

A photograph of a smiling man with a young boy on his shoulders. The boy is also smiling and has his eyes closed. They are in front of a two-story house with a balcony. A red and yellow sign is partially visible behind them. The bottom right of the image has a blue diagonal overlay.

Home loans

Home owner's manual

Index

Chapter 1 – Introduction	5
Chapter 2 – Housing finance	5
• Key steps to buying a home	5
• Role players in the home buying process	8
• Where are you in the process?	9
Chapter 3 – Affordability and budgeting	10
• Affordability is very important	10
• Your budget	10
• Income and expenditure guide	10
• How to improve your affordability	11
Chapter 4 – Costs and expenses	12
• The costs when you take a home loan from us	12
• The expenses you will have as a home owner	13
Chapter 5 – Things to know about a home loan	15
• General	15
• Rights and obligations	17
• 10 questions to ask your attorney	18
Chapter 6 – Contracts	20
• What is a contract?	20
• Different contracts in the home-buying process	20
• Breach of contract	20
Chapter 7 – Wills	21
• Making a will	21
Chapter 8 – Building a house	23
Chapter 9 – Sectional title	24
• We also grant home loans for sectional title developments	24
Chapter 10 – The National Credit Act (NCA)	26
• What is the NCA?	26
• Facts about the NCA	26
Chapter 11 – Useful contact numbers	28
Chapter 12 – Income and expenditure guide	28



Chapter 1 – Introduction

Welcome to the world of home ownership!

Thank you for trusting us to be your partner in the big decision of becoming a home owner. There are many things to consider and this manual will guide you through them. A home is probably one of the most expensive things that you will ever buy and you need to understand what this means for you.

Owning property means you have an asset you want to grow in value. It is therefore, essential to look after your property to keep your investment safe.

Your property (the asset) can also help you to make money:

- Property values generally grow over time, which means you may sell your property for more than you paid for it and use this profit to buy another one. But that's not all ...
- You can add rooms or make improvements to your home which will not only make it more comfortable for you and your family but will also add to its value. You need to make sure that the renovations are professionally done or they could have a negative effect on the value of your property.
- You can add rooms that you can rent out to make some extra money.
- You can add or convert rooms to run your business from home.

Owning a home means that you will be taking on new financial responsibilities. A house can range in price from a few hundred thousand to millions of rands. Most people do not have enough cash to pay for the house they want to buy and have to borrow the money.

Housing finance makes it possible for you to buy a house. If you buy a house and use finance, you have the responsibility of repaying a large debt which may be over a long period.

There are also other financial responsibilities that come with home ownership:

- You will have to pay for services such as lights and water.
- You will have maintenance expenses to keep the house in good condition, for example, painting.

- You will have to pay insurance to cover your house against fire or other damage.
- You will have to pay rates and taxes.
- In the case of sectional title, you will have to pay levies.

This handbook gives you some basic information about home ownership and home loans to help you to understand them better.

Please do not hesitate to contact your nearest branch or our customer contact centre on 0860 123 001 for more information.

Enjoy your home.

Chapter 2 – Housing finance

The following steps in the home-buying process are important to note. As you have an existing home loan account with us, you would have been through the first few steps mentioned below. Even so, you can share this information with friends and family who are considering buying a home and you can use the same steps when you want to buy a new home.

Take time to read through all these carefully so that you are prepared every step of the way.

Key steps to buying a home

Step 1: Budgeting and affordability

The first step is to work out how much you can afford to pay every month. This is not only on your monthly home loan instalment, but also includes insurance (both for the building and the contents of your home), assurance (a life policy to cover the loan should anything happen to you), rates and taxes, levies, water and lights as well as your living expenses. You should take all your debt commitments into account to ensure that you do not spend more than you can afford.

Generally, spending about 30% of your income on a home loan repayment is reasonably affordable. It is also a good idea to approach us for a pledge before you go house hunting. That way you know the home loan amount you qualify for. See Chapter 3 – Affordability and budgeting for more information.

Step 2: House hunting

Once you know how much you can afford, you need to decide what kind of house suits your needs and your pocket. You can build or buy a freehold property (a house on a single stand), a cluster home or you can buy a sectional title unit in a complex. See Chapter 9 for more information about sectional title and Chapter 8 for information about building a home.

Step 3: Make an Offer to Purchase

If you have decided on the property you would like to buy, you will need to fill in an Offer to Purchase. This document is sometimes also known as an Agreement of Sale or Deed of Sale. Basically, it is a written agreement stating that you want to buy the property and the terms and conditions under which you agree to buy it. If the buying price of the property is below R250 000, a five-day cooling off period applies. This means that you have five days after signing the Offer to Purchase to withdraw your offer. After the five days, you will be legally bound to the agreement and you may find yourself in trouble if you then want to cancel the deal. For more information about an Offer to Purchase refer to Chapter 6 – Contracts and Chapter 5 – Things to know about home loans under rights and obligations.

Step 4: Seller accepts your offer

The Offer to Purchase has to be negotiated. You should note which fixtures and fittings form part of the sale. All the permanent fixtures and fittings such as light fittings, carpets, tiles, curtain rails and pelmets, and built-in cupboards are included in the sale unless you and the seller agree otherwise. Any movable items included in the sale must be negotiated between you and the seller. It is also important to understand the conditions under which you will occupy the property. In particular, make sure that the occupant of the property is willing to leave the premises on the date agreed to in the Offer to Purchase. Once you have negotiated the offer, the seller will accept the Offer to Purchase and you are on your way to becoming a home owner. See Chapters 5 and 6 for more information.

Step 5: Apply for a home loan

You now need to fill in a home loan application form and give us all your personal information and the required supporting documents.

The documents we need are:

- Proof of income
- Certified copy of South African identity document or passport
- Your spouse or partner's identity or passport number, if you are married in community of property or if you are doing a joint application
- Proof of your current street address (municipal or Telkom account, or valid TV licence)
- Your income tax reference number (if applicable).

Step 6: Requirements will be confirmed

We can start processing your home loan application as soon as we have your home loan application, the signed Offer to Purchase and other supporting documents. This includes making sure that you can afford the loan amount you are applying for and credit checks to see how you have been conducting your other accounts.

Step 7: A property valuation is done

The property is the security for your loan. This means that we have the right to sell your home to recover the outstanding amounts owing to us if you do not pay your instalments every month. We do a property valuation to check whether the present market value of the property covers the amount that you want to borrow.

Step 8: A decision is made

After considering your income, affordability, credit standing and property assessment, we will make a final decision on your loan application.

Step 9: Quotation letter

If your home loan application is approved, we will send you a quotation letter. The letter will include important information about the home loan as well as any special conditions that will apply to the loan.



Step 10: Registration attorney instructed to register the bond

We will appoint a registration attorney to attend to the registration of your bond. This attorney will make sure that the property is transferred into your name and that the mortgage bond is registered.

Step 11: You sign the necessary documents at the attorneys' offices and pay the relevant costs

You will be requested to sign all the necessary documents at the registering and transferring attorneys' offices. The transfer and bond registration fees must be paid in full at the different attorneys before the bond can be registered in your name at the Deeds Office. See Chapter 4 – Costs and expenses for the fees that will apply.

