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Press release from Integer

Consumers should not fear or ignore rising debt

Consumers should not fear their rising debt. There are some practical steps they can take to not only limit the debt, but tackle the bad debt should they get into trouble, says Simon Stockley, CEO of new home loan provider Integer. "But most importantly, don't ignore the debt."

"Eight successive rate increases are taking their toll on ordinary South Africans. Personally I hope this is the last one as we seem to be swimming against the stream in global terms. The Reserve Bank Governor's actions contrast with the more hawkish position of his UK counterpart who cut rates because of concerns of a slow down in the UK economy.

I am not sure we have the balance between inflation targeting and growth in the economy spot on – external factors (oil) seem to be the primary drivers of current pressure and I am of the view that we could have lived with a range outside of the current inflation target (short term) to encourage and stimulate the economy in the run up to 2010."

To limit rising debt, Stockley says borrowers should:

- Shop around aggressively for the best possible deal – negotiate with your current lender and if they do not offer meaningful concessions on rate, consider switching to an alternate lender. Remember you don't have to sell your property to refinance;
- Replace expensive short term debt (credit cards / personal loans / auto loans) with longer term funding (home loans);
- Consider accessing the equity in your property by refinancing it to pay down short term borrowings;
- Consider fixing or capping your interest rate if you are unable to endure any future rate increases or look at an interest only option as a short term solution to ease cash flow;
- Increase the term of your loan (pushing out the term from 20 to say 30 years can ease short term cash flow constraints);
- Perhaps even consider downsizing if the pressure on disposable income has become too intense.
- If borrowers do get into trouble with debt they must:
- Talk to your mortgage provider – explain to them your circumstances and attempt to re-structure your repayments;
- Pay something – even if you cannot make the minimum installment you should pay something every month. Your lender will be much more sympathetic to your plight if they see paying something back every month;
- Sell your property privately if necessary – do not allow legal action to commence as you will not realise full value.