



ASSESSING NEW TENANTS

Credit Policy and Procedure

Establishing the credit-worthiness of a prospective tenant is an important risk mitigation strategy, and has the objective of identifying individuals that have previous history of rental default, judgements for debt etc.

The criteria in this document are used by Santam to evaluate whether or not they are willing to accept a tenant on for their Rental Guarantee Policy.

RentMaster suggest that you use the same criteria for evaluating new Tenants, even if you are not taking the Guaranteed Rental Collection Service.

The credit vetting procedure has two essential stages:

1. Stage 1 is the collection and verification of all relevant information
2. Stage 2 is the assessment of the application. This entails an evaluation of the applicant's information against the prescribed vetting criteria.

Stage 1: Information Collection

1. Ensure that Rental Application Form has been completed. Uncompleted fields to be completed by applicant tenant BEFORE evaluation of application
2. The following information has to be available:
 - a. Name of employer
 - b. Employment status of applicant
 - c. Duration of employment
 - d. There is no foreseeable prospect of termination of his employment
 - e. Salary details
 - f. Payslip (please request 3 recent copies) or signed letter from employer, on Company letterhead
 - g. Copies of monthly bank statements from past month to be obtained (we use this to verify bank details).

Please remember that we will verify all information, before an application is accepted.

3. Request TPN & ITC credit profile. If you do not have access to these services, we will request reports on your behalf, and invoice you for the costs. The cost of a combined report is R75 (VAT included).

Stage 2: Assessment of Application

The assessment process entails an evaluation of the applicant's information against the vetting criteria, so as to determine if the minimum standards are met.

These criteria, and the minimum standards are as follows:

Criterion 1

The Applicant must comply with the following:

1. Be at least 21 years of age
2. Be in possession of a valid 13 digit SA ID number, and be resident in SA
OR be in possession of valid passport, and a valid residence permit for South Africa.

Criterion 2

The Applicant must be in permanent employment for at least the past six months. This should be confirmed through:

1. Employer verification; and
2. Deposit of salary as evidenced by Bank statements

Criterion 3

The Applicant's credit profile must have no prior record of any significant:

1. a commercial judgement or
2. adverse report

A "significant" prior record of default or adverse report is defined as any judgement or report:

1. In the past two years that exceed R500 or
2. In the past five years that exceed R1 000.

Criterion 4

The Applicant's credit profile must have no prior record of any rental default.

Criterion 5

The Applicant's net income (total salary minus deductions) must be sufficient so that he can afford the rent.

The accepted standard is that **the envisaged rental amount must not exceed 33% of the Applicant's net salary amount.**

Criterion 6

If the applicant is self-employed the application may then only be approved if Bank statements verify income deposits. Verification by way of audited financial statements may also be requested.

Important Notice:

Where combined salaries are used to qualify the applicant, Stage 1 of vetting procedure, assessment criteria 2 & 3, also has to be applied to the second salary earner.

Where one or more of these criteria are not met, the application must be turned down (subject to the exceptions section below).

Exceptions

Income and Defaults

Where an applicant does not meet one or more of these criteria, the application must in principle be rejected. Santam may exercise his discretion and accept such applications. Factors that may influence the decision to accept such application include:

- Past judgements or adverse reports have been rectified (ie the arrear amounts have been settled)
- The required income is ***marginally*** too little for the rental amount.

Such applications may at the discretion of the insurer be accepted under additional conditions – eg that a second qualifying tenant also signs the lease agreement, and or that additional tenant deposit be paid (ie 2 months' rental instead of 1 month's rental).

Tenant is a Legal Entity

One of the requirements is that the Tenant must be a natural person. Where the lease is to be entered into by a Company/CC, it will under certain circumstances be accepted.

The terms of the underwriting provided by Santam requires that the tenant that is underwritten be a natural person (ie not a company). The product that they provide

is a RESIDENTIAL lease product, and therefore they expect tenants to be persons who take up the lease for residential purposes.

One exception to this rule is allowed, namely that if the tenant is a legal entity, we can still accept the risk provided that we get a surety for the obligations of the legal entity. However, in such a case we are obliged, for purposes of assessing the risk, to regard the surety (and not the legal entity) as the tenant. In other words, we must assess the income of the surety, and confirm his employment status, just as if he was the tenant.

Where the legal entity signing the lease is listed on the JSE, we are allowed to accept the risk, with a surety, but without the additional confirmation.

The final option is that we get a surety and 3 months deposit. We would then also be willing to accept the risk without additional confirmation.

Even where a legal entity is the tenant, the requirement remains that the premises must be used for residential purposes.