SA Home Loans

YOUR GUIDE TO BUYING A HOME AND EVERYTHING YOU NEED TO KNOW

So you're ready to purchase a home

BUYING A HOME IS AN EXCITING INVESTMENT

It goes without saying that buying a home – whether it's your first home or not – is one of the most exciting purchases you're ever going to make. But it's probably also going to be one of the most important investment decisions you make in your life, one that requires a great deal of thought.

Buying a home is different to nearly all the other purchases we make – you don't buy a home every day, and there are things that you need to be aware of when going through the process of purchasing a property.

This guide will steer you in the right direction, from looking at what questions to ask, and ensuring that you're making the right choice, to explaining the ins-and-outs of a bond application and registration. It will prepare and empower you with the tools you need to make informed decisions without worrying about what's around the corner, allowing you to fully enjoy the excitement of the journey that is homeownership.

THIS GUIDE WILL STEER YOU IN THE RIGHT DIRECTION.

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I'm interested in buying a property

FIGURE OUT WHAT YOU'RE LOOKING FOR. ASK YOURSELF THESE QUESTIONS:

- What's your price range? Think about your monthly budget and what you can afford.
- What areas would you be happy to live in?
- Would you like to join a gated complex for security, or would you prefer a free-standing house?
- How many bedrooms/bathrooms do you need? Do you have plans of extending your family?
- Are you willing to renovate and make desired changes and updates?
- Do you need an outdoor space? Is it a garden, braai area, patio/balcony or a pool, etc?
- What are your parking requirements? Do you need covered or uncovered parking?
- What amenities do you need to be close to? What's in your ideal neighbourhood? (Schools, shops, hospitals, parks, public transport).

THE SEARCH IS ALWAYS ON. WHERE TO START LOOKING FOR PROPERTY:

- Property websites. Outside of the conventional property websites, some websites operate independently of estate agents. The properties listed on these sights may be more affordable as the seller may not need to pay the agent's commission which can be as much as 7.5% of the selling price.
- Most estate agencies will also list the properties they're selling on their own websites, plus there are sites that show properties for sale by all agencies.
- Photos are a great start, but they lack the necessary detail and won't show you problems with the property or area. Schedule viewings with your real estate agent, so you can walk through the different properties to see whether your home needs are met.
- Attend show houses in your desired neighbourhoods to get the full experience, as this is probably the best way to view a property. Most show houses are on Saturdays or Sundays and generally start at 2pm and end at 5pm.

MAKE SURE YOU UNDERSTAND THE DIFFERENCE BETWEEN "FREEHOLD", "SECTIONAL TITLE" AND "SHARE-BLOCK" DEVELOPMENTS:

- Freehold or full title describes the transfer of full ownership rights when you own a property, which includes the building and the land it is built on. These kinds of properties include free-standing houses, cluster house etc.
- Sectional title describes separate ownership of units or sections within a complex or development. When you buy into a sectional title complex, you purchase a section or sections and an undivided share of the common property. These are collectively known as units. Sectional title dwellings comprise of semi-detached houses, townhouses, flats or apartments and duet houses.
- In a share-block the property is owned by a company and each flat is allocated a number of shares in the company.
- Very few financial institutions will bond share-block flats, and those that do normally require a hefty cash deposit and will often charge a higher lending rate than they would for a sectional title flat.
- All of which means that if you're interested in a share-block property you will need to have a fair amount of capital upfront.

BE AWARE OF THE HIDDEN COSTS INVOLVED IN PURCHASING A HOME:

Being a homeowner is a very different financial responsibility than being a tenant. There are a number of upfront costs involved in buying a home, over and above the purchase price. It's important that you're aware of these additional expenses so that you can save up the money or arrange a loan to cover these costs. Below is a brief explanation of these items:

- Transfer Duty' is paid to SARS every time a property changes hands subject to the value threshold as legislated from time to time.
- 'Transfer fees' are payable to the transferring attorney for transferring the property into your name, and are calculated on a regulated sliding

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scale based on the purchase price. Note that the R1 100 000 exemption does not apply to 'transfer fees', only to transfer duty.

- If the property is being purchased from a developer, no transfer duty is payable. However, VAT will be payable on the purchase price.
- Bond registration fee is payable to your attorney to register your bond with the Deeds Office.
- The attorney will also charge you for other smaller, variable costs such as FICA fees, electronic instruction fees and postage. These amounts may differ from attorney to attorney, but typically start from R3 500.

DO THE MATH OF WHAT YOU CAN AFFORD:

The purchase of a new home comes with a string of new bills. Not only will you now have a monthly bond instalment to pay, but there are a number of additional costs which you may not have had to pay as a tenant. These include:

- Rates payable to the municipality.
- Levies (for gated community/estate).
- Electricity and water.
- Household insurance (for the contents of your home) and homeowner's insurance (for the building).
- Repairs and maintenance (looking after a garden, painting the house, plumbing problems etc).

BELOW IS A TABLE OF APPROXIMATE COSTS TO GIVE YOU AN IDEA OF WHAT TO EXPECT. THESE AMOUNTS INCLUDE VAT AND MAY DIFFER FROM ATTORNEY TO ATTORNEY:

PURCHASE PRICE	TRANSFER DUTY	TRANSFER COSTS	REGISTRATION
R500 000	R0	R13 910	R13 623
R700 000	R0	R17 680	R16 708
R1 000 000	R0	R23 335	R20 995
R1 500 000	R12 500	R28 990	R25 274
R2 000 000	R41 625	R32 760	R28 014
R2 500 000	R79 275	R38 415	R32 719
R3 000 000	R127 600	R42 185	R35 458

** This table is for illustrative purposes only and based on the information available as at 31 July 2024. The approximate costs in the table explicitly excludes any costs associated with clearance certificates for sectional title properties.*

GET YOUR AFFAIRS IN ORDER:

Ensure that you have a good credit rating by paying your monthly bills on time. It's also a good idea to try and clear as many debts as possible before applying for a home loan, since lending institutions will look at existing debt obligations when assessing whether or not to approve a loan application. Contact SA Home Loans to find out what bond you qualify for. Pre-approval doesn't guarantee a home loan, but it does give you a clear idea of what you can afford to spend, and improves your likelihood of being taken seriously by the seller. As a rough guide, your instalment should not be more than 25-30% of your family's combined monthly income, before tax and deductions. This is known as your 'Payment to Income' (PTI) ratio.

