

Game changer for First Time Home Buyers – If you earn between R3501 and R22 000 per month you can now possibly qualify for a Government subsidy - Flisp

As from 28th July 2018, first time home buyers that earn up to R22 000 per month can now benefit from the new FLISP subsidy increase.

The full “wording” of Flisp being “*Finance Linked Individual Subsidy Programme*” indicates that a FLISP subsidy is a subsidy linked to a financial “package”, hence the pre-approval of a home loan being an integral part of the FLISP application.

“The previous income “ceiling” for a FLISP subsidy was R15 000 and now increased to R22 000.

This will be a game changer, as property prices escalated so much in the past few years that the old maximum subsidy of R20 000 [if one earned R15 000 per month] contributed little to the relief of a home buyer.

A home buyer who earns R12 000 can now qualify for a subsidy of R77 915 compared to the old subsidy of R37 650.00.

Now that the Flisp subsidies are available for a total gross household income up to R22 000 per month, it means that the purchase price of a home of up to R680 000 on a prime lending rate [currently 10 %] and R640 000 on an interest rate of the current prime lending rate of 10 % plus 1 % can be achieved, compared to +/- R450 000 under the old subsidy system says Verna Pugin.

First time buyers who earn a household/single income of R15 000pm will now receive a subsidy of R62 304 compared to the previous subsidy benefit of R20 000 at the same income bracket.

Income of R22 000 per month will qualify for a subsidy of R27 960.

FLISP criteria

Flisp subsidies are available for first time home buyers who earn between R3 501 – R22 000 per month.

The home loan of the buyer must first be approved and the buyer must be a South African citizen and be married, co-habiting or single with a dependent.

The new buyer must never have benefitted from a similar subsidy before; example an RDP House.

Home buyers who recently took transfer and meet the qualifying criteria can also apply. The new R22 000 income subsidy bands however will only be applicable for properties that are in process of application or transferred after 28th July 2018.

Using the Flisp subsidy as a deposit

Only 40 % of home loans are approved as a 100% home loan.

From recent statistics published by ooba, the average deposit required for a first time home buyers is 12,3% calculated on the purchase price. On a purchase price of R600 000 a 12,3% deposit is R73 800.

A Flisp subsidy can be used as a home loan deposit, or if a 100% home loan is obtained, paid back into the home loan to reduce the home loan term or monthly repayment.

Negotiate a better home loan interest rate

If a 100% home loan is granted, to mitigate the lending risk, usually a financial institution will add one or two percentage points to the home loan rate, example prime plus 2% extra.

Pay more

According to calculations done by Pugin, with the prime lending rate being 10 % at the moment, the buyer can end up paying 12% interest on the home loan if additional interest rate is added. This extra 2 % will cost the buyer 24.8 % more in home loan instalments if the loan is repaid over 20 years.

As example:

- R600 000 paid back over 20 years at a rate of 12% will be R 985 564 interest paid
- R600 000 paid back over 20 years at a rate of 10 % will be R789 631 interest paid

The result is that 2 % extra interest will cost a home owner R 195 933 more for the property bought.

Less home loan for your income

This extra 2 % will also reduce the home loan amount for the home buyer. As example, on an income of R22 000 per month:

- an interest rate of 12 % can result in a home loan of R 599 408 and
- an interest rate of 10 % can produce a home loan of R683 922

The result is that 2 % extra interest will lower the home loan of the home buyer with R84 514.

If a deposit is offered to a financial institution, this deposit will reduce the risk of lending of the bank and in “bank speak”, it will reduce the “LTV”. Pugin explains that “LTV” means “loan to value” and this is why a home buyer with a deposit can usually negotiate a lower interest rate for a home loan.

The Flisp subsidy can also be used as a deposit in the home buying process.

“We are excited that the new Flisp subsidy will put the power of negotiation for better home loan terms and interest rates back in the hands of the first time buyer”, says Pugin.

Buying in a new property development or from a private seller

Many new home owners are unaware that they can make use of Flisp to assist them to buy any type of property and that they are not restricted to a specific “Flisp pre-approved” property development, but can also buy a property from a private seller, says Pugin.

Using the Flisp subsidy for legal fees and costs

The Flisp subsidy can now also be used to pay for property transfers costs such as transfer fees and bond registration fees.

Many home buyers do qualify for a 100% home loan, but then do not have the extra R32 000 to pay over to attorneys for the transfer and bond registration fees and costs, says Meyer de Waal a Cape Town property attorney who developed the Flisp Home Buyers assistance service with Pugin.

“We realized some 4 years ago that the general public, being first time buyers, estate agents, property developers, home loan consultants and even financial institutions either know little or nothing about the availabilities of these Flisp subsidies and that is why we established the Flisp Assistance service.

Debt and affordability service added

On top of the Flisp service to provide subsidy information and assistance for a first time buyer, we also added a debt and affordability improvement service. We realised that sometimes minor debt impairment issues can prevent an aspiring first time buyer to raise a home loan, the most important hurdle to get access to a Flisp subsidy.

Education for home buyers

As 50 % of all home buyers are buying a home for the first time, we have developed online and educational videos for first time home buyers. These educational materials have already been developed for the employees of African Bank, a leader in the corporate environment to provide educational assistance and tools for their employees to own their own homes.

To reach out and distribute the Flisp information to reach more first time home buyers, a FLISP episode was also featured on DSTV Home Channel – All About Property, earlier in 2018. The follow-up episode will be screened on the second season of All About Property in January 2019.

We also embarked on workshops for home buyers, the most recent the launch of a 13 part monthly workshop for home buyers in Khayelitsha as part of the Attorney Realtor Hub – a service by property attorneys.

The next workshop with a special focus on Flisp will be held on 17 November 2018 in Khayelitsha and bookings are already opened for the event – [click here to register](#).

A collaboration with Annette Evans of the Institute of Estate Agents (IEASA) to educate estate agents how to assist a home buyer with a Flisp application is also already underway.

Workshops with fellow conveyancing attorneys are also conducted.

Our aim is that every estate agent and property attorney in South Africa must be able to inform, educate and assist a first time buyer on Flisp subsidies”, says De Waal.

Check if you are ready to qualify for a home loan

Many first time buyers do not know if they will qualify for a home loan as do not know where to start the home buying process.

many first time home buyers will ask?

Many first time home buyers will ask *“Do I first find a property and sign all the legal documents to secure the property and then do I go out and find out if I can qualify for a home loan and then a FLISP subsidy?”*

This looks like a very complete process and may scare away many first time home buyers. We have simplified the process.

We start at the “back” – (*which actually ought to be the first step for any home buyer*) explains De Waal:

Most home buyers first find a property and then the “worry” starts – How much will I qualify for?” - We first look at the financial side – and only then to find a property that matches your budget”.

This is how it works:

- Step 1 – Do you qualify for a Flisp Subsidy & how much?
- Step 2 – How much home loan do you qualify for?
- Step 3- Work out your buying power – now that you know how much Flisp subsidy is and home loan you qualify for
- Step 4 Find the house of your dreams

Do it online:

An online home loan affordability calculator is available on the Flisp website.

One leading mortgage group that makes use of online bond indicator tools recently announced that it improved their success rate from an already high 75 % approval rate for home loans to almost 90 %.

For more information – visit the Flisp website www.flisp.co.za

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