

YOUR MONEY SORTED



HELP! MY HOME IS BANKRUPTING ME

By **LETTIA WATSON**

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

Because of the rising cost of living many people are struggling to pay off their bonds. Let's look at how you can lighten the burden

PUT YOUR CARDS ON THE TABLE

Many homeowners are reluctant to talk to their bank when they're struggling to meet their mortgage repayments as they're scared the bank will take their property. This is a big mistake. When you're in arrears and don't talk about it the chances are greater you could lose your home, says Adrian Goslett of Re/Max of Southern Africa.

You'll then have a bad credit rating, which will make it harder to find a new home. That's why it's essential you talk to your bank immediately so you can look for solutions together.

TAILOR YOUR REPAYMENTS

Certain banks give you "payment holidays" of three to six months during which you aren't required to make payments, or you pay only the interest. This is a temporary solution – and your debt will continue to grow. The conditions are often that you pay a large, one-off payment or pay off your bond in the near future.

Another option is a longer repayment period, for example 30 instead of 20 years. This reduces your monthly payments but in the long term increases the amount of interest you pay.

QUICK SALES

If your property is valuable enough you could consider a quick sale to cover your outstanding debt. Many banks work with approved estate agents to get the best private selling price. Just make sure you'll make enough from the transaction otherwise you'll have lost your house and still be liable for some debt on the bond.

RENTING

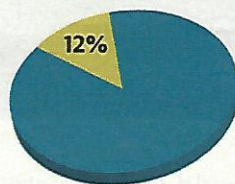
You could consider renting out your property. The tenant must pay enough to cover your mortgage costs. But it'll only work if you cut your costs considerably, for instance by finding a cheaper place to rent or driving a less expensive car.

A financial adviser can help you budget to adapt your lifestyle to suit your pocket.

FIVE QUESTIONS ABOUT HOME MORTGAGE REPAYMENTS

- 1** What do I need when I apply for a "payment holiday"? Recent bank statements and salary slips, an application form available from your bank and your municipal account. The bank could also ask for additional information.
- 2** What happens if I'm suddenly unemployed and can't meet the repayments? In such cases banks often recommend a quick sale.
- 3** What are my rights? In terms of the National Credit Act the bank must inform you of your rights and options such as debt counselling, negotiation or alternative repayment options. Only after that can the bank consider taking legal action.
- 4** When does the bank take legal action? Usually when you're four to five repayments in arrears and haven't come to an agreement on how you're going to pay.
- 5** Where do I find a debt counsellor? The National Credit Regulator provides counsellors' details.

12% OF HOMEOWNERS ARE STRUGGLING



In the first quarter of the year an estimated 12 percent of all property sales were attributed to owners downscaling due to financial pressure. That's a lot less than in 2009 when the figure was 34 percent.

SOURCE: JOHN LOOS, FNB PROPERTY BAROMETER

TIP! Don't get into new debt to cover your existing debt.

GET MORE HELP HERE

- National Credit Regulator: ncr.org.za
- Financial advisers at fia.org.za
- Bank and estate agents' websites

*He is happiest – be he king or peasant
– who finds peace in his home*

– GERMAN WRITER JOHANN WOLFGANG VON GOETHE