GROSS MONTHLY INCOME	MAXIMUM INSTALMENT	MAXIMUM LOAN
R12 000	R3 000	R310 874
R18 000	R5 400	R559 573
R26 000	R7 800	R808 272
R40 000	R12 000	R1 243 495
R60 000	R18 000	R1 865 243

** This table is for illustrative purposes only and is based on an interest rate of 10% p.a. A lower interest rate means that you will be able to afford higher instalments and thus be able to borrow a larger sum.*

Our website has calculators which will assist you in calculating your instalments: Click here or you can refer to the table above for an illustration* of maximum loan amounts and instalments based on income levels.

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Finding the right home for you

Once you've found a home you like, it's important that you take the time to consider whether or not it really is the right home for you. Here are some tips to help you make the right decision:

- Visit the property at different times of the day – a house or flat can look very different at night to how it looks during the day. Ask if you can see the property in the morning, afternoon and evening, so you understand how light affects the way the property looks and feels as you'll be living in it 24/7. This will also allow you to see what the neighbourhood is like after dark, and how much traffic there is during evening rush hour.
- Make notes and take lots of pictures so that you can remember every detail.
- Establish which direction the property is facing. In South Africa, a north-facing house will be warm in winter and cool in summer.

ASK THE FOLLOWING QUESTIONS

- Why are the owners selling and for how long have they lived there?
- What are the neighbours like?
- Have the owners experienced any crime in the past two years? You may also want to check with SAPS regarding crime in the area.
- How much are the monthly levies/rates?
- What security systems are in place and is the fencing adequate?

HAVE A LOOK AT YOUR SURROUNDINGS

- Is the neighbourhood clean?
- Are you close enough to a hospital, police station and shops?
- Are the neighbouring houses well looked after?

GIVE THE PROPERTY A THOROUGH INSPECTION

Sellers are legally required to get an electrical and borer certificate, but problems with plumbing, foundations, roofing etc. can also be very costly to fix. It's worth taking the time to conduct a proper examination of the property before you seal the deal.

Anyone selling a house in Cape Town must provide a certificate from a certified plumber stating that the plumbing in the property complies with National Building Regulations and is in good working condition. Plumbing certification has become law in the Western Cape and will be enforced by city officials. Without the compliance certificates the sales process may be delayed.

The new Consumer Protection Act puts buyers in a much stronger position when purchasing a property from a developer or a previous owner – developers and sellers are now legally required to fully disclose the condition of the property, i.e. the "voetstoots" clause no longer applies as a blanket protection for developers or other businesses or agents who sell property in their ordinary course of business. It may however, still be included in sale agreements concluded privately between ordinary sellers and buyers. For this reason, it is beneficial to employ the services of a professional home inspection company to provide a report on the true state of the property.

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Making an offer to purchase

Don't be afraid to make a lower offer. People sometimes feel embarrassed to make an offer substantially lower than the asking price. If you really like a property, but can't afford the asking price, there's no harm in asking if the owners are open to a lower offer. When you're ready to make an offer on the property, the seller or estate agent will ask you to sign an 'Offer to Purchase'. This is a serious legal document and you need to be aware of the following:

- An 'Offer to Purchase', once signed by both parties, represents/initiates a 'Deed of Sale'.
- Ensure that an 'offer expiry date' is included. This puts pressure on the seller to accept or reject the offer within a reasonable amount of time.
- Decide on an 'occupation date'. This can either be on transfer of the property into your name, or at an earlier date, in which case 'occupational rent' will be charged.
- 'Occupational rent' will be negotiated with the seller and should be in line with the market-related rental for the property.
- Sometimes buyers will pay a deposit as a sign of good faith. The 'Offer to Purchase' must state that the deposit will be held in an interest bearing trust account until transfer, and that the buyer will be entitled to receive the interest earned when the deposit is released. It is advisable to use only Attorney accounts for this deposit.
- A cooling-off period of five days is generally included on properties with a value of R250 000 or less. In cases where a cooling-off period is included in the 'Offer to Purchase', the buyer has the option of withdrawing the offer within the five day period.
- A 72-hour clause is often included in an 'Offer to Purchase'. This clause allows the seller to continue looking for an alternative buyer even after the 'Offer to Purchase' has been accepted. This applies to offers that are subject to conditions (e.g. bond approval/sale of buyer's current house). If the seller accepts another offer, the buyer will have 72 hours to fulfil the conditions on the original 'Offer to Purchase'.
- Make a list of items that should be included with the sale such as automatic pool cleaner, garage remotes, blinds, etc. Be very specific and detailed.

If you love a property but can't afford the asking price, there's no harm in asking if the owners are open to a lower offer.

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My offer has been accepted

MY OFFER HAS BEEN ACCEPTED, WHAT HAPPENS NOW?

- Contact SA Home Loans to secure your bond.
- You'll need to submit all the necessary documents to get the ball rolling. . CLICK HERE
- SA Home Loans will do a credit assessment and if your application is approved it will be subject to the completion of a valuation. This can take up to 72 hours on condition that we have received all the required documentation.
- We'll prepare a home loan proposal, called an "Offer letter", detailing the costs, interest rate, predicted instalments and other important information for you to evaluate and sign.
- One of our expert appraisers will arrange to value the property within 3 working days.
- Our national panel of Attorneys will prepare all the necessary bond registration documents and will make an appointment with you to sign the documents.
- DO: Ensure that your good credit record is maintained. Keep paying your debt repayments on time and settle all your accounts.
- DONT: Make any new debt obligations as unpaid accounts will affect your credit record and your ability to afford your home loan and could result in your loan being declined.
- Should circumstances change and your credit record declines prior to registration, the approval of your bond could be reversed.
- NEVER: Prematurely borrow additional money for home renovations even before official change of ownership is processed.

