

SA's mortgage loan landscape faces unprecedented jump in charges

The landscape of mortgage loan credit in South Africa has undergone a seismic transformation. Charges related to these loans have surged at an unprecedented rate, skyrocketing by an astonishing 258% to reach R975m in just six months. Moreover, Absa has recorded bad debt charges amounting to R8.3bn during the six-month period leading to June 2023.



Source: [Pexels](#)

This sharp and sudden increase in charges has left consumers grappling with the aftermath of the South African Reserve Bank's most aggressive interest-rate tightening measures witnessed in the last 15 years.

To combat inflation, the central bank has implemented a series of interest rate increases, totaling 475 basis points since November 2021. From the beginning of the current year, the repo rate has risen by 125 basis points. Consequently, the credit loss ratio for home loans has surged from a mere 19 basis points to 65 basis points.

As a result of these developments, Absa has seen an increase in the number of its customers falling into arrears and needing debt review. Consequently, the bank has had to absorb greater losses on loans, leading to a substantial 60% rise in credit impairments, with loans further progressing through delinquency stages.

Approval rates for home loans have also experienced a notable deterioration due to the pressure faced by consumers. This pressure, in turn, has resulted in a slowdown in both production and applications within the home loan segment.

Despite a 6% growth in home loans, reaching a total of R298bn, actual production has plummeted by a significant 26%.

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