



Buying your home, in 10 easy steps

INTERFACE

FACE TO FACE WITH YOUR CHOICE OF BANKS

You immediately know when it's the one. You fall in love and sign the offer to purchase. This kicks off a process that you want to be as seamless as possible, letting you enjoy the after glow of your heart's new best friend. Here's how you should expect things to progress once you decide to buy:



Step 1: The affair

You see The One. You fall in love.



Step 2: Sign offer to purchase

Once you've found your perfect match, you sign the offer to purchase [also known as an agreement of sale or deed of sale]. This basically puts in writing all the necessary nitty gritty for the purchase of your new home. It's a good idea to note down which fixtures and fittings will form part of the sale. All the permanent fixtures and fittings [such as light fittings] are automatically included in the sale unless the offer to purchase specifically states otherwise. Any movable fixtures need to be negotiated between you and the seller.



Step 3: Seller accepts offer

The offer to purchase now has to be negotiated, if necessary. Once everyone's happy, the seller signs and accepts the offer to purchase to make it a binding agreement.



Step 4: Approach us for your home loan: Face-to-Face with your choice of Banks

You phone us. And kick start the relationship between you and your home by answering a few questions.

Contact your Interface Relationship Manager



Step 5: We submit your application to a number of banks for the Best Rate

Just to ensure that everything still checks out, the banks will do all the necessary checks, approve the rates, and give us an In Principle answer.



Step 6: Property valuation takes place

The banks will organise a property valuator to make sure that the value of your new home matches the price you offered the seller.



Step 7: Congratulations, your homeloan is granted

By now we've been chatting for a while and getting to know you pretty well. And can marry you with your home.



Step 8: The registration period

We'll appoint a dedicated registration agent to take care of all your needs. This is a crucial period and can take a couple of months until you have your money. Interface has a local panel of conveyance attorneys dealing specifically with the transfer of property who'll gladly register your bond and give you discounted attorney fees as part of the benefit

The transfer and bond registration fees have to be paid in full before the bond is registered in your name at the deeds office. Your attorney will require payment to cover the transfer duty, along with the rates or levies required to obtain a clearance certificate. Once all the fees have been paid in full, the documents are sent to the deeds office: an official government department, responsible for the registration of ownership of your new home.



Step 9: Your home loan is registered in your name at the deeds office by the registering attorney

Cancellation of the seller's bond and registration of your bond happens simultaneously.

The attorney attending to the transfer will keep in contact with you and advise on the progress. They're responsible for transferring the property within a reasonable time, which depends on:

- Approval of finance
- Co-operation of all parties
- The nature and complexity of the transaction



Step 10: SMS your friends and family, crack open the champagne and smile – you're a homeowner!

The attorney sends title deed and mortgage bond documents to the bank for safekeeping.

Buying a Home

How to start looking for your home

The first step would be to determine what you need and in which area you would like to purchase a home.

Browse through weekly property advertising supplements and other methods of property advertising, such as the Internet, in order to get a good idea of the homes available and the current asking prices in various areas. Drive around areas of your choice to look for properties with "For Sale" signs. Consider the proximity to your place of work, schools, shopping centres, medical facilities, police station, post office, your bank, public transport and other amenities that are important to you.

Speak to friends and relatives about the area or make contact with people living in the chosen area. Find out about issues such as transport, schools and crime or security.

Visit local estate agents and ask about the profile of the suburb, average cost of houses in the area and the future potential of the suburb from an investment point of view.

House hunting can be an exhausting experience. Most of your efforts in homeownership go into this phase, but remember, a well-chosen home is your path to an enjoyable and rewarding homeownership experience.

Remember

Choosing a home is your and your family's choice alone. Don't yield to pressure from anyone to purchase a home quickly. You are going to live in your home for a long time, so don't rush your decision.

Do your calculations and determine up front what you can afford - this way you will also not be disappointed if you find the home of your dreams only to discover that you cannot afford it.

Be sure that you only deal with reputable estate agents who are registered members of the Estate Agency Affairs Board. As protection against fraud, you can ask the estate agent for his/her 'Fidelity Certificate' as proof.

Types of Property

It is advisable to speak to your attorney or estate agent to find out more about each property type.