GET TO GRIPS WITH THE CRITERIA USED IN ASSESSING A BOND

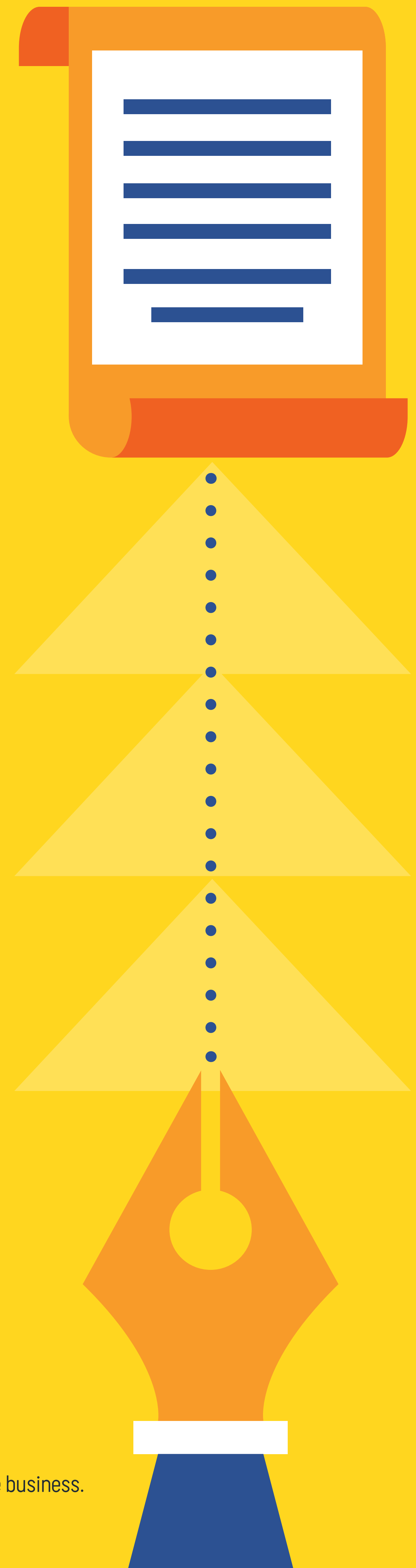
- One of the aims of the National Credit Act (NCA) is to ensure that people don't become over indebted. In order to ensure that this doesn't happen, lending institutions are required to properly evaluate your past and present spending and payment habits, how much you currently owe to other lenders, and what your repayment obligations are in respect of these debts. The NCA will only affect your application negatively if you are trying to secure a mortgage that exceeds your disposable income.
- If your application is declined as a result of your credit rating, you can obtain the details of the particular credit bureau from the lender. If the credit bureau information is inaccurate (for example, it reflects debt obligations which are incorrect) you can lodge a dispute with the bureau. If the credit bureau updates its records because it had recorded incorrect information, then it will also advise all other credit bureaus of the changes; and any credit providers which had requested information in the previous 20 days will also be advised that incorrect information has been removed.
- Loan to Value (LTV) is one of the risk assessment tools that lending institutions use when considering a bond application. Assessments with high LTV ratios are generally seen as higher risk and, if the loan is approved, will generally cost the borrower more to borrow. LTV is calculated by dividing the loan amount by the value of the property.
- Payment to Income (PTI) or Instalment to Income (ITI) is the basic affordability measure in mortgage lending decisions, and is the ratio of your monthly bond instalment to your monthly income before taxes. Your PTI should not exceed 30%.

MAKE CERTAIN YOU UNDERSTAND THE TERM OF YOUR MORTGAGE LOAN

Generally speaking, the term of a bond is 20 years, with some lenders offering 30 year bonds under certain circumstances. However, you can make additional payments into your home loan or pay more than your required monthly instalments, thus reducing the time it takes to pay off your home loan. Putting additional money into your home loan dramatically reduces the total amount of interest paid during the loan period.

THERE ARE A NUMBER OF DIFFERENT OPTIONS AVAILABLE WHEN IT COMES TO SELECTING YOUR BOND INSTALMENTS

- With a standard home loan, the interest rate you pay is linked to the 'Repo rate' (the rate at which the Reserve



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Bank lends money to banks and financial institutions). This means that your interest rate and monthly instalment rise and fall along with economic conditions in the country.

- SA Home Loans uses JIBAR – the Johannesburg Interbank Agreed Rate – as the base rate for our bond lending rates. Like Prime, this is closely linked to the Repo rate. SA Home Loans reviews bond rates every 3 months in line with movements in JIBAR. This is different to the banks, which will move their bond rates immediately following a change in the Repo rate. For a full explanation of JIBAR, see www.sahomeloans.com
- The standard home loan offered by most lenders in SA usually has a 20 year term; however 30 year bonds are also available. A 30 year bond carries a lower instalment, which offers greater cash flow flexibility and can be helpful for home buyers at the beginning of the life of their loan. However, it's important to note that the total cost of a 30 year bond is higher than a 20 year bond, since the interest repayment is calculated over a longer period.
- SA Home Loans also offers 'Edge' home loans – where you're required to pay only the interest for the first 36 months. Thereafter your monthly repayment will revert to a fully amortising instalment for the remaining 240 months – this loan structure can be helpful during the first few years of a new home loan when you may feel financially stretched.

FAMILIARISE YOURSELF WITH THE MORTGAGE PROCESS/ TIMELINE

- It will generally take 8 to 12 weeks from bond approval for your transfer to take place.
- The first step is to appoint attorney(s) to attend to the bond cancellation (if applicable), the transfer of the property and the registration of your bond.
- The seller has the right to choose the transferring attorney, although an attorney of your choice can be agreed with the seller. The lender chooses the registration attorney. You, the buyer, are responsible for all attorney fees, as well as rates and taxes on the property, which are paid in advance in order to obtain a rates clearance certificate.
- Once all documents have been signed by both parties and the costs paid, the documents will be lodged with the Deeds Office.
- Payment to the seller will be made on registration of the bond, normally 7 to 10 days after the documents have been lodged with the Deeds Office.