Note: the transferring attorney is the seller's attorney and they must make sure that the property is transferred out of the seller's name. Also see Chapter 5 – Things to know about a home, 10 things to ask your attorney.

Step 12: Documents sent to Deeds Office for registration in your name

Once all documents are in order and all fees have been paid in full, the attorneys will submit the documents to the Deeds Office. This process is referred to as "lodgement".

Step 13: Home loan registered in your name at Deeds Office by registering attorney

When the Deeds Office has checked all the documents, the transaction will be registered.

This normally takes about 10 working days from when the documents were lodged with the Deeds Office.

The process on date of registration is as follows:

- Property is transferred from the seller to you (the buyer).
- Your mortgage bond is registered.
- Seller's bond is cancelled.
- Funds are paid to relevant parties.
- You are advised that the bond has been registered.
- The amount you owe will be shown on your home loan account.

Note: Because of the involvement of other parties and transactions, it could take up to three months after your loan is approved for your bond to be registered.

Step 14: Confirmation of your instalments

We will send you a letter to confirm your bond has been registered and what your instalments will be. We will send you a home loan statement twice a year showing the outstanding balance on your home loan account. If you do not get a statement it does not mean that your account is fully paid up. It remains your responsibility to make sure that you are always informed of the status of your account.

It is also your responsibility to make sure that we have up-to-date contact details (telephone numbers and postal address) to be able to communicate with you. If your details change at any time, it is very important that you give us your new details.

Step 15: Your first monthly instalment

Your first payment is due 30 days after the property is registered in your name. It is compulsory to set up a debit order or salary deduction to make sure your home loan instalment is paid in full and on time every month.

For building loans: your first instalment is due within 30 days after 90% of the loan has been paid or on occupation.

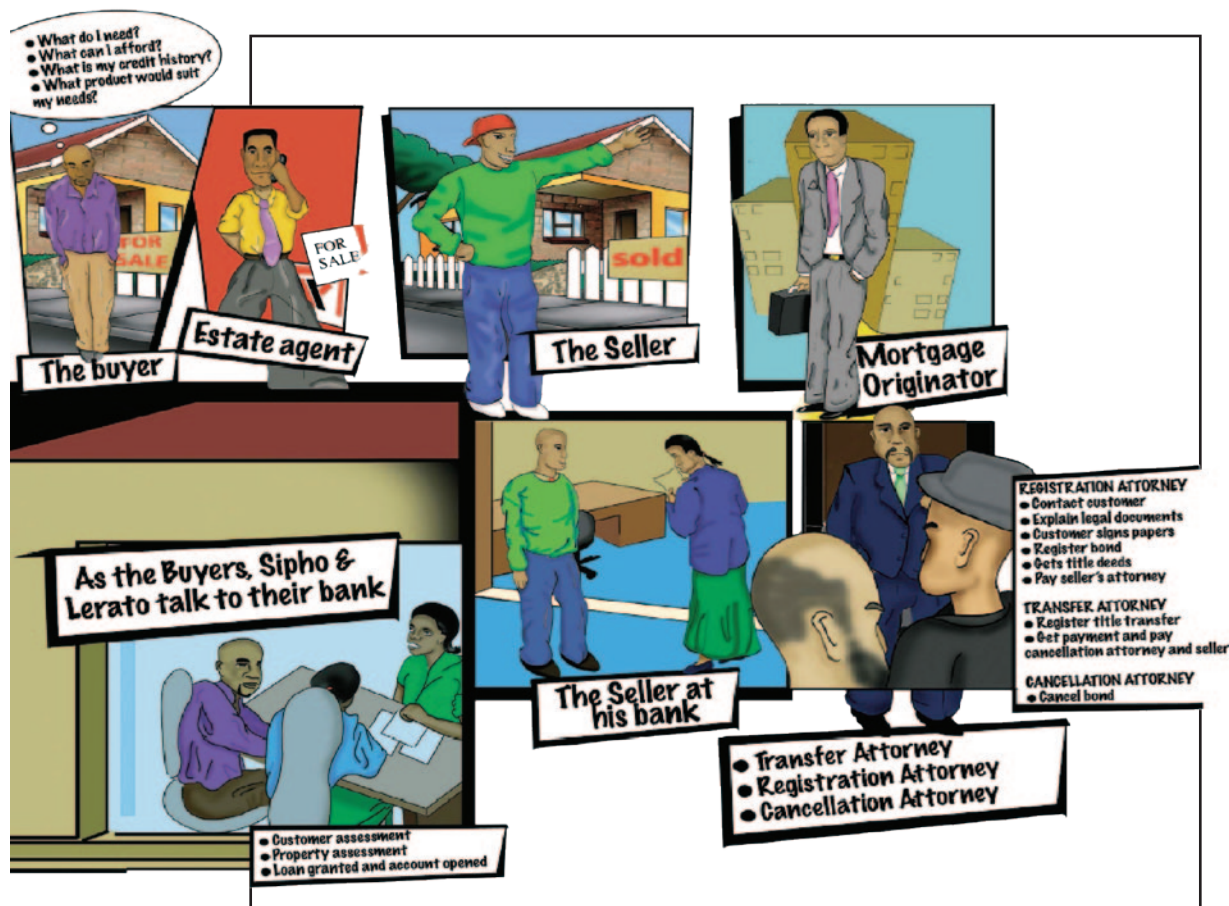
Step 16: Attorney sends title deed and mortgage bond documents to us for safekeeping

If you have any questions, please visit your nearest branch or call our customer contact centre on 0860 123 001.

Role players in the home buying process

Estate agents

- Estate agents participate in the negotiations of the sale agreement for the property for both you (the buyer) and the seller.
- You should make sure that the estate agent you are dealing with is registered with Estate Agency Affairs Board (EAAB).
- The EAAB was set up by government to protect people buying or selling a house through an estate agent.



Developers

- Developers can be an individual or company that buys a piece of land and develops it into a housing complex.
- The housing complex can either be free standing or sectional title.

The seller

- Is the person or entity that is the legal registered owner of the property and wants to sell it.

The buyer

- Is the person who is buying the property.

The occupant

- Is the person living on the property. This is not necessarily the seller of the property.

Your bank

- We assist you with the loan application process and then lend money to you to pay the seller.
- You can apply for a home loan through a mortgage originator who is a person who can also assist you with getting home loan finance.