Sectional Title

Sectional title is a system in which 'sections' of buildings are individually owned. A 'sectional plan' is registered for each development scheme. It shows the sections - which are individually owned - and the 'common property', which is the land and all parts of buildings that are not part of any section. The common property is owned jointly by all the people who own sections. Some parts of the common property may be set aside for 'exclusive use' by particular owners.

If you decide to purchase an apartment or townhouse, you should note that most of these are sold under sectional title ownership. You will buy more than just your own living space and any exclusive use of an area - you also become a part owner of the common property and a member of what is termed the Body Corporate or Association.

You are therefore buying into 'communal ownership' where you will have to abide by the decisions made by the majority of unitholders or Body Corporate.

Every scheme has a Body Corporate. This is an association - not a company or partnership - with the ability to contract, to sue and be sued and all the owners of units are members. It exists to administer the scheme and manage the common property. The Body Corporate takes decisions at two levels; at meetings of owners and at meetings of trustees.

As a unit owner you may choose to become a trustee of the Body Corporate, which is responsible for managing the complex and the common property (including gardens, pools, walls, etc.) and keeping it well maintained. By being a member of the Body Corporate, you will be involved in the decision process.

A monthly levy to meet the rates, taxes, maintenance, insurance and other operating and maintenance costs of the complex is payable. This levy is usually a fixed cost, which can be increased from time to time (as determined by the Body Corporate) - usually on an annual basis.

It is wise to establish the following:

- The financial position of the Body Corporate. (This is done to assure yourself that the Body Corporate will be able to meet any financial obligations that might arise and not institute any special levy in order to meet them.)
Note: The bank has the right to request proof that rates and taxes are paid up to date.
- The current amount of the monthly levy. In some instances, depending on the individual development, these

levies can be quite high. Ask how it is made up and when it was last increased.

- Sometimes a special levy is required to meet future costs should the building be old, or need special repairs or improvements. Ask the Chairman of the Body Corporate whether a special levy is likely to be required in the near future, and if so, how much and for how long? Also ask if such a levy was called for in the past, how much it was and what was it used for.

In summary, check the following when buying sectional title property:

- Look at the sectional plan to determine your section boundaries, the scheme boundaries and that any section you are buying has not been informally 'extended' or altered.
- Establish who owns or has exclusive use rights to parking, garden, storage areas, etc. Make sure that you are obtaining rights to any area you expect to be able to use exclusively, such as a parking bay or garden area and whether they will be recorded at the Deeds Registry or in terms of the scheme rules.
- Check the participation quota of the sections. This usually determines your share of the Body Corporate expenses which you pay monthly in the form of a levy and the value of your vote.
- Get a copy of the scheme rules - read these and look particularly for any rules that change your liability for levies or create exclusive use rights.
- Check the current monthly levies and what expenses are included in the most recent operating budget.
- Inspect the condition of all the scheme's common property, to assess the likelihood of any significant expenses for repairs and maintenance in the near future.
- Read the most recent set of financial statements - look particularly to see if there are sufficient reserves for maintenance and unexpected expenses.
- Find out whether the Body Corporate owes money to a levy financier, the local authority or a supplier, and if it is involved in litigation or has judgments against it.

Check the amount and type of insurance cover and the current insurance replacement value allocated to the section.

Cluster Development

Cluster homes operate along similar principles as townhouses, but there is a distinct boundary to the property.

- You have own title to your unit and its garden, but shared responsibility of the common property.
- There is no Body Corporate. (This means that you own the property and are personally responsible for rates and taxes, insurance, maintenance, etc.)
- Most cluster developments form a Homeowner's Association to look after general administrative and operational issues of the development - like maintenance of roads, security, etc.

The administrative and operational costs will normally be distributed among the owners. A levy will therefore be payable by each owner for costs/expenses, e.g. replacement of streetlights, maintaining of gardens, etc

Buying a unit directly from a developer

The concept behind buying directly from a developer is to purchase a unit 'off-plan', thus avoiding having to pay transfer duty, as the developer has to pay VAT.

Off-plan means that your unit has yet to be constructed. On completion you may then take occupation of the property.

The developer will require a deposit to secure your unit. When buying off-plan you must be aware of what is included and what is excluded. It is your responsibility to ensure that final payment is not made to the seller/developer prior to occupation taking place, as you could be liable for interest and repayment of the bond.