HOMEOWNER'S COVER

- Homeowner's insurance must be taken out by the homeowner on the property you've applied for financing. This is required by all home loan lenders to ensure that their financial risk is protected should the structure of the dwelling suffer damage in the event of an insured occurrence such as accidental damage to glass and sanitary ware, fire, storms, burst geyser etc.
- Sectional title units will have homeowner's insurance included in their monthly levies. However, you need to check with the body corporate that the insured amount is at least as much as that required by the home loan lender.

BOND PROTECTION COVER

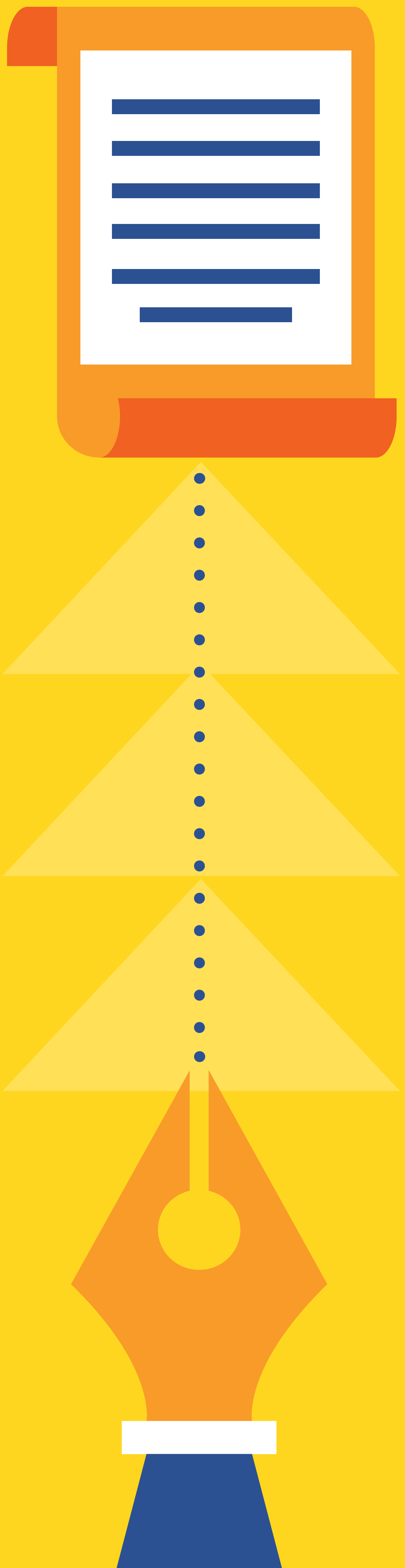
Whilst not always compulsory, bond protection insurance is recommended as it covers repayments in the event that a homeowner is unable to pay the bond instalments due to death, disability or retrenchment.

AFFORDABLE HOUSING PACKAGE

In order to allow more South Africans to achieve their dream of homeownership, SA Home Loans offers home finance packages to households with a combined household income from R8 000 per month.

- Preferential interest rate which is subject to change and tailored to your risk profile.
- Up to 100% of the purchase price, depending on your risk profile.
- Flexible term up to 20 years.
- Bond attorney costs are discounted by 50% unless they are covered by the developer.
- Payment options for Debit Order or Salary Stop Orders (for government employees).
- In-house insurance options are available: bond protection and homeowner's cover.

First Home Finance (FHF) provides qualifying, first time homebuyers with a subsidy of up to R169 264.60 that may be used as a deposit or lump sum payment into the bond account. Discuss with your consultant or see our website for more details on how to apply.



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Step by step guide to home finance

GET ARMED WITH INFO

Before you start the process, make sure you know what you can afford. Speak to a consultant or use the online Mortgage Calculator to establish how much home finance you qualify for based on your income or joint income. CLICK HERE

1

GETTING STARTED

You will now need to make a formal application. You can select to do this online or you can call the Contact Centre on 0860 2 4 6 8 10. Alternatively, you can contact the branch nearest to you for personal assistance. It's not a complicated process and a consultant will happily guide you through the process if you are unsure. CLICK HERE

2

SUPPORTING DOCS

This is the most important part of the process from your side. You will be informed about the documentation required to accompany your application. Putting together all the required up-to-date documentation upfront will speed up the process considerably. Once your consultant has this, they will do the rest. But they can't progress without the right documents!

You can find the list of documents required HERE

3

CREDIT APPROVAL

Our credit team will now complete the credit assessment. If everything is in order, you will receive a notification of approval of your bond application. This approval is subject to completion of the valuation.

4

SIGNING OF OUR OFFER

Once a credit approval is held we will draw up our Offer Letter. This details all the costs, the interest rate, indicative monthly instalment and other important information for you to evaluate and sign. Your consultant will go through these costs and details with you.

5

VALUING THE PROPERTY

SA Home Loans will arrange an appointment for an expert appraiser to come and value the property you intend to purchase. They will speak to the owner or the estate agent to arrange this.

5

CONVEYANCING

Now the legal process begins. An attorney (from our national panel) will prepare all the necessary bond registration documentation and will make an appointment with you to sign them. Arrange to sign as soon as you are contacted, so that the process is not delayed. The attorney will go through and explain the documentation in detail with you.

7

LODGEMENT

Once you have signed the documentation, the attorney will 'lodge' your bond for registration.

8

REGISTRATION

Your bond now needs to be registered at the respective Deeds Office. This is a legal process and can take up to 8 - 12 weeks. Your attorney will notify you once this takes place.

9

OWNERSHIP

From the date that the Deeds Office registration takes place, you are the legal owner of your new property. You will now start paying your bond instalments as well as insurance, and all rates, taxes and utility costs relating to your home.

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Making your bond work for you

A home is a serious investment, and like all investments, it needs to be managed properly in order to ensure that you get the best possible return. Unfortunately, once people have registered their bond and begin repaying the loan, they don't give their most important investment another moment's thought.