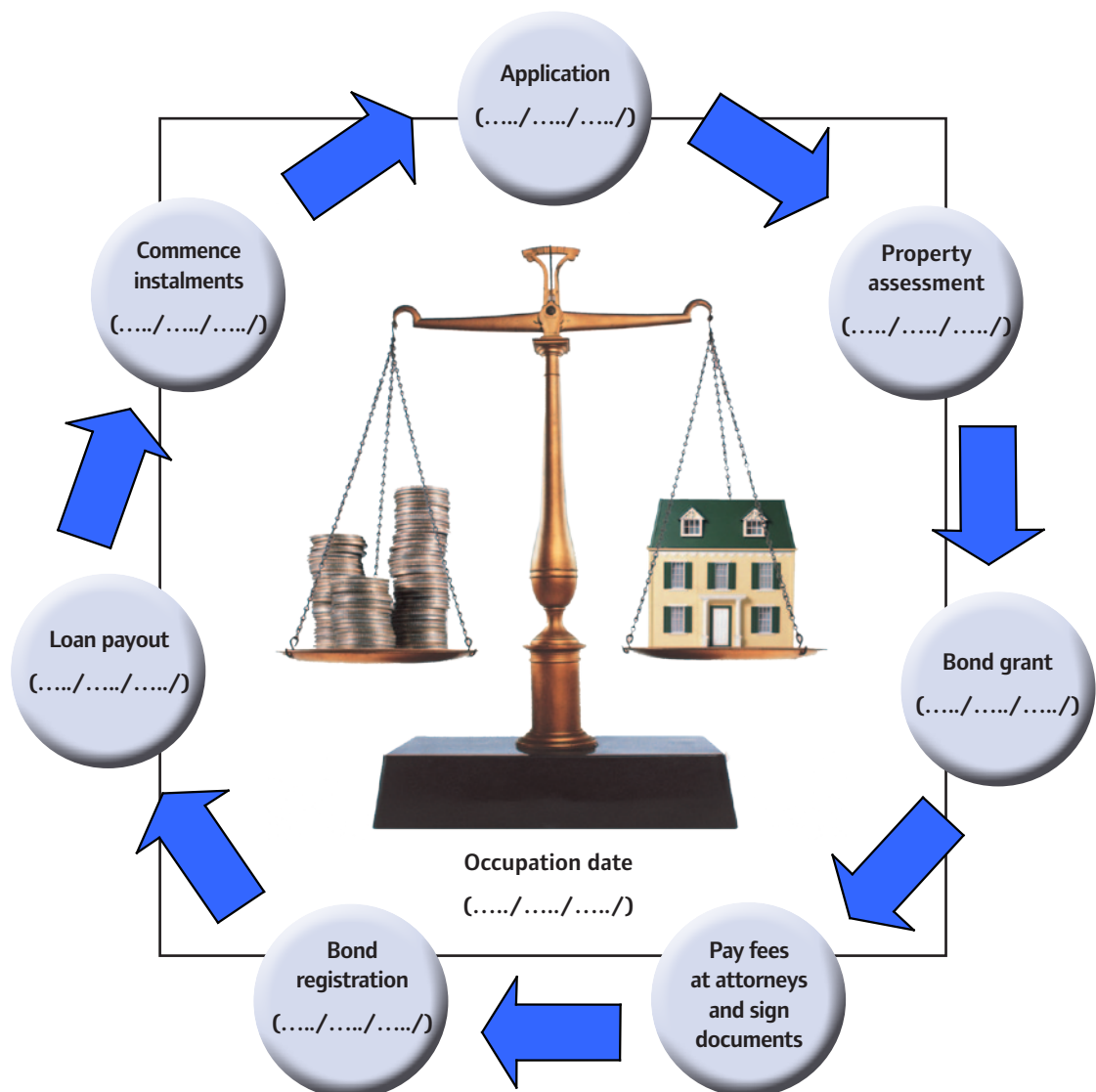
The seller's bank

- The seller's bank ensures that any loan the seller might have on the property is paid in full before it is transferred into your name.

Where are you in the process?

You can use the diagram below to help you to track where you are in the process.

Should you have any questions at any stage during the process, you can call our Customer Contact Centre on 0860 123 001.



Chapter 3 – Affordability and budgeting

Affordability is very important

With home ownership come many responsibilities. One of these is keeping to your financial commitments. If you take out any loans, you must be sure that you will be able to pay them back.

Ask yourself these questions:

How much spare money do I have at the end of every month?

Have I saved money for unexpected expenses?

Am I spending more money than I earn?

Am I living on credit?

Do I have any accounts that are overdue?

It is very serious if you do not pay your home loan instalments. You can lose your home, your deposit and all that you have paid on your loan. You must think carefully about your finances before and after you have taken out a home loan.

- Before you decide to take out a home loan you must work out your income and expenditure. You must know what it will cost you each month to live in your home. These expenses will include your home loan repayments, repairs and maintenance to the property, municipal services such as water and electricity, levies, and rates and taxes on your property. These expenses are in addition to your normal living expenses. See Chapter 4 – Costs and expenses for details of the different costs and expenses related to home ownership.
- Once you have your home loan you will need to consider your financial position before you take on any additional expenses. Again, you should bear in mind that your home loan instalment could increase at any time depending on changes in the interest rate.

Your budget

It is always a good idea to draw up a budget to help you to manage your finances. A budget will help you to understand how much money you have available by comparing your income with your expenses.

Income and expenditure guide

The income and expenditure guide helps you to understand your monthly income and expenditure and how it contributes to your application. To fill in your income and expenditure statement you need individual gross income and expenses. If your expenses are shared (for example, you are married) then only one partner needs to record their expenses. Make sure that you are realistic and honest with yourself when you fill in your income and expenditure statement. Bear in mind increases in the interest rate and cost of living.

Please see the back of this handbook for an income and expenditure guide that you can use for ongoing budgeting.

How to improve your affordability

When applying for a home loan, there are a number of ways in which you can improve your affordability.

1. Your employer may have a housing assistance scheme

Many employers assist their staff with buying a home. This is usually a monthly housing subsidy or allowance. This subsidy or allowance helps you to afford your home loan instalments. Check with your employer if there is an assistance scheme in place. Most banks will only allow you to use part of your employer housing subsidy when working out your affordability. This is a good thing, because if you lose or change your job, you will still be able to afford your instalments.

2. Use your savings

Use your savings to put down as big a deposit as possible. This way you will need to borrow less money which means you pay less interest and your monthly instalment will be more affordable.

3. Government subsidy

If you qualify, the government may grant you a housing subsidy. This subsidy is a once-off lump sum payment towards the cost of your house. You do not have to repay the money, but it must be used for housing and you may not sell the house within a specified period without permission from the Provincial Housing Department. The subsidy will be paid directly to us and can reduce the amount you need to borrow.

You may qualify for a government subsidy if:

- You are a South African citizen or a permanent resident.
- You are a first-time home buyer.
- You are at least 21 years old.
- You are married (civil and customary) or living with a long-term partner.
- Your joint gross monthly income is not more than R7 000 a month.
- You are single with financial dependants.
- You must have a cash deposit.

If you qualify for a government subsidy, depending on the type of subsidy you get, we may be able to apply for it on your behalf. The subsidy will not be approved if we decline your home loan application or the home is not registered in your name.

Speak to your home loan consultant for more information on subsidies.

4. Settling outstanding debts

Since the National Credit Act (NCA) was introduced in June 2007, you have to disclose (mention) all your debt to us when you apply for any type of loan. If you pay outstanding debts before you apply for your home loan your chances of qualifying for the loan amount you want will improve.

