confidence.

As example:

R600 000.00 HOME LOAN PAID OFF OVER 20 YEARS																					
INTEREST RATE AT 11.75 %	INTEREST RATE AT 11.75 % + 1 % = 12.75%																				
TOTAL REPAYMENT																					
<div style="border: 1px solid #ccc; padding: 5px;"> <p>Instalment Calculators</p> <p>Monthly installments Increased monthly installments Lump sum payment</p> <p>Loan Amount <input type="text" value="600000"/></p> <p>Interest Rate <input type="text" value="10.75"/></p> <p>Loan Term <input type="text" value="20"/></p> <p style="text-align: center;"><input type="button" value="Calculate"/></p> <p>Result of calculation</p> <p>Instalments Costs on R600,000.00</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Pay-off time</td> <td style="text-align: right;">20 years</td> </tr> <tr> <td>Monthly payment</td> <td style="text-align: right;">6,091.37</td> </tr> <tr> <td>Total capital paid</td> <td style="text-align: right;">600,000.00</td> </tr> <tr> <td>Total interest paid</td> <td style="text-align: right;">861,929.69</td> </tr> <tr> <td>Total amount paid</td> <td style="text-align: right;">R1,461,929.69</td> </tr> </table> </div>	Pay-off time	20 years	Monthly payment	6,091.37	Total capital paid	600,000.00	Total interest paid	861,929.69	Total amount paid	R1,461,929.69	<div style="border: 1px solid #ccc; padding: 5px;"> <p>Instalment Calculators</p> <p>Monthly installments Increased monthly installments Lump sum payment</p> <p>Loan Amount <input type="text" value="600000"/></p> <p>Interest Rate <input type="text" value="12.75"/></p> <p>Loan Term <input type="text" value="20"/></p> <p style="text-align: center;"><input type="button" value="Calculate"/></p> <p>Result of calculation</p> <p>Instalments Costs on R600,000.00</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Pay-off time</td> <td style="text-align: right;">20 years</td> </tr> <tr> <td>Monthly payment</td> <td style="text-align: right;">6,922.87</td> </tr> <tr> <td>Total capital paid</td> <td style="text-align: right;">600,000.00</td> </tr> <tr> <td>Total interest paid</td> <td style="text-align: right;">1,061,488.71</td> </tr> <tr> <td>Total amount paid</td> <td style="text-align: right;">R1,661,488.71</td> </tr> </table> </div>	Pay-off time	20 years	Monthly payment	6,922.87	Total capital paid	600,000.00	Total interest paid	1,061,488.71	Total amount paid	R1,661,488.71
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TOTAL PAID OVER 20 YEARS R1 461 929.00	TOTAL PAID OVER 20 YEARS R1 661 488.00																				
	Extra payment with 1% higher interest rate R1 661 488.00 – R1 461 929.00= R199 599.00																				

MAKING HOMEOWNERSHIP ATTAINABLE: COVERING TRANSFER AND BOND REGISTRATION FEES

First-time home buyers have even more reasons to celebrate as the good news keeps pouring in.

In addition to the increased subsidies, there is now an opportunity to have legal fees, such as transfer and bond registration fees, covered by the subsidy, making the home buying process more accessible and affordable.

Understanding Transfer Fees

When purchasing a property worth R600,000.00 and the transfer costs are not included in the purchase price, it's crucial to be aware that approximately R21,576.00 will be payable to the transferring attorney for property transfer fees. These fees are an important consideration when budgeting for your first home.

Bond Registration Fees

For those considering a home loan of R600,000.00, it's essential to account for the bond registration fees as well. In this case, an amount of approximately R20,278.00 will be payable to the bond registration attorneys.

These fees cover the legal process of registering the bond, an integral part of securing a home loan.

DETERMINING HOME LOAN ELIGIBILITY

One of the most common questions asked by first-time home buyers is, "How much can I afford for my first home, and what property finance and subsidies can I qualify for?"

It's important to have a clear understanding of your financial standing and the possibilities available to you.

To qualify for a home loan of R600,000.00, a buyer must earn an approximate monthly income of R21,674.00. This calculation is based on a bond repayment of R6,502.00 per month, paid over a period of 20 years at the current prime interest rate of 11.75%.