As a homeowner, you can ensure that your hard-earned money is being put to good use, by following these important steps:

INCREASE YOUR BOND REPAYMENT

When you borrow money to purchase a home you are in effect taking out two loans. The first loan is to repay the capital amount, known as the principal sum. The second loan is to repay the interest charged over the period of the loan. The majority of the money you repay in the first years of having a home loan goes towards paying back this interest, which will only marginally reduce the principal sum.

In South Africa, interest is generally calculated daily on your mortgage. In effect this means that the amount you owe the bank increases every day. Because of the nature of compound interest, regular additional repayments made at the beginning of your loan term will have a much greater effect on the cost of your bond than if you start paying extra cash into your bond account five or ten years down the line. However, even if you are already a number of years into your loan term, you can still make a considerable saving by paying additional money into your bond. By increasing your monthly instalments, you'll reduce the term of your bond, which means that you won't be paying heavy bond instalments in later years. The end result is that you will have paid less money in interest over the term of the loan.

There are a number of easy ways that you can put additional money into your bond without really feeling the difference in your pocket:

- Put the additional income you receive from your annual salary increase into your home loan
- When interest rates decrease contact your lender and ask them to maintain the instalment that you were paying prior to the drop in lending rates
- Put a portion of your annual bonus into your bond

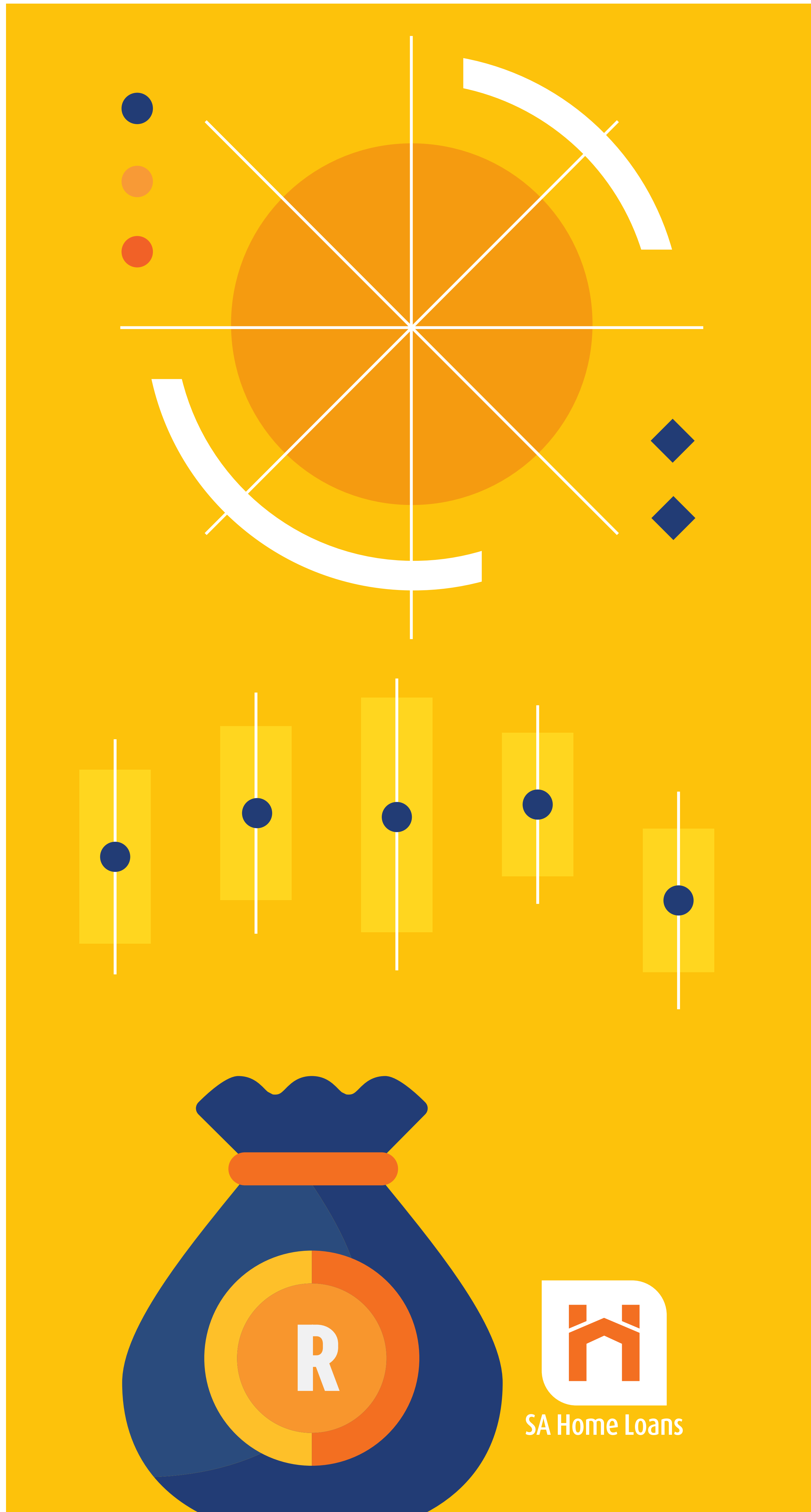
At SA Home Loans you may put extra money into your bond any time you want to. Every little bit helps. Making a prepayment when the loan registers is particularly helpful, as you will reduce the capital amount immediately, significantly reducing the total interest payable over the term of the loan.

USE YOUR BOND AS AN INTEREST SAVING ACCOUNT

Banks are in business to make profit, so it's in their interest to charge a higher interest rate to people borrowing money from them than they do to investors who deposit funds with them. For example, you might be receiving 2% interest on a positive balance for money in your savings account, but are probably being charged a much higher rate for the money you've borrowed to pay off your home loan.

By depositing your savings into your bond, you are effectively receiving the interest rate that the bank charges you on your loan as positive interest on the money you invest. For example, if you have a bond for R1 million, and you deposit an extra R100 000 into your home loan, you are now no longer being charged interest on R1 million, but rather on R900 000. The money you save in interest over the period of time that you keep the R100 000 in your home loan is the positive interest you earn from the money you've deposited. Plus you can withdraw this cash when you need it without being penalised.