Chapter 4 – Costs and expenses

The costs when you take a home loan from us

1. The deposit

We have the right to ask you to pay a deposit. The bigger the deposit you can put down, the smaller the home loan you will have to take and the less interest you will have to pay.

2. Initiation fee

This is the charge to prepare the documents and process your loan application. We note the initiation fee in your quotation letter and also discuss it with you after your home loan has been approved.

3. Service fee

We charge a monthly service fee on your home loan. We note the service fee in your quotation letter and also discuss it with you after your home loan has been approved.

4. Transfer fees

A lawyer prepares the document to transfer the title deed for the property from the seller's name to your name. As the buyer of the property, you pay the transfer fees upfront. These are calculated on the buying price. No transfer duty is payable for loans up to R500 000 but the transferring attorney's fee will still apply. The transferring attorney will advise you of the amount that you will need to pay. These fees must be paid before registration or may be included in the home loan amount. Your quotation letter will show whether the fees will be included in your loan amount.

- You do not need to pay transfer fees if you are buying a property in a new development (off-plan) or if you are applying for a loan to build a new house.

5. Bond registration fees

Our lawyer, called a conveyancer, will also prepare the bond registration documents so that the bond is registered in your name. They will send these documents to the Deeds Office where ownership details of every single property in that area is filed. The charge for this called a bond registration fee.

You (the buyer) are responsible for bond registration fees before registration or they may be included in the home loan amount. Your quotation letter will show whether the fees will be included in the loan amount.

6. Home-owner's insurance

Home-owner's insurance covers damage to the structure of your house. The insurance protects you and us against any losses if your house is damaged or destroyed and it is therefore compulsory. For example, if your house catches fire or is damaged by floods, this insurance helps to pay for the repairs. It does not cover damage to the house caused by lack of maintenance or the furniture inside the house.

You can use the insurance cover available from us or you can go to an insurance company of your choice. This applies to free-standing properties. If you are buying a sectional title property, the body corporate will arrange this cover through an insurance company of its choice.

Please refer to your policy to understand what is covered. If you take a policy from us, the monthly premium will be included in your monthly debit order.

7. Life assurance

You need to consider what will happen to your family if you die or become disabled.

It is important to have adequate life cover to settle your home loan if something unexpected happens. Also see Chapter 7 – Making a will. Remember to always check your policy documents carefully to see what you are covered for.

The policy can cover the following:

- Death.
- Disability.
- Retrenchment.

If you take a policy from us, we include the premium in your monthly debit order.

The expenses you will have as a home owner

1. Monthly instalments

As soon as the property and home loan is registered in your name, you must start making repayments, even if you have not moved into your house. After that, you must pay your loan instalment every month for the duration of the agreed loan period.

Your monthly instalment includes a portion to repay the amount that you have borrowed and a portion to pay the interest on the loan amount. We recommend that you pay your home loan instalment by debit order every month.

If you have arranged to move into your house before the bond is registered in your name, you will have to pay occupational rent to the owner of the house.

It is important to know that your monthly instalment will increase and decrease depending on the prime interest rate. Please refer to Chapter 5 for more information on this.



2. Electricity

You will have to pay a deposit to have electricity connected to your home. Then you will have to pay for the electricity you use every month. Depending on the system in the area, you can use a prepaid card system or you can be billed monthly for the amount of electricity you use. The cost for electricity can differ from month to month. You must pay the service provider directly for the electricity you use.

3. Water

You will need to pay a deposit to have water connected to your home. Depending on the system in the area, you can also use a prepaid system or you can be billed monthly for the amount of water you use. Your local municipality or other service provider will send you a monthly account for the water you used during the previous month. You must pay the service provider directly for the water you use.

4. Municipal rates and taxes

Your local municipality will send you an account for rates and taxes and you must pay them directly. This amount usually stays the same for a year. The local municipality uses the money it receives from rates and taxes to provide sewerage facilities, repair and build roads, put up street lights and collect refuse. Note that the local authority may attach your property and sell it if you do not pay your rates and taxes.

5. Maintenance and repairs

As a homeowner, you are responsible for the maintenance of your property. It is best to attend to small repairs and maintenance work on a regular basis, and not leave them until they become big and expensive jobs. This way you keep your house in good condition and its value is maintained. Make sure you include some money in your budget for this.

6. Home improvements

You can increase the value of your property if you build an extension to your house or add another room. If you make other improvements, for example, lay floor tiles, this can increase the value of your property. These extensions and improvements must meet standard requirements. Poor workmanship and poor quality of materials used will not increase the value of your property – they can even reduce its value.

7. Levies

If you have bought a sectional title property like a flat or townhouse, there are costs for running the complex, which you will have to contribute to every month. These costs include:

- Rates
- Taxes
- Insurance premiums
- Repairs and maintenance of the common property, such as the garden and the buildings
- Wages and salaries of cleaners and other staff
- Water and electricity used on the common property.

Chapter 5 – Things to know about a home loan

General

What is a home loan?

When you buy a house, you pay a purchase price. This is the price you and the seller agree to. If you do not have the cash to pay the full purchase price, you can apply to us to borrow money. The money you borrow to buy a house is called a home loan or a mortgage bond.

If you qualify, we will give you a home loan. You may need to pay a deposit. We will then lend you the remainder of the purchase price of the house you want to buy. This amount is called the capital or loan amount.

When you buy a property, the Title Deed is the legal document that states that you own the property. As security for the home loan we grant you, a mortgage bond is registered. A mortgage bond is the legal document registered with the Deeds Office against the Title Deed, to indicate that you have a loan commitment to us. The mortgage bond will be registered against the Title Deed until your home loan is paid off in full. Although there is a mortgage bond registered in our favour the Title Deed is in your name. You therefore own the property and have ownership responsibilities such as maintaining the property, paying rates and taxes and repaying your home loan. If you do not want the property it is your responsibility to sell it. We do not own your property; we merely have a right to it if you do not repay your home loan.

How long do I have to pay off my loan?

Your home loan must be repaid to us within a certain period. This is called the repayment period or loan term. What you can afford to repay every month will determine the repayment period of your loan. Your age will also be taken into consideration. The repayment period is usually 20 years, but it can go up to a maximum of 30 years in certain cases.



Can I pay my loan off in a shorter time?

Yes, if you can pay your loan in a shorter time, you will save a lot of money.

The savings are great

It is also a good idea to make extra lump sum or several extra monthly payments. Because interest is charged on the daily balance any amount you deposit into your account will reduce the amount of interest you pay on the outstanding balance each month.

Remember: No matter how much more you pay each month or how often you make a deposit, you must pay the minimum instalment by the due date as shown in your loan agreement.

How do I pay my monthly home loan instalment?

The loan is paid off in monthly payments called instalments. These must be paid on or before the due date every month.

You can pay your monthly home loan instalment in one of the following ways:

- Debit order – this gives us permission to withdraw your monthly home loan instalment from your savings or current account.

- Salary deduction – you can ask your employer to deduct your home loan instalment from your salary each month. Your employer then sends us the instalment amount and your home loan account is credited. This is also called a payroll deduction. It is your responsibility to let your employer know if your instalment changes so that your home loan does not go into arrears due to incorrect payments being made to us.