It's worth noting that stretching the home loan repayment period to 30 years can enable the home buyer earning R21,674.00 per month to raise a higher loan amount. In this scenario, the buyer could potentially qualify for a home loan of approximately R644,158.64, calculated using the same interest rate.

SEIZING THE OPPORTUNITY FOR AFFORDABLE HOMEOWNERSHIP

With the availability of subsidies to cover transfer and bond registration fees, first-time home buyers can take advantage of the financial support offered and make their homeownership dreams a reality.

By understanding the associated costs and eligibility criteria, prospective buyers can make informed decisions and plan their finances accordingly.

It is advisable to consult with professionals in the real estate and mortgage industries who can provide personalized guidance based on your specific circumstances.

By leveraging the benefits of the subsidy and making informed choices, aspiring homeowners can navigate the property market with confidence and secure a comfortable and affordable place to call their own.

THE NEW DE-LINKED FLISP POLICY AS FROM 1 APRIL 2022

As from 1 April 2022, you are no longer restricted to only a home loan finance from one of the major financial institutions to qualify for the subsidy.

The regulations to facilitate these non-home loan financial assistance were published in March 2023.

The subsidies are no longer tied exclusively to the condition of approved home loan finance, offering greater flexibility and accessibility.

As from 1 April 2022, to qualify for a first-time buyer subsidy, you can get financial assistance to buy a property in the form of:

- Mortgage loans
- Unsecured housing loans from any lender registered with the National Credit Regulator.
- Pension Backed Housing loans granted or guaranteed by a Pension or Provident Fund
- Housing loans granted by a Community-Based Savings Scheme, such as Stokvels and Co-operatives.
- Household's own resources or savings.
- Housing loans supported by Employer-Based Housing Schemes such as Government Employees Housing Scheme for government employees; and Private sector employers with Employer Assisted Housing Schemes (EAHS).
- Instalment Sale agreements.
- Rent to Buy agreements.
- Housing loans supported by Permission-to-Occupy (PTOs) issued by government recognised Traditional Authorities to enable delivery of the subsidy in rural areas.

STREAMLINING THE HOME BUYING PROCESS: ALL SERVICES UNDER ONE ROOF

Gone are the days when prospective home buyers had to navigate multiple departments and submit separate applications for property finance and government subsidies.

A new era has dawned, bringing all property finance solutions under one roof, making the home buying journey more convenient and efficient.

THE POWER OF A UNIFIED PLATFORM

Today, first-time home buyers can take advantage of online platforms that offer comprehensive assistance and support throughout the entire home buying process.

By signing up on these platforms, buyers gain access to a range of services designed to simplify their journey.

EXPLORING PROPERTY FINANCE OPTIONS

Once signed up, buyers receive personalized guidance on the best property finance options available to them.

Whether they require a traditional home loan or non-finance linked solutions, the platform provides clear pathways for each scenario.

For home loans, the platform partners with mortgage origination license holders, granting access to a network of up to eight trusted home loan lenders.

This broad range of options ensures that buyers can explore competitive interest rates and favorable terms.

In cases where non-home loan finance is required, 4meTech offers a seamless connection to suitable providers.

This expands the scope of financial assistance beyond traditional mortgages, catering to the diverse needs of home buyers.

A HOLISTIC APPROACH

Patrick Ngondweni of Help Me Buy a Home Services emphasizes the platform's versatility, stating,

"A mortgage origination license with one of the largest mortgage origination companies provides financial assistance to up to eight traditional home loan lenders.

We can also assist with de-linked finance applications.

Finance in the price range from R400,000.00 to R2.9 million for approved areas is also available."

The simplicity of the platform empowers buyers to navigate the home buying process in just three easy steps:

1. Obtain a First Home Finance subsidy voucher: By securing this voucher, buyers can leverage the available financial support to make their homeownership dreams a reality.
2. Check credit score: Assessing one's credit score is crucial to understanding financial standing and eligibility for various property finance options.
3. Assess personal affordability: By evaluating personal affordability, buyers can determine the type of property finance that aligns with their financial capacity.

EMBRACING A CONVENIENT FUTURE

With all property finance services consolidated in one accessible platform, home buyers can confidently embark on their homeownership journey.