**Subject to product and eligibility rules.*



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CONSOLIDATE YOUR DEBT

Interest rates charged on home loans are generally a lot lower than the rates you will pay for vehicle finance, credit cards and store accounts. So it makes financial sense to consolidate these debts into your home loan. But of course home loans are calculated over a much longer period than these other short-term loans. That's why it's important to keep the repayment time period the same by maintaining your monthly instalments prior to moving the debt across to your home loan. If you take the full life of the home loan – often 20 years or more – it will end up costing you a lot more in interest.

BUILD UP A GOOD CREDIT HISTORY

You can build up a good credit history by repaying your home loan on time every month. Lending institutions will look at an applicant's credit history when deciding whether or not to grant a loan, and will also consider their credit rating when determining what interest rate to charge a client. Thus, by paying off your home loan in a responsible manner, you might end up saving yourself money in terms of lower interest rates on future loans.

WHAT MUST I DO IF I HAVE DIFFICULTY PAYING MY HOME LOAN INSTALMENT?

Avoid skipping your home loan repayments as missed payments will not only negatively impact your credit record, but it will also increase the capital balance outstanding on your loan, which will increase the overall interest payable as a result. If you fail to meet your payment commitments over a period of time, it could lead to legal action and the loss of your home. So it's important to prioritise your home loan repayments each month.

COMMUNICATE WITH YOUR LENDING INSTITUTION

If you are having trouble paying your monthly home loan instalment, the most important thing that you must do is to tell your lender about the problem. People often avoid contacting their lender out of shame and fear of the consequences. But it's better to acknowledge and communicate your circumstances, as we understand that life can happen and interrupt your ability to meet your financial obligations. It's advisable to contact your lending institution to make a payment arrangement that will help you, by allowing you to pay off the arrears gradually alongside your usual expenses. Your lender will discuss the options available to you based on your particular circumstances.

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LOOKING AFTER YOUR INVESTMENT:
MAINTAINING YOUR HOME

Owning your own home is a great privilege, but with it comes the responsibility of looking after the property in order to protect your investment and ensure that it isn't wasted. Houses require a lot of time and money to keep them in good condition, but it's worth it in the long run, because replacing items is far more expensive than taking good care of them.

Pay special attention to the following areas in your home:

- **Wooden door and window frames.** The weather in South Africa can be very harsh on items such as wooden frames. Homeowners should varnish their wooden frames as often as every six months, to avoid mould growth and rotting. It's also important that people who have wooden floors keep a lookout for borer and other wood-eating insects.
- **Clean your gutters regularly**. Gutters that aren't cleaned out will become ineffective over time and may cause damage to your walls and ultimately your foundations. Maintaining your gutters will also mean they will last for years to come.
- **Paintwork**. It's better to spend the money on a good quality paint as this will save you money in the long term. Ensure that outside walls are cleaned regularly and repainted when required.
- **Swimming pools.** This must be maintained regularly in order to avoid structural problems or the need for resurfacing. Check the pH balance every two weeks and backwash your pool once a week.

Landscaping and/or a garden can increase the value of your property significantly. Make sure that your garden is well-kept and think about investing in indigenous plants. Indigenous gardens are growing in popularity because they are easier to maintain and use fewer resources such as water and fertiliser making them more sustainable.

Monitor developments in your neighbourhood:
It's important that you're aware of any developments in your neighbourhood that may have a negative or positive impact on the value of your home. If you're proactive about the area you live in, you won't be taken by surprise and may be able to have a say regarding any potential changes in your neighbourhood, especially if you live in a sectional title property. The following are some of the things that you can do to make an impact:

- Participate in local police forums.
- Hold or attend regular neighbourhood meetings to discuss issues that affect your community, such as crime or litter.
- Take note of any new buildings, developments or renovations.
- Make sure that you know the name of your ward councillor.

