

What collaterals could banks find acceptable for bond applicants?

 By [Mike van Alphen](#)

3 Apr 2013

Rawson Finance, the Rawson Property Group's bond origination division, is currently involved in a research exercise to establish what collaterals, if any, the South African banks might accept from mortgage bond applicants - and the good news is that the banks are proving to be exceptionally helpful and surprisingly flexible in their approach to this tricky subject.

Rawson Finance, the Rawson Property Group's bond origination division, is currently involved in a research exercise to establish what collaterals, if any, the South African banks might accept from mortgage bond applicants - and the good news is that the banks are proving to be exceptionally helpful and surprisingly flexible in their approach to this tricky subject.

The primary rule surrounding bond grants includes the fact that the applicant's income/cash flow must be sufficient - and sufficiently secure - to cover the monthly bond repayments. However, grey area considerations, such as the applicant's health, age or job security can make the banks hold back on the granting of 100% bonds and have repeatedly done so to date. The bank's credit lending policy also plays a big part in restricting the granting of 100% bonds.

We at Rawson Finance would like to see a partial return to the old system, whereby assets, such as insurance policies, paid-up property or other investments can be ceded as collateral in addition to the bonded property, thus giving the banks the security that the National Credit Act insists they must get and a certain amount of comfort when granting a higher than normal loan to value mortgage.

Help from friends and relatives

In South Africa there has long been a healthy tradition whereby friends and relatives assist home buyers (usually those younger than themselves) to get bonds by offering to assist with the additional security, which may be used as collateral.

In some people's minds there is a suspicion that such collaterals are not foolproof, but, with a background of 44 years in banking and mortgage bonds, I can assure doubters that collaterals do work exceptionally well - and in my experience very seldom actually have to be called up.

ABOUT MIKE VAN ALPHEN

Mike van Alphen is national manager of Rawson Finance.

▀ Changes to the NCA not as drastic as some think - 26 Mar 2014

▀ Residential property bond holders warned: Ensure that you have life cover - 29 Apr 2013

▀ What collaterals could banks find acceptable for bond applicants? - 3 Apr 2013

▪ Bond applicants should pre-qualify with a reputable bond originator - 1 Mar 2013

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>