To make paying your instalments easier, on time and for the correct amount every month, it is compulsory that you sign a debit order or salary deduction. Always make sure that there is enough money in your transaction account so that the debit order is not returned because there are not enough funds in the account. Ask us to arrange that your debit order or salary deduction is processed on the day that you get paid. That way you will not be “tempted” to spend some of the money that you need for your home loan instalment.

Where you have taken insurance policies which apply to your home loan, the monthly premiums will be included in your monthly debit order.

Note: If you are renting out the property, and the amount of rent you get is less than the instalment, you will have to “make up” the difference. You are responsible for making sure that you pay the full instalment due by the due date otherwise your home loan account will be in arrears.

Will my instalment change when the interest rate increases or decreases?

Your home loan instalment will change as the interest rate changes. When the interest rate goes up, your monthly instalment will go up. When the interest rate goes down, your monthly instalment will go down. Interest rate changes are announced in the media and the new instalments will become payable the next time a payment is due.

We will send you a letter when the interest rate changes and let you know what your new instalment will be. If you pay your home loan by debit order, the correct instalment will automatically be deducted the next time a payment is due.

Does the capital amount get less over the loan period?

When you pay your monthly home loan instalment, your payment firstly pays the interest for that month. Secondly, it pays your insurance premiums and service fee. And lastly, it pays the capital (loan) amount. The capital amount then becomes a little less. The next month's interest is now calculated on the lesser amount. Over time, you will pay more off your capital amount each month.

How are my payments recorded?

We will open a home loan account in your name. Your monthly instalments will be paid into this account. We will send you a statement of this account twice a year, showing the date on which payments were made, the amounts paid, the interest charged and the balance owing on the account.

If you pay your instalment using a salary deduction or debit order, you'll also see these payments on the statement of the savings or current account from which the money is drawn.

Can I pay more than my instalment each month?

Yes, if you can afford it, you should. It is called accelerated payments. If you pay a little more on your instalment each month, you will reduce the repayment period of your bond and save a lot of money.

What happens if I pay my home loan instalment after the due date or I cannot afford to pay my loan?

Non-payment on your home loan may affect your ability to get credit in the future. It is important to make payments every month on the due date to avoid your account going into arrears.

It is also important to make sure that you earn enough money to repay your loan and stick to your budget. Pay your home loan instalments first and do not overspend on other things. Budgeting is how you keep a record of your monthly income and expenses.

There are serious events that would affect your ability to make your monthly instalments such as retrenchment, loss of employment or partner's income, short pay and ill health. You should approach us if you run into problems and get advice immediately if you are not able to make your monthly repayments.

If you do not make a payment at all, we can evict you and repossess your home as it is the security for your loan.

You can contact our Customer Debt Management (CDM) department on 0860 102 270 if you are having financial difficulty and want to discuss your options with us.

How can I use my home loan to make alterations and improvements, and what are the options to refinance my loan?

Renovating a home is part of maintenance. For example, if you repaint the house and replace gutters. These expenses usually prevent your property from deteriorating but will not contribute to its value. You may increase its value if you upgrade the property by replacing carpets with tiles, retiling the bathroom or add another room. These items are considered as cosmetic and any increase in the value of the property is minimal compared to their retail cost.

- Further advances – if your property increases in value you can register a second bond to access additional funds.
- AccessBond – you can withdraw available funds from your AccessBond.
- Re-advance – if you do not have an AccessBond you may apply for a re-advance to access some of the amount you have already paid.

When can I sell my house?

You can sell your house before your loan term is up. You will, however, have to give us 90 days' written notice of your intention to settle your home loan otherwise we will charge notice interest. You should contact us as soon as you decide to sell your home.

Remember: If you have looked after your property and paid your monthly instalments on time, you may have some equity (value) in your property. Once the balance owing on your home loan is paid and the other costs involved in selling the property are settled, the amount left over is for you. You can use this money as a deposit on another property.

Rights and obligations

What are your rights and obligations as a home buyer and home loan customer?

A mortgage loan may be your most important financial commitment. It is important for you to understand the wider responsibilities and rights that you have as a home buyer and home owner. Please also refer to Chapter 10 – NCA. The following are some of the important things to keep in mind:

- After signing the Offer to Purchase you have a cooling-off period of five (5) days where you can withdraw or cancel the Offer to Purchase. This only applies to properties with a buying price of less than R250 000.
- Once the five-day period has lapsed, the Offer to Purchase is a legally binding contract and if you terminate it there could be legal implications.
- Make sure that you have viewed your property and that it meets your requirements. Make sure you are happy with any clauses regarding, for example, occupation date and occupational rent.
- You should be satisfied that the seller or occupant will leave the property willingly when required.
- You may ask for transfer of the property to be delayed until the seller or occupant has left the property.
- If a monthly housing subsidy from your employer applies, it is your responsibility to arrange the paperwork with them to put the subsidy in place.
- If your employer deducts the instalment from your salary and then pays us, it is your responsibility to let your employer know if the repayment amount changes.
- Issues of home quality are the responsibility of the seller, builder or developer, and you as the buyer. Homes that are less than five years old must also have a National Home Builders Registration Council Limited Warranty.
- Remember that your home loan repayment does not cover water, electricity, and rates and taxes. You must pay the municipality or service provider directly.
- It is important that you make the repayments on your home loan to make sure you keep a healthy credit record.

- If you find it difficult to make repayments on your home loan, contact us as soon as possible. We will help where possible to rearrange your repayments or make an alternative plan with you.
- You have the right to approach a debt counsellor. If you enter into debt review with a debt counsellor, you will not have access to any further credit or loans from all credit providers, not only us, until your financial position has improved.
- If you do not make the required repayments on time, we may end your agreement and take legal action against you.

If we have to end your agreement early due to non-payment:

- We will let you know in writing and charge you for the costs of serving that notice.
- You will still be liable for the balance outstanding on your loan.
- If you default on the loan at any time, we have the right to recover default administration and collection costs in line with the law.

There are suspensive and special conditions that you must keep to before you can use the loan. The attorney will point these out to you in the credit agreement that you sign at their office.

- When you have paid up your mortgage bond we will let you know how to deal with annual insurance premiums, other charges and administrative matters.
- When signing at the attorney's office, make sure that you read your entire credit agreement and understand it.

If you do not understand any clauses in the credit agreement, you have the right to ask the attorney questions or to contact us to explain them to you.

10 questions to ask your attorney

1. Who do I pay the deposit to?

This will depend on what your contract says. You can pay your deposit either to the estate agent or the conveyancers appointed to handle the transfer. They both have trust accounts where your money is protected. Make sure you get the appropriate receipts and that you pay the deposit into the company's account – not the individual's or the seller's account.

2. Who gets the interest on the deposit?

Unless otherwise agreed, the interest is paid to you after registration of transfer. On your written authority, both your estate agent and conveyancer can arrange for it to be invested in an interest-bearing account, and will act in your interests by placing it in the best short-term investment account available.