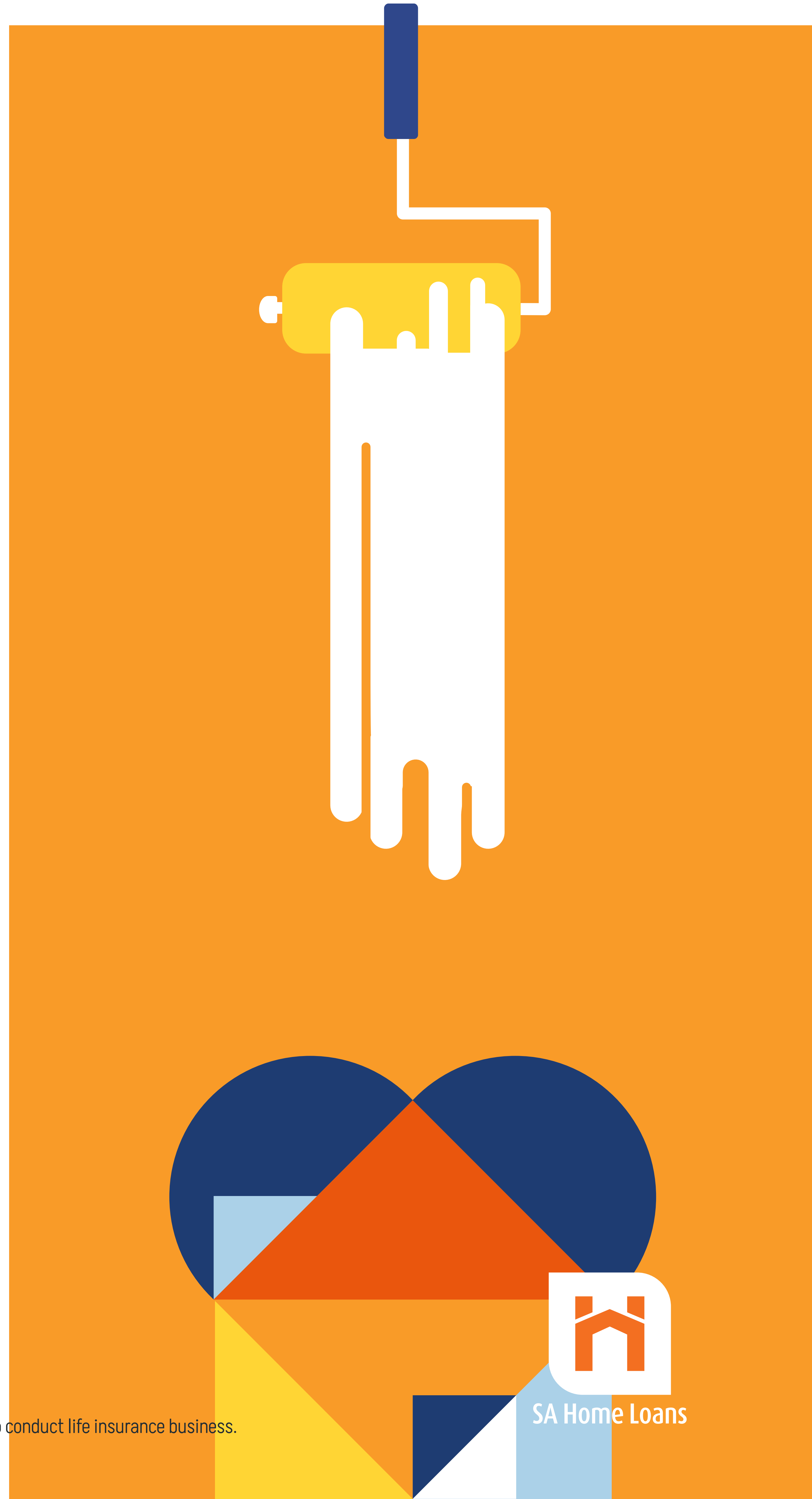
HOME IMPROVEMENTS

Making additions to your home or renovating existing spaces can be a stressful process but, when done with the right planning, the money you spend can turn out to be a wise investment. Ensure that you have planning permission if necessary, including the consent of your Financial Service Provider where your bond is held. The rule of thumb is that renovations to bathrooms and kitchens are most likely to increase the value of your property, but adding additional space to your house can also serve you well. Not only will you increase the value of your property, but by adding a garden cottage or similar structure, you are also providing the means to gain rental income which can be used to help pay off your bond.

If you are thinking about making home improvements, here's a useful checklist:

- Ensure that you have planning permission if necessary, including the consent of your Financial Services Provider where your bond is held.
- Hire a builder/contractor who is registered with the National Home Builders Registration Council (NHBRC).
- Consent needs to be obtained from the financial service provider where the bond is held for any extentions/additions or changes to the home.
- Don't be afraid to ask the builder/contractor for references of completed work done.
- Research the prices of similar properties in your neighbourhood, so that you don't make the mistake of over-capitalising your property.
- Budget for more time and money as building work nearly always takes longer than expected, and often costs considerably more than the original quote.

If you need funds for home improvements, speak to us about the ways in which you may do this, as borrowing against your home is often your cheapest source of finance. We have various further lending options for existing clients, while new clients who are switching to SAHL may be able to get Quick Cash.



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Understanding the jargon

HERE ARE SOME OF THE LEGAL AND COMMERCIAL TERMS USED IN PURCHASING AND FINANCING A HOME – EXPLAINED IN SIMPLE WORDS

AGREEMENT OF SALE: A written contract between seller and buyer that records the terms and conditions of the sale of a property, often referred to as a deed of sale.

BOND / MORTGAGE LOAN: A loan made to the owner of a property where the property is the security for the loan. The loan amount or a greater amount is registered in the Deeds Office against the title deed of the property.

BOND PROTECTION: Life assurance on the life of the borrower to cover the amount owing on the bond.

BRIDGING FINANCE: Short-term loan to cover the time until a person receives funds anticipated, usually from a transaction in progress, to conclude another transaction.

BUILDING LOAN: This is a loan one would take to build a house and is not typically available through SA Home Loans.

CAPITAL GAINS TAX: Taxpayers, including individuals, trusts, companies and corporations, will be taxed on the profit they make when they sell an asset or property of a capital nature, usually where there is a change in ownership. This is basically a tax on the resale of profits, and may apply to your primary residence if the capital gain exceeds R1.5 million or if the proceeds exceed R2 million. See the SARS website for further details.

CESSION: The transfer of rights to another e.g. the transfer of rights of ownership.

COOLING OFF PERIOD: This is a clause included in an offer to purchase or a sale agreement. A buyer may be entitled to revoke his/her offer or terminate the sale within the 5 day "cooling off" period.

CONSOLIDATION OF DEBT: The replacement of multiple loans with a single loan, to achieve a lower monthly payment. This may entail replacing more expensive finance (e.g. hire purchase, bank overdraft, credit card) with cheaper and longer-term finance – such as a further loan from a mortgage bond.

CONVEYANCER: An attorney (lawyer) qualified to prepare documents and attend to the transfer of a fixed property and the registration of mortgage loans.

COSTS (OR COVER) CLAUSE: Provision in a mortgage loan document securing an amount over and above the money lent, to cover potential costs such as: penalties, legal fees, costs of attachment, interest, etc.

DEED: Legal term for a formal legal document that is signed, witnessed and delivered to affect a conveyance or transfer of property or to create a legal obligation or contract.

DEED OF SALE / AN AGREEMENT OF SALE: A written contract between the seller and the buyer that records the terms and conditions of the sale of a property.

DEEDS OFFICE: The government department where rights and interests in immovable property are registered. These are regionally located.

DEPOSIT: The amount of money a customer has available to contribute towards the purchase of the property.

DOMICILIUM CITANDI ET EXECUTANDI: A physical address where the delivery of legal notices will be accepted by a party to a written agreement.

EMPLOYMENT TYPES

- **SALARIED:** A person who is employed by a business enterprise, receives a monthly salary, but has no significant ownership of the enterprise.
- **SELF-EMPLOYED:** A material shareholder or principal of a Company, a CC or a Sole Proprietor. Proof of income would be in the form of a letter from an accountant/ bookkeeper stating monthly take-home earnings, and supported by bank statements.
- **SUBSIDY:** A housing allowance forms part of the remuneration package and the employer deducts bond repayments directly off the salaries of employees. These are usually offered by government employers, municipalities and the like.