The elimination of complex administrative processes and the ability to access multiple finance options in one place streamline the path to owning a home.

For a hassle-free and efficient experience, prospective buyers are encouraged to explore these unified platforms and take advantage of the comprehensive services offered.

By simplifying the home buying process, these advancements empower individuals to realize their dreams of homeownership with ease.

EMPOWERING FIRST-TIME BUYERS: SUBSIDY CALCULATOR AND COMPREHENSIVE SERVICES

Making the dream of homeownership a reality for first-time buyers requires accessible tools and comprehensive support.

Fortunately, technological advancements and strategic partnerships have paved the way for streamlined processes and expanded services that cater to the unique needs of aspiring homeowners.

Pre-Qualification Subsidy Voucher

To simplify the initial stages of the home buying process, 4me.Tech has developed innovative technology that enables the issuance of a First Home Finance pre-qualification subsidy voucher.

By signing up on their online platform and answering qualifying questions, buyers can receive an accurate estimate of the subsidy they qualify for through the FLISP Voucher.

Verification and Integration

The First Home Finance Subsidy Voucher can be validated through integrations with the Department of Human Settlements or the systems of the National Housing Finance Corporation (NHFC), thanks to a collaborative working relationship with these institutions. This ensures transparency and accuracy in the subsidy estimation process.

Property Finance Pre-Qualification

In addition to the subsidy calculator, the online platform offers a property finance pre-qualification estimator.

This real-time tool provides buyers with a clear understanding of the property finance options they qualify for.

By combining the available subsidy with the pre-qualification outcome, buyers gain valuable insights to make informed decisions.

Credit Score and Affordability Check

The platform also offers a convenient self-check for credit score and affordability.

More than 385,000 aspiring buyers have already utilized this online service, gaining crucial information about their credit profiles and affordability status.

However, nearly 50% of these applications are unable to proceed with a property finance application due to low or poor credit scores.

Assistance for Low Credit Profiles

Recognizing the significance of credit scores in the home buying process, partnerships with My Budget Fitness have been established.

This collaboration empowers first-time buyers with low, thin, or bad credit scores to improve their credit profiles.

Once their credit scores are strong and healthy, they can apply for property finance and subsidies.

Consumer Housing Education

As part of the comprehensive service offering, SACRA accredited consumer housing education is provided to first-time buyers.

This education equips buyers with essential knowledge and skills to navigate the housing market confidently.

Expanding Networks and Partnerships

Over the years, partnerships with various stakeholders, including mortgage originators, attorneys, property practitioners, the Department of Infrastructure, and the National Housing Finance Corporation, have been established.

Private partnerships with developments like Mill Park in Bredasdorp, Petra Mines in Koffiefontein, and Communicare further facilitate affordable homeownership.

These partnerships enhance the efficiency and effectiveness of the services provided, resulting in improved turnaround times for subsidy applications and payments.

Rent-to-Own and Instalment Sales

The inclusion of rent-to-own and instalment sales in the National Housing Code offers additional pathways for first-time buyers.

These innovative finance structures, such as the Rent2buy program, provide opportunities for buyers to step onto the property ladder.

Mill Park Development Success Story

The Mill Park Development in Bredasdorp showcases the effectiveness of combining home loans, subsidies, and rent-to-own options.

With 66% of total sales achieved through the rent-to-own sales model, it exemplifies how collaboration and innovative financing can empower first-time buyers.

With an array of services, partnerships, and financing options available, the journey to homeownership becomes more accessible for first-time buyers.

The first houses were recently handed over by Minister Tertius Simmers – read more <https://www.westerncape.gov.za/news/first-time-homeowners%E2%80%99-dreams-realised-through-rent-own-mill-park-development>

The advancements and support provided by these initiatives set the stage for a brighter future, where more individuals can achieve the dream of owning their own homes.

More property development companies are expected to follow and make available their stock to these types of innovative property solutions.

Enquires how to qualify for alternative finance can be directed [online – click here.](#)

For any queries, please contact meyer@mdwinc.co.za 021 461 0065.

Websites:

[Online check for a subsidy and a home loan – click here](#)

<https://flisp.co.za/>

<https://www.irent2buy.co.za/>