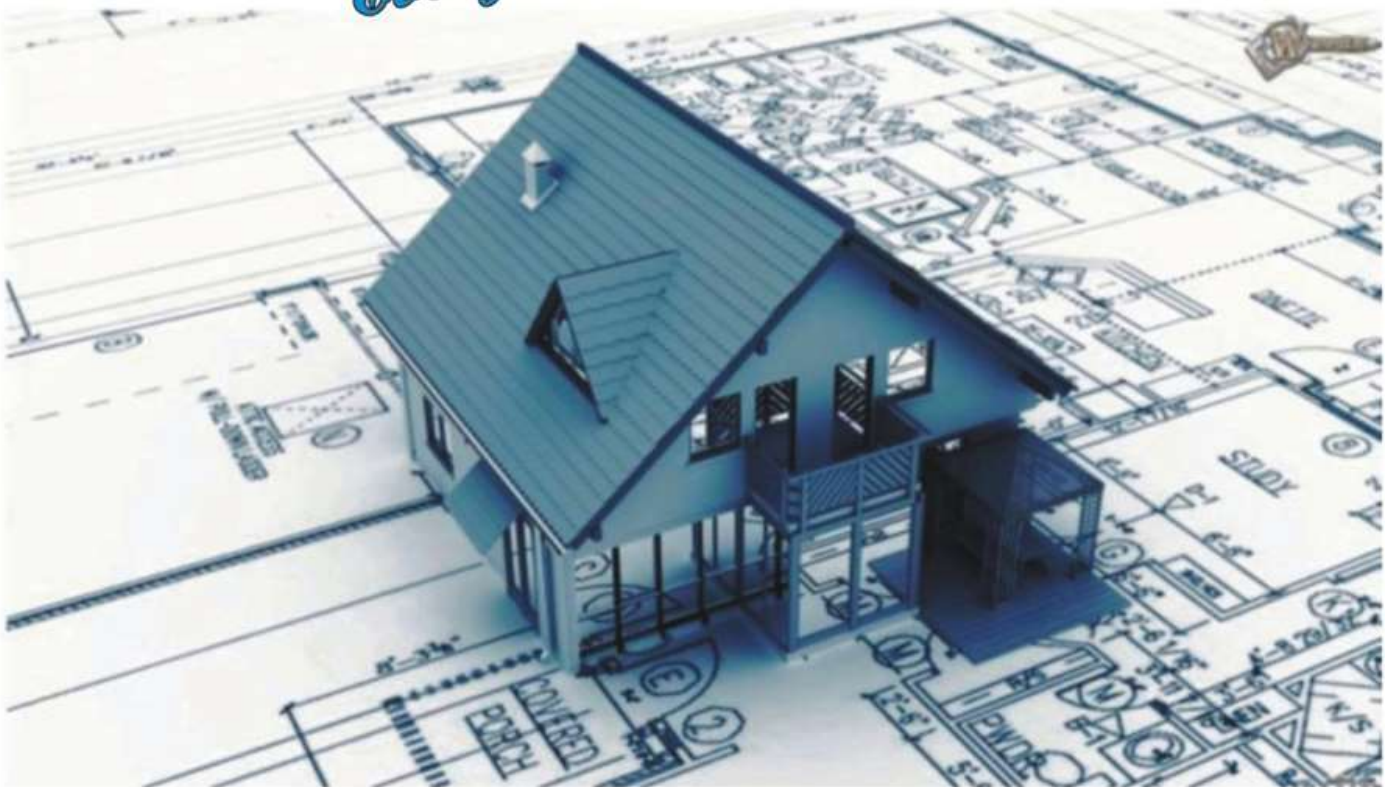




Duwendhage

PROPERTIES - EIENDOMME

*Your Complete
guide to
buying a property.
Everything you need to know.*



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Types of Agents and his role!

An agent is any person registered with the Estate Agency Affairs Board for the purpose of obtaining profits for his own account or in any partnership expressing himself as a person who directly or indirectly advertises that on instruction of or on behalf of any Other person advertising. Sell or purchase property or publicly for the sale of immovable property and to participate in or offer it to assist a seller or buyer. Also the lease of immovable property or any business venture or negotiation in the mortgage or offer to manage such transaction. Any other service rendered in respect of immovable property.

You get different types of agents, namely selling agent, Listing agent or a rental agent.

A buyer's agent act as an adviser during the entire home buying process. He educates the buyer on the current market conditions. Do research about a recent home sale called a Comparison Market Analysis or a CMA. This determines whether a specific property is properly priced. Give advice about to buyers on how to handle any repairs needed on the property. Do the offer to purchase for the buyer and ensure at all times that the buyer's interests are protected. Do the complete bank application for the buyer and assist him with signage at the conveyancer.

The listing agent gets a mandate from seller and assists the homeowner to sell their home at the best price possible. He negotiates with the selling agent to come to the best price agreed upon by both the buyer and the seller. The commission that is payable is paid by the seller and the list agent and the selling agent share this commission.

A rental agent will also assist an owner to obtain a good tenant and assist him with all the duties needed.

Buyers and Sellers!

The seller gives the agent a mandate to advertise and sell the property. From day one the agent and the seller will agreed upon a commission and a selling price. In this selling price that gets advertised, there are no Transfer or bond fees included.

The Buyer pays no commission. He pays the transfer duties and the bond fees for the property to transfer from the current owner to his name. It doesn't cost the buyer money to make use of an agent representing them.

Are you only paying the advertised price?