Ensure that you view the development plan and enquire about the time scale and number of planned future phases in a very large complex.

You may be able to change aspects of the interior decorating when buying off-plan. This means that some finishes may be changed to suit your individual needs, but this may mean an increase in the unit price.

Ensure that you are dealing with a reputable developer who has a well-known and proven track record (investigate the developer's credentials before making a commitment to purchase a unit). The developer is the owner of the land and will be responsible for having opened a sectional title register. Simply put, this allows him to sell portions of the property which means you buy the title to a specified unit (not the land).

Establish whether the developer is using the services of a reputable builder. Your purchase agreement will be with the developer, so any dispute you might have regarding unsatisfactory workmanship, delays or building defects must be directed to the developer and not to the builder or the financial institution financing the development.

Registration of the property

Once the Offer to Purchase has been signed and The bank has approved the financing of your home, the property must be transferred to your name by registration at the appropriate Deeds Office.

Upon registration of the immovable property in your name, you become the lawfully registered owner of the property - earning the right to enjoy all the benefits of homeownership, such as use and enjoyment, power to let the property out, power to pass further bonds, etc.

Only an attorney who is also a conveyancer may attend to the registration of transfer of the property. A conveyancer is a qualified attorney who has also passed a special examination in the law and practice of dealing with immovable property.

Remember

- *Transferring attorney - attends to the transfer of the property on behalf of the seller to the buyer.*
- *Cancellation attorney - cancels the old bond (in the seller's name).*
- *Registration attorney - registers your bond at the Deeds Office in favour of The bank.*
- *Conveyancing attorney - attends to the cancellation and/or registration of the bond and transferring of the ownership of property.*

The process of transfer of the property will commence once financing has been approved and the buyer has paid all costs to the conveyancer.

The transferring attorney prepares all the documents necessary to give effect to transfer and will then contact all the parties for signing. The attorney will let you know what documents are required.

Usually you require a copy of your Identity Document, your marriage certificate and a copy of your ante-nuptial contract (if applicable). In terms of the **Financial Intelligence Centre Act (FICA)**, you may also be required to produce verification of your Income Tax number as well as an account statement or document to verify your address.

The transferring attorney holds the proceeds of the sale and disburses it in accordance with the instructions from the seller.

Cancellation and registration happen simultaneously. The attorney attending to the transfer (usually appointed by the seller) will normally keep in regular contact with you to advise on the progress. They are responsible for transferring the property within a reasonable time. The time may depend on the approval of finance, co-operation of all interested parties and the complexity of the transaction.

On the day of registration of transfer of the property into your name, the attorney will contact you to confirm this. After registration, an The bank representative will be in contact to inform you of the commencement of your home loan repayments. Usually home loan repayments are paid using a monthly debit order.

Legal Obligations

This advice section is designed to simplify the often complex legal process of purchasing a property. We also hope that, by simplifying this process, we will help you to understand what takes place "behind the scenes" and achieve your goal of problem-free homeownership.

- The Deed of Sale (Offer to Purchase)
- Suspensive condition
- Cooling-off period

The Deed of Sale (Offer to Purchase)

A Deed of Sale is an agreement in writing containing the terms and conditions for the purchase and sale of immovable property. It normally takes the form of a document titled 'Offer to Purchase' which, once signed by both the parties involved, becomes an agreement for the purchase and sale of immovable property. The Offer to Purchase should contain all the material terms on which the parties agreed, such as the date of occupation by the purchaser, occupational rent, suspensive conditions, etc. A written Offer to Purchase must be signed before the immovable property can be registered in your name. This is the first step in the process of purchasing your home.

NB: *The utmost caution must be exercised before signing an Offer to Purchase.*

Read each clause in the document carefully and make sure that you fully understand its meaning and implications. If you are unsure or dissatisfied with anything contained in the document, discuss the contents with a professional, unbiased third party. Make changes in writing on the document and cross out blank spaces. Sign/initial all changes on the Offer to Purchase and all other legal documents and initial each page at the bottom. Remember, once you have signed an Offer to Purchase, which has been accepted in writing by the seller, you are legally bound to the transaction.