3. Who do I pay the occupational rent to?

Your occupational rent goes to the estate agent or the conveyancer. They will usually pay it into the seller's bond account or directly to the seller, if they have paid off enough of their bond account. You could pay it directly into the seller's bond account if agreed, but you may be required to provide proof of payment each month.

4. When will I have to sign transfer documents?

This may only be a few weeks after the sale agreement is signed. Usually your conveyancer will wait until the bond is granted and they have received the cancellation figures for the seller's existing bond. Only then can the guarantee authority forms be filled in and signed. You can phone the conveyancer for an update at any time.

5. How long will the transfer take to register?

This depends on the circumstances and due dates for the bond grant, and on the guarantees stipulated in the Deed of Sale. The average is about three months from the date of sale. When there are no complications, registration can be completed within two months. Where there are complications, registration can be delayed. In such cases, you will need to stay in touch with your conveyancer.

6. What will my transfer and bond costs be?

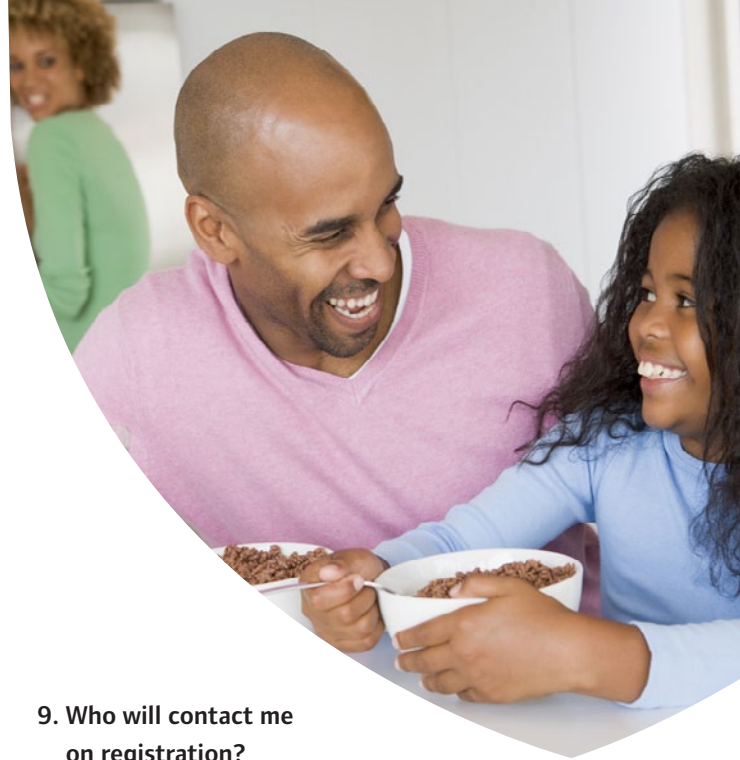
Your estate agent and attorney should be able to answer this question based on a schedule of transfer and bond costs. The actual transfer fees depend on the buying price of the property. Bond costs depend on the total loan amount registered and whether you are buying in your own name or in a trust, close corporation or company. Your attorney will give you your exact costs.

7. When must I pay my transfer costs?

This usually happens a few weeks after the sale, when you sign your documents. Your conveyancer (Who has to pay the transfer duty) will need payment in advance. The transfer costs are the major charge on most transfers – as well as the rates or levies due to get a clearance certificate. Do not delay making a payment – it will delay the transfer.

8. Who will register the mortgage bond?

We have a panel of conveyancers, and one of these will be instructed to register your bond. If the transfer conveyancer is one of those on the panel, they will probably do the bond registration as well. The bond costs will be the same, though your transfer may go through faster if the same conveyancer does both.



9. Who will contact me on registration?

Your conveyancer should contact you on date of registration. You will also be given a final statement of the account. Your estate agent may also phone you to confirm registration. We will send you a letter to let you know of the registration of your bond and the date your first instalment is due.

10. Where will I get the keys to the property?

It is best to make an arrangement with your estate agent to pick up the keys from them on the agreed day of occupation.

Chapter 6 – Contracts

What is a contract?

A contract is a written agreement between two or more people.

In a contract, these people are called the parties.

A contract lists the things the parties agree to. These are called the terms and conditions.

The parties sign the contract only when they clearly understand and agree to the terms and conditions.

As soon as the contract is signed, the law says it is legally binding. Each party must keep to its side of the deal and neither party can pull out of the agreement.

Different contracts in the home-buying process

In a property transaction like buying a home, there are a number of contracts that you enter into. They are:

1. An Offer to Purchase

An Offer to Purchase must have the following information:

- A description of the property, including stand number
- Address and size
- The buying price
- The date of occupation
- The amount of occupational rent
- What fixtures and fittings are sold with the house
- The time you have to arrange finance.

The following are important things to know about an Offer to Purchase:

- After you have signed the Offer to Purchase you have a cooling-off period of five (5) days in which you can withdraw or cancel it. This only applies to properties with a buying price less than R250 000.

- Once the five days have expired, an Offer to Purchase is a legally binding contract. If you end the contract there could be legal implications.
- Make sure that you have viewed the property and it meets your needs, and that you are happy with any clauses about, for example, occupation date and occupational rent.
- You should be satisfied that the seller or occupant will leave the property willingly when needed.
- You may ask for the transfer of the property to be delayed until the seller or occupant has left the property.

2. Home loan agreement

When you apply for a home loan from us, you sign a contract called a loan agreement. Signing the agreement means you agree to all the terms and conditions of the agreement. You must read all of the terms and conditions very carefully before you sign the agreement. If you have any questions, please ask one of our representatives or a lawyer to explain them to you.

3. Building contract

This is a contract you sign with a building contractor to have your house built. See Chapter 8 – Building loans – for more information about building contracts.

Breach of contract

If you break any of the terms and conditions of the agreement, you will be in breach of contract. For example, if you do not pay your full instalment amount by the due date.

What happens if you are in breach of your home loan agreement?

If you do not pay an instalment, the following can happen:

- We will let you know in writing that you have not paid the instalment due to us.
- You will be asked to contact us to make arrangements to rectify the situation.
- If you do not contact us, and your account remains in arrears, we will hand your account over to our lawyers. Your house could be taken from you and sold to someone else.
- The money we get from the sale of your home will be used to pay off or reduce the outstanding loan amount.
- You will still be responsible for any money owing to us after your house has been sold.
- Your credit record will show this, which will make it difficult for you to get credit in the future.

You can contact our Customer Debt Management (CDM) department on 0860 102 270 if you are having financial difficulty and want to discuss your options with us.

Chapter 7 – Wills

Making a will

During your lifetime you collect possessions called your assets. They could be:

- A car
- Money
- A business
- A house

During your lifetime you can also incur liabilities. You have an obligation to pay these accounts and debts. They could be:

- Debts, like hire purchase
- Loan agreements
- Store accounts
- School fees.

Your estate is made up of assets and liabilities. When you die your assets and liabilities continue to exist. Your estate is now called a deceased estate. Your relatives will need to know what to do with your estate. You are responsible for deciding what is done with your estate and you will need to draw up a will.

A will is a document that has information about your estate and says what must happen to it when you die. A will lets you make the decision as to who should inherit your house. As a homeowner, it's important to have a will.

