

GET BEST BOND

Is your bank giving you prime or discounted rate on your home loan and if you are not getting the best deal, do you feel like switching to another bank?

Simon Stockley, chief executive of Integer, South Africa's newest home loan provider, believes that if your credit record is good and you have some equity in property, you should be paying at least 1,5 percent less prime.

And if your bank is not giving you this, it might be time to move to a bank that can give you a better rate.

Stockley says that South African banks tend to advertise their worst rate (prime) and only offer a discount to prime when clients complain or threaten to move to another bank.

Property prices over the last three to five years have risen dramatically in South Africa and Stockley believes that it might just be the right time to start shopping around for a better rate on your home loan.

He says switching a bond to another bank is becoming popular in this country.

Stockley says that more than 60 percent of the applications that his two months old company received in its first month of business in October were switches.

Switching involves cancelling your bond and registering a new bond with another bank or loan provider.

The costs are around 1 percent of the value of the loan, but Stockley says these can be covered by the equity available in the new home loan within 18 months of making the switch.

Stockley says most people are switching to get a better interest rate.

"However, it's not only savings that consumers are after. Many borrowers are dissatisfied with the poor service and punitive costing of their current mortgage lenders, whose inflexibility limits consumers' choice," Stockley says.

Examples of this are innovative debt consolidation products and the ability to access the additional equity in a



Switch to a better deal, writes Isaac Moledi

property. This option is not usually offered to clients, he says.

Stockley believes that consumers deserve better and competition in the sector should encourage more aggressive pricing, as in the UK, US and Australia, to the ultimate benefit of the consumer. But cancelling a bond might not be cheap. Stockley advises that the costs should be carefully considered and the decision to switch should only be taken after very careful research and consideration.

The process is not as difficult or painful as many people imagine. As long as a client can provide bank statements for three months and proof of income, a new lender will generally take care of all the paperwork and hassle.

"Switching your home loan might put some much-needed cash in your

pocket and allow you to save thousands over the long-term," says Stockley.

For instance, a one-and-half percent discount to prime on a R1 000 000 loan could save you more than R257 000 over the period of the loan.

But he warns that you should not consider switching if you are not going to remain in your current property for at least a year because it takes about a year to recoup the costs of a switch.

"It's a competitive market out there and lenders are fighting for business, so don't take the first deal that is offered - or stay with your bank just because you have been there for the last five years. Remember, banks rely on consumer apathy," says Stockley.

He hopes that the introduction of his company to the homeloan market will force traditional providers to focus more on price and service.