Note: *Do not rely exclusively on information or verbal assurances given to you by the estate agent or seller.*

Three Golden Rules to remember

- Never sign anything you haven't read, don't understand or a blank document.
- If in doubt, consult a lawyer or your bank before signing.
- Always make sure your deposit is safe.

Important legal aspects of the Offer to Purchase

Particular attention must be paid to the following:

The agreement must accurately record the description of the property sold, the correct purchase price and the identity of the purchaser and the seller.

- Delete clauses that are not applicable and leave no blank spaces. Both the buyer and the seller must initial all alterations and deletions.
- The agreement must record all the conditions agreed upon. All verbal undertakings given must also be reflected in the agreement.
- If the sale is subject to a condition that the purchaser obtains a loan to finance the transaction, the purchaser must make every effort to fulfill the condition or else be in breach of the agreement.
- The agreement must correctly reflect the agreed date of occupation of the property by the purchaser and the amount of occupational rent to be paid. Consideration must be given to the amount of occupational rent, as this should cover at least the monthly home loan repayment.

If the sale is 'voetstoots' ('as is'), the seller cannot be held liable for hidden (latent) defects in the property of which he/she was unaware. However, this clause does not protect the seller who fails to disclose latent defects of which he/she is aware and does not disclose in order to deceive the purchaser.

Beware of any clause in the agreement that states that the estate agent may deduct his commission from the purchaser's deposit before registration of transfer of the property. Delete such a clause if this should exist. Care must be taken when an Offer to Purchase is subject to a purchaser first selling his/her present property on or before a certain date. Many problems can arise with this type of transaction. Any such clause should be carefully worded to provide adequate safeguards for both the seller and the purchaser.

The seller should know which fixtures and fittings have to stay and which may be removed. It is advisable that any items that will be removed, and those that will stay, are written into the Offer to Purchase, e.g. a garden shed, pool cleaner, special house nameplates, etc.

Once the sale has been negotiated, any deposit should be placed either in a registered estate agent's trust account or an attorney's trust account until transfer of ownership is completed, with interest being for the benefit of the purchaser. Note that written instruction should be given in order to pay the interest to the purchaser.

Finance

The Offer to Purchase will regulate the manner in which the purchase price is to be paid or financed. Take care to ensure that the Offer to Purchase correctly reflects the way in which financing is to be done, suits your pocket and is in line with arrangements made with your home loan provider, i.e. The bank.

Suspensive Condition

Suspensive conditions in an Offer to Purchase can suspend the sale until these conditions have been met. The most common suspensive condition is the delivery of the Bank Guarantee for the payment of the purchase price. There is usually a time limit within which the guarantee is to be delivered. It is important to understand that the transaction could be cancelled on non-performance of the suspensive condition. Ensure that you are comfortable with the timelines specified in the suspensive condition.

Cooling-off period

After signing an Offer to Purchase, you have a five (5)-day cooling-off period in which to withdraw and cancel the Offer to Purchase should you wish to do so. This only applies to properties with a **purchase value less than R250 000**. Ensure, however, that it is stipulated in the contract to avoid any misunderstanding or reason for dispute at a later stage.

The five (5) days exclude weekends and public holidays.

The notice of cancellation must be done in writing to the seller, or to the estate agent acting on his/her behalf, by no later than 24:00 on the fifth day.

Once the cooling-off period has lapsed, the Offer to Purchase will be a legally binding contract. If in doubt, consult with your lawyer or your bank within this period.

Costs Involved

Borrowing the money to purchase a home is generally the biggest financial commitment most people undertake. The most common place to borrow from is a financial institution, such as The bank, where the loan you are granted will be tailored to suit your individual financial circumstances.

Remember that homeownership entails quite a few costs (we will highlight them for you), as well as fluctuations in interest rates from time to time over the term of the home loan.

How much you can afford depends on your particular circumstances. You may find that the home loan amount you qualify for and the actual monthly repayment required to service the loan, are simply not affordable and not in line with your monthly budget. Remember to include all monthly and periodic commitments in your calculations to ensure that your home does not become a financial burden.

When budgeting, remember that there are other associated monthly fees and costs that need to be provided for, such as your insurance premium on the house as well as your life assurance policy premium and the monthly administration fee.