In your will, you name the people whom you want to inherit your estate. These people are called your beneficiaries. They can be your spouse or partner, your children or relatives.

If you die and there is money outstanding on your home loan, it will have to be paid before your beneficiaries will be able to inherit the property. For this reason, we recommended that you have life cover to pay off your home loan so that the property can be transferred to your beneficiaries.

Speak to a financial consultant at your nearest branch to help you draw up a will.



Chapter 8 – Building a house

If you have chosen to build a house instead of buying an existing property, there is information you should know.

Choose a builder or developer who is registered with the National Home Builders Registration Council (NHBRC)

The National Home Builders Registration Council (NHBRC)

The NHBRC is a body that protects home buyers by setting and maintaining standards in the home-building industry.

Check list

- Check the reputation of the home builder.
- Ask to see the home builder's current NHBRC registration certificate.
- Phone the NHBRC to confirm the builder is still registered.
- Take time to inspect some of the houses the builder has built and completed.
- Make sure that the builder gives you a contract for the building of your new home.

Before building starts, you will need to sign a building contract which must include:

- The stand number on which the house is being built.
- The size and price of the land you are buying.
- A list of all internal and external fixtures to be fitted by the builder, for example, light fittings, plugs, ceilings and roof covering.
- Building expenses.
- The cost of drawing up the plans and lodging them with the local authority.
- The time it will take to build the house.
- A guarantee from the builder that any major problems with the house will be fixed, free of charge, within the first three months after you move in.
- The agreement must state that if we do not grant you a bond, the agreement falls away.

You can apply for a loan once the builder has given you a quotation and you have signed the agreement.

As soon as your home loan is registered and the contract signed, building can begin.

We will pay the builder or developer at certain stages in the building process. For example, the builder will get their first payment once the foundations have been laid.

Letter of satisfaction or 'happy letter'

When the house is completed, the builder will let you know when you can move into your new home.

The builder will give you a letter to sign. This letter is called a delivery note, letter of satisfaction or a happy letter.

You must be satisfied with the builder's workmanship before you sign the happy letter. Do not sign it if you are not satisfied with the house or the building. Do not move into the house until the builder has fixed everything you want fixed.

Prepare a snag list with all the things that you are not satisfied with and give it to the builder. Once these have been rectified and you are satisfied you can sign the happy letter.

We will pay the builder their final payment only after you have signed the happy letter.

Please ask your home loan consultant for our Building Loan brochure which contains more information about building a home.

Chapter 9 – Sectional title

We also grant home loans for sectional title developments

What do you buy?

When you buy into a sectional title complex you buy a section or sections of the common property. These are collectively known as a unit.

In a sectional title development you own a unit

This can be a unit in a complex or a free-standing house. The unit may also have an exclusive use area, such as a garden or parking bay. Although by law it belongs to the sectional title development, only the unit owner has the right to use this area. You will also share ownership of the common areas, like the driveways, grassed areas and lifts. Every owner has the right to use these areas.

What part of the property do you own if you buy into sectional title?

You will buy a section plus an undivided share of the common property. Taken together, this property is called your unit.

What part of the building makes up a section?

A section extends to the mid-point of outer or dividing walls, the lower part of the ceiling and the upper part of the floor.

What is common property?

The common property is that part of a development that does not form part of any section. Structures and areas in this category include:

- Driveway
- Garden
- Swimming pool
- Corridors
- Lift
- Entrance foyer
- Parking bay
- Outer walls
- Foundations
- Roof.

Who controls the common property?

Common property is always controlled by the body corporate. Its decisions are legal and binding. What this means is that even though parts of the common property are designated as exclusive use areas, they are under the control of the body corporate and are subject to the rules of the scheme.

What is an exclusive use area?

It is an aspect of the property that you do not own, but over which you alone have use. This could be any of the following:

- Parking bay
- Garden
- Patio
- Garage
- Storeroom.

Read through your contract carefully to find out which areas form part of the property you want to buy. The areas should be marked clearly on the property plan and the contractor should explain this to you in detail. Ask your estate agent or lawyer for advice before you commit yourself.

The body corporate

The body corporate is made up of all the people who have bought a unit in a sectional title development. Each owner has an equal vote on how to manage the development. To make managing the development easier, the body corporate elects a small group of trustees from among the residents to make decisions on its behalf. Usually, the trustees have the skills to manage a sectional title development properly. The trustees draw up an annual budget, decide on house rules and manage the running of the development. Sometimes the trustees will use the services of a managing agent to help with tasks, for example, calculating and collecting monthly levies from each owner.

What does the body corporate do?

It controls and runs the scheme. Trustees are appointed by the body corporate to administer the complex on a daily basis. The trustees also make major decisions about the complex.

Who are the trustees?

The trustees are usually owners of units who have been entrusted with the task of daily administration of the development. They are appointed by the body corporate at an annual general meeting (AGM).

Financial statements

It is important that you check the financial statements of the complex and make sure that the trustees are not incurring any debts on your behalf since this could put your property at risk from creditors.

Who may not be a trustee?

- The managing agent;
- members of their staff; and
- an employee of the body corporate.

Levies

Apart from the usual monthly expenses, such as home loan instalments and water and electricity bills, owners of sectional title units also pay a monthly levy to their body corporate. This levy goes towards the costs of running the development such as:

- Maintenance and repairs to the outside of the units
- Maintenance of the common areas
- Home owner's insurance
- Municipal rates and taxes for the land on which the development is built
- Water and electricity for the common areas.

All the charges are put together and the total cost is shared between the owners. The bigger your section is, the bigger your share of the total costs will be. If a sectional title development seems expensive, remember, as the owner of a free-standing house, you would be responsible for these costs by yourself.

It is important to pay your monthly levies as non-payment could result in your property being sold by the body corporate to recover the unpaid levies.

Please ask your home loan consultant for more information about sectional titles.

Chapter 10 – The National Credit Act

What is the National Credit Act?

The National Credit Act (NCA) came into effect on 1 June 2007. The aim of the NCA is to protect you from undue risk and to create a fair and non-discriminatory market place for lending.

A number of practices such as reckless lending, lack of transparency, discrimination and exploitation of consumers were identified in the consumer credit market. It was recommended that these be corrected through the introduction of the NCA.

Facts about the NCA

- **Improved disclosure**

The NCA requires a credit provider to give you a quotation and pre-agreement statement before you enter into a credit agreement. The quotation is valid for a minimum of five business days and must give the full cost of the credit. You will also get a copy of the document that records the agreement, which must be in plain language, clear and to the point.

- **Impact on credit bureaux information**

The NCA places obligations on credit bureaux about the accuracy and retention periods of credit information. These include:

- a) The bureaux must make sure that information held about you is accurate, up to date and confidential.
- b) They keep subjective adverse data – these change from three years to one year.
- c) When you lodge a dispute or query with a registered credit bureau about the information on its records, it will need to investigate the dispute within 20 days to find out its validity. A credit provider cannot decline your application if you have entered a dispute or have lodged a query with a credit bureau.