All properties advertised are only the selling price that is advertised. Then there are also fees involved to transfer the property of the current owner to your name. There are several costs only with transfer such as Transfer Duty. Transfer duty is being waived by the state and the amount differs each year as the state gives way to scaling. Then there are also Transfer fees, FICA fees, and Clearance fees. Deeds Office Fees etc. However, if you buy cash there are no mortgage fees or valuation fees. If you have a mortgage, a Valuer will go and do an appraisal of the property so that you do not pay too much for the property and then the Valuer must be paid. That is why the bank asks a valuation fee. Then it depends on the deposit amount you give, on the part that remains, which are your Bond, you will pay mortgage costs. Therefore, for the transaction to register in your name, you will also sign at 2 different lawyers, namely the bond attorney and the transfer attorney or conveyancer.



Purchase price or Bond amount	Transfer Duty	Transfer Fees	P&P, FICA, DOS, IF	Deeds Office Fee	Clearance	Total Transfer Costs	Bond Fee	P&P, DOS, IF	Deeds Office Fee	Total Bond costs	Total Transfer and Bond Costs
R 100 000	R 0	R 4 375	R 1 450	R 35	R 1 000	R 6 860	R 3 500	R 1 550	R 330	R 5 380	R 12 240
R 125 000	R 0	R 4 550	R 1 450	R 75	R 1 000	R 7 075	R 3 625	R 1 550	R 330	R 5 505	R 12 580
R 740 000	R 0	R 11 070	R 1 450	R 740	R 1 000	R 14 260	R 10 760	R 1 550	R 740	R 13 050	R 27 310
R 760 000	R 300	R 11 070	R 1 450	R 740	R 1 000	R 14 560	R 10 760	R 1 550	R 740	R 13 050	R 27 610
R 780 000	R 900	R 11 070	R 1 450	R 740	R 1 000	R 15 160	R 10 760	R 1 550	R 740	R 13 050	R 28 210
R 800 000	R 1 500	R 12 730	R 1 450	R 740	R 1 000	R 17 420	R 11 920	R 1 550	R 740	R 14 210	R 31 630
R 1 800 000	R 49 000	R 18 500	R 1 450	R 950	R 1 000	R 70 900	R 17 800	R 1 550	R 950	R 20 300	R 91 200
R 1 900 000	R 57 000	R 19 080	R 1 450	R 950	R 1 000	R 79 480	R 18 390	R 1 550	R 950	R 20 890	R 100 370
R 2 000 000	R 65 000	R 19 660	R 1 450	R 950	R 1 000	R 88 060	R 18 980	R 1 550	R 950	R 21 480	R 109 540
R 3 000 000	R 145 000	R 25 460	R 1 450	R 1 160	R 1 000	R 174 070	R 24 880	R 1 550	R 1 320	R 27 750	R 201 820

Are you ready to purchase a Home?

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. It also could be one of your most nervous moments ever.

Buying a home is different to nearly all the other purchases you 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 property.

This guide will steer you in the right direction, from looking at what questions to ask, to ensuring that you are making the right choice, to explaining the ins and outs of a bond application and registration. It will help you prepare for what's ahead, so that you can enjoy the excitement of buying your first home, instead of worrying about what is around the corner.

Where to start?

It is extremely important to determine your credit worthiness first and to determine what amount you will qualify for. You can not only buy for any amount. The bank is tracking your income. That's why it's the easiest and easiest way to contact your Duvenhage Property Agent on 082 704 9601 and let him check everything for you (free of charge) and determine what amount you will qualify for. All your information is handled confidentially by Duvenhage Properties.

There is certain information that is very important to the Agent, the Bank as well as the Transfer Attorney on behalf of:

- Copy of your certified identity document. (Card Both sides)
- Proof of your current residential address
- Six Months Authenticated Bank Statements
- 3 month salary advice unless you earn overtime then 6 months salary proof is required.
- Marriage Status is extremely important.
- Your SARS registration number
- And your contact details

If you don't do this the right way (as above), and just start looking for properties, you might end up spending many hours looking for properties, just to find out, maybe you are listed or don't qualify financially for this house. **Or maybe someone have Black Listed you wrongly.**

Now you know exactly what to look for and for what price.

I am interested in purchasing a property

Before you buy, you must decide what it is you are looking for. Think about:

- ❖ Price range, Think about your monthly budget and what you can afford. Ask your trained and registered Duvenhage Properties agent to qualify you, to see what amount the bank will allow you to buy for. (Pre qualifying)
- ❖ Ask your Duvenhage Properties agent to do a free credit check for you, this will ensure that you know your credit rating is in place before you start looking for a property.
- ❖ What area`s would you be happy to live in. So decide on what neighbourhood you want to stay in.
- ❖ What type of property do you prefer such as a free standing Full title house (Single Residential) or a Security Complex (Sectional Title)?
- ❖ The size of the house/Flat/ vacant land.
- ❖ The number of bedrooms/bathrooms you require.
- ❖ What outdoor space you need? (Garden, balcony, pool, braai area etc).
- ❖ Parking requirements.
- ❖ What facilities you need to be closed to such as schools, shops hospitals etc.
- ❖ Are you prepared to do renovations or do you want a move in and stay property?
- ❖ Must you still sell your existing home. (You can put in an Offer To Purchase or OTP on a new property, as long as you mention in the OTP that is on condition of you selling your existing Property. This is called a back door clause).
- ❖ What is your marriage status. If you are married in community of property, both parties are liable and must sign.
- ❖ Are you a SA Citizen or not, most times foreigners must give a 50% deposit.

Getting the right property!

When an Estate Agent list a property for sale, the owner of the property will give the agent a mandate or permission to sell his property. When he does this undertaking with the seller, he will tell the seller where and how he will advertise the property. Then with the sellers permission they decide can he put up