Also remember that once you have found your house and your Offer to Purchase has been accepted by the seller, an upfront deposit may be called for on the purchase price of the property. This amount and its timing will be specified in your Offer to Purchase and contract.

The most common costs that are standard in the market (not specific to The bank) are indicated below:

- The deposit
- Transfer and bond costs
- Local council deposit
- Occupational rent
- **Other fees**
 - Valuation fee
 - Initiation fee
 - Administration fee
 - Security variation fee

The deposit

Depending on your financial standing and the amount you wish to borrow, the bank may require you to pay a deposit. The deposit may be seen as the difference between the purchase price of the property and the amount of the loan. For example - you qualify for a loan to the value of 80% of the property value, you would be required to provide a deposit of 20%. In some instances, you will earn interest on the deposit paid when you purchase a home. This interest is paid to you because an attorney has held your deposit until your home is transferred into your name.

Transfer and bond costs

Transfer fees payable to the Conveyancer include:

- Transfer duty payable to the Receiver of Revenue
- Deeds Office fee and Administrative fee payable to the Transferring attorney and pro rata to the local authorities or Body Corporate (if a sectional title)

Bond cost is due to the Conveyancing attorney for the registration of a bond as security for the mortgage loan against the immovable property. This fee is calculated as laid down by a stipulated scale and changes are made to the tariffs from time to time. However, a discount can be negotiated with the Conveyancing attorney.

Note: Consult your attorney, Law Society or estate agent assisting with the sale for the transfer fees. These fees are subject to change - such change will usually be announced in the annual Budget Speech by the Minister of Finance.

Local council deposit

Remember, certain authorities require a deposit from you regarding utilities (such as Water and Lights) and also a monthly fee towards rates and taxes. This amount differs from local authority to local authority. As of 1 August 2004 the Act on Local Government Municipal Services provides for sellers to pay six months worth of rates and taxes upfront before a clearance certificate will be issued to transfer the property to a new owner.

Occupational rent

If you occupy the house before registration has taken place (i.e. the house is still in the seller's name and has not been transferred into your name), the seller could insist on the payment of 'occupational rent'. The rent will be payable for the full period that you are living there BEFORE registration takes place. The amount and the agreement need to be stipulated in your Offer to Purchase.

Other fees

A description of the various fees that the bank may charge on a mortgage loan is detailed below:

Valuation fee

Any valuation carried out by the bank assessors, of any property offered or held as security for a loan, renders the applicant/borrower liable for the payment of a valuation fee. This valuation ensures that the property meets the security criteria of the bank.

Initiation fee

An initiation fee is a once-off fee charged by the bank for setting up the home loan account. There is a maximum fee payable - find out from your Home Loan Consultant what this is.

Administration fee

An administration fee is a monthly fee charged on loans on residential property. The maximum fee that may be charged can be obtained from your Home Loan Consultant. This fee enables the bank to maintain and administer your home loan account.

Security variation fee

This is a fee charged in the circumstances where there is any change to the bank's security such as:

- Variation or substitution of suretyship
- Variation or substitution of collateral security
- Release of a portion of the mortgaged property
- Release of collateral security
- Extensions of fixed term bonds
- Second bonds in favour of third parties
- Rezoning
- Expropriation
- Consolidation

The maximum security variation fee that may be charged is prescribed by the Act - your Home Loan Consultant will provide you with this information.

Fees that could be charged include:

***** (Kindly note that the fee structure indicated below are estimates and serve as a guideline as these fees vary from bank to bank) *****

Valuation Fees	Loan Size	Charge
Ordinary Loans	<R50k	
Ordinary Loans	<R500k	0.2% of Valuation (Min R100, Max R850)
Ordinary Loans	>R500k	R850 + (0.1% on portion > R500K)
Building Loans	<R500k	0.5% of Valuation (Min R250, Max R1250)
Building Loans	>R500k	R1 250 + (0.125% on portion > R500k)
Monthly Admin Fee	Loan Size	Charge
All Home Loans on Book	<R500k	R5
All Home Loans on Book	>R500k	R5
Initiation Fees	Loan Size	Charge
All new Loans (Not FA)	<R500k	R175
All new Loans (Not FA)	>R500k	R1 000
Variation Fee	Loan Size	Charge
All loans with conditions varying the Standard terms and conditions	All	R100

**charges exclude VAT