EQUITY

- **POSITIVE EQUITY:** The amount by which the value of a bonded property exceeds the amount owing on the loan.
- **NEGATIVE EQUITY:** The amount by which the amount owing on a bonded property exceeds the value of the property.

SA Home Loans

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GUARANTEE: A document which guarantees the payment of a certain amount on the occurrence of a certain event e.g. A bank guarantee in favour of a conveyancer, payable on the registration of transfer of a property into the name of a lender.

HOUSEHOLD CONTENTS INSURANCE: Insurance against loss or damage to the contents of a residence e.g. furniture, appliances, clothing, etc.

HOC: Homeowners Cover is an insurance that covers loss or damage to immovable property.

INITIATION FEE: In terms of the National Credit Act, a credit provider is permitted to charge a consumer a fee for entering into a credit agreement with them. This Initiation Fee is intended to cover all costs incurred in completing the credit process (e.g. obtaining credit bureau reports, valuations, deed searches etc) as well as initial administration expenses. This amount is worked out in terms of the loan value/parameters laid down in the Act.

INSTALMENT AMOUNT: This is the basic monthly amount paid for your home loan. The instalment payment typically will comprise the monthly interest on the loan as well as an element of capital repayment, together with any monthly costs and insurance premiums.

INTERIM INTEREST PROVISION: Applies to "switch bonds" only. After your bond has been approved, SA Home Loans applies for cancellation figures from your current lender. These figures are deduced by adding the loan amount outstanding + 3 month's interest. We call this "interim interest". This interim provision is required by banks in order to safeguard themselves against a shortfall in the amount outstanding on registration with SA Home Loans. On registration, we pay the full cancellation fees to your lender, who then refunds you with the interim interest in full, provided your account has been conducted normally.

INTEREST RATE: The annual rate charged to a borrower on a loan. Interest is calculated on the daily balance of the loan and capitalised monthly.

JIBAR: The Johannesburg Interbank Agreed Rate is a 3 month deposit rate. It is a South African money market rate which is determined by a number of local and international banks, and updated on a daily basis. The rate achieved is in yield form and is quoted as the 3 Month JIBAR rate. This rate is published each day by 11h00 on Reuters on the SAFEX page.

LOAN TO VALUE (LTV): The value of the mortgage loan, or the amount that the borrower wishes to borrow, expressed as a percentage of the market value of the property, or the estimated value of the property.

MARKET VALUE: The amount that a willing and financially able buyer would pay to a willing and able seller, provided that the property had been effectively exposed to the market for a reasonable period of time.

MORTGAGE LOAN: A loan made to the owner of a property where the property is the security for the loan. The mortgage bond is registered in the Deeds Office against the title deed of the property.

MORTGAGEE: Lender (creditor), usually a bank, who advances or lends money on the security of a property purchased.

MORTGAGOR: Borrower (debtor) who borrows from a lender by mortgaging his property to the lender as security.

NPV: The Net Present Value (NPV) is the value of a future sum of money which is calculated and expressed in today's terms.

NON-LIQUID ASSETS: Assets that cannot be easily converted into money.

OFFER TO PURCHASE: This is a formal (written) offer made by a purchaser on a home that is offered for sale. This is usually concluded via an estate agent – and signed by all parties. It is normally subject to a time limit and may be 'clean' (usually a cash purchase) or "conditional" (usually subject to bond finance being obtained or a home being sold).

SECURITISATION: The packaging of home loans in an insolvency remote entity, and the simultaneous issue of financial securities to investors at a lower interest rate than would be payable if a bank were providing funds. The risk to investors is negligible and therefore they are willing to accept a lower return on their investment.

SERVICE FEE: The Credit Provider charges a consumer this fee for monthly servicing and maintaining of the credit agreement between them. This fee is prescribed as the per the National Credit Act.

SUSPENSIVE CONDITION: A clause in an agreement of sale whereby the validity of the contract is made subject to the occurrence (or non-occurrence) of a future event e.g. the granting of a bond, of a certain amount, before a certain date.

SWITCH BOND: A bond that you had previously with one financial institution but then changed to SA Home Loans. A switch bond is often very useful to consolidate debt to free up cashflow. SA Home loans does this exceptionally well by tailoring the solution and walking the entire journey with our clients.

TERM: The period (usually expressed in months) over which the borrower intends to repay the mortgage bond. This is typically 20 years (240 months). The monthly instalment paid is therefore a function of the amount borrowed, the interest rate and the repayment term. At SA Home Loans all clients are entitled to repay their bond over a shorter term than originally specified if they so choose.

TITLE DEED: Legal document registered at a Deeds Office, as evidence (proof) of ownership of a property by the registered homeowner.

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SA Home Loans

WE ARE READY WHEN YOU ARE

No matter where you are in South Africa, there is an expert SA Home Loans Property Finance Consultant ready and waiting to help you make the switch.

Visit one of our branches or leave your details and we will call you back.

EASTERN CAPE

East London	043 706 3500
Port Elizabeth	041 398 3700

FREE STATE

Bloemfontein	051 400 9100

GAUTENG

SA Home Loans House	011 745 5000
East Rand Mall	011 255 7070
Mall at Reds	012 452 2860
Town Square	011 279 4050
East Rand	011 745 5000
Greenstone Mall	011 745 5060
Johannesburg Central	011 745 5000
Johannesburg South	011 745 5000
Pretoria	012 452 2800
Vereeniging	016 932 1251
West Rand	011 279 4000

KWAZULU-NATAL

Durban (Hillcrest)	031 764 9240
Durban (Umhlanga)	031 576 5901
Richards Bay	035 789 0620
Pietermaritzburg	033 347 5212

LIMPOPO

Polokwane	015 590 7585

MPUMALANGA

Witbank	013 692 7051
Nelspruit	013 752 7103

NORTH WEST

Rustenburg	014 597 0898

WESTERN CAPE

Tyger Valley	021 514 8000
Somerset West	021 850 0180
George	044 803 8500

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