- **Unsolicited (unwelcome) selling**

The NCA specifically bans credit providers from harassing you to apply for credit or to enter into a credit agreement. There are also limitations regarding your entering into a credit agreement in a private dwelling or your place of employment.

- **Marketing practices**

The NCA sets out requirements for advertisements – they may not use misleading, fraudulent or deceptive information. It requires that if an advertisement refers to the cost of credit, it must give the instalment amount, the number of instalments, the interest rate that is applicable, and the residual or final amount payable, where applicable.

- **Reckless credit**

The NCA has ways to deal with debt and to create alternatives if you have too much debt. Reckless credit granting is not allowed under the NCA.

Reckless credit is defined as the following:

- a) Giving you credit without first checking your ability to take on further credit.
- b) You become over indebted after taking on new credit.
- c) You signed the credit agreement but did not generally understand its costs, risks or obligations.

- **The contract**

The NCA tries to educate you about your rights. The Act protects you from unfair discrimination on the basis of race, gender or other grounds set out in the Constitution.



- **Interest rates**

The NCA states that a credit provider may charge an interest rate that varies during the term of the agreement, but only if the variation is linked to a reference rate. The NCA also caps charges and interest owed under the credit agreement when you fall into arrears on your loan or credit agreements. Furthermore, you will be notified, in writing, of any changes to interest or credit fees or charges. The NCA also lays down maximum service and initiation fees, and interest rates depending on the type of credit agreement.

- **Cost of insurance**

The NCA states that a credit provider may need you to take out credit insurance for no longer than the duration of the credit agreement.

- i) In the case of life insurance, the amount of insurance may not be more than the total outstanding obligation to the credit provider under the agreement.
- ii) In the case of insurance over an immovable asset, the amount may not be more than the full asset value of that property.

In addition, you must be told about your right to waive a proposed policy from the credit provider and take out a policy of your choice.

Where the credit provider arranges insurance for you, it may not charge any additional amount over and above the actual cost of the insurance.

- **Dispute resolution**

The National Credit Regulator (NCR) acts as an informal court to sort out any problems that you experience with credit transactions, credit bureaux and credit providers.

Chapter 11 – Useful contact numbers

Type of enquiry	Contact number
General enquiries	0860 123 001
Application forms (new and further loans)	0860 123 001
Property information service	0860 123 001
Short-term insurance	
- Sales and quotations	0860 123 474
- Service	0860 123 741
Home Loan Protection Plan	0860 123 911
Home owner's insurance	
- Service	0860 121 141
- Claims	0860 123 444
Customer debt management (if you are having financial difficulty and want to discuss options with us)	0860 102 270
Properties in possession – marketing	0860 103 869

Chapter 12 – Income and expenditure guide

You can copy this to help you with your monthly budgeting

Net monthly income		
Net monthly income	Explanation	Amount
Monthly salary (principal applicant)	This is the gross salary reflected on your payslip or the amount deposited in a bank account on a regular basis if you are self-employed.	R
Monthly salary (other applicants)	This is the gross salary reflected on your payslip or the amount deposited in a bank account on a regular basis if you are self-employed.	R
Allowances in cash	Any cash allowance (provided it can be proven as sustainable over a period of time).	R
Commissions	Any commission earned averaged over 12 months with the first and last month excluded.	R
Investments	Any investment income, for example, dividends or interest averaged over the year.	R
Maintenance	Any cash you get in the form of maintenance.	R
Grant subsidies	Any subsidises you get on a monthly basis, such as a housing subsidy from your employer.	R
Rental	Rental income you get (this is the rental estimate that you give us).	R
Pension	Any pension amounts you receive.	R
Other	Any other income that may be acceptable to us.	R
Total net monthly income	Total of all income	R

Monthly expenditure		
Salary deductions	Explanation	Amount
Tax – PAYE/SITE	The amount of PAYE/SITE shown on your payslip. If you are a provisional tax payer then annual statements can be used or it can be estimated for each month.	R
Pension	The amount of money deducted each month for pension or provident fund contributions as shown on your payslip.	R
UIF	The amount of UIF shown on your monthly payslip.	R
Medical aid	The amount deducted for medical aid contributions as shown on your monthly payslip.	R
Monthly living expenses	Explanation.	
Insurance premiums	Any insurance premiums: • Household contents/vehicle • Home owner's comprehensive insurance (an estimated value, if applying for a new loan) • Cellphone • Funeral • Medical.	R
Life assurance premiums	Any life assurance premiums, including death, disability and retrenchment cover.	R
Electricity and water	Average of 12 months' electricity and water bills for all other homes as well as for the home for which you are applying for a loan. You must assume this and estimate it for the home loan you have applied for.	R
Rates, taxes, and levies	Any rates and taxes or levies applicable to other homes as well as for the home for which you are applying for a loan. You must assume this and estimate it for the home loan you have applied for.	R
Accommodation rental	Any accommodation rental. If you are currently renting but the home loan will replace your place of residence, then this can be left blank.	R
Leases	Any lease agreements, including rental and vehicle leases.	R
Hire purchase agreements	Any Credit agreements.	R
Telephone and cellphone, including line rental	Average of 12 months' telephone and cellphone bills.	R
Alimony or maintenance	Any amounts you need to pay every month in terms of alimony or maintenance.	R
Planned savings	Any amount that you have planned to save on a monthly basis.	R
Donations and pocket money	If any funds you pay for pocket money or donations to charity on a monthly basis.	R
Education – fees, books and accommodation	Any education fees that you need to be pay on a monthly basis. Average of 12 months.	R
Clothing	Any clothing expenses, excluding clothing accounts paid on a monthly basis.	R

Groceries	The amount you pay for groceries on a monthly basis averaged over 12 months.	R
Medical bills	Any medical bills averaged on a monthly basis, excluding medical aid.	R
Domestic and garden help	Monthly salaries of domestic and/or garden employees.	R
Security	Monthly premiums for security. You need to be assume and estimate this for the home for which you are applying for a loan.	R
Transport	Any petrol, bus fare or parking fees averaged for 12 months, excluding any car repayment. If you have a tracker facility, you need to add this.	R
Entertainment	Any entertainment expenses averaged over 12 months.	R
TV rental, M-Net and DSTV subscription	Monthly subscriptions for TV rentals, M-Net and DSTV.	R
Subscriptions	Any other monthly subscriptions, for example, Internet service provider.	R
Suretyship payments	The monthly surety payments need to be taken into account only if you have been called on to honour the surety agreement.	R
Retirement annuity contributions	Any monthly retirement annuity contributions.	R
Funeral plans	Any monthly funeral plan payments other than those specified under insurance premiums.	R
Retail store accounts	Any monthly payments made on retail store accounts, for example, Edgars.	R
Other financial agreements	The monthly instalment or payment you make on credit cards and other loans, like vehicle and asset finance or student loans, including other home loans still in existence.	R
Other (specify)	Any other living expenses not specified above.	R
Total monthly expenses	Total of all expenses	R

Total monthly income	R
Minus total monthly expenses	R
= Surplus	R

The surplus (the amount left over after expenses) must at least cover the total instalment of your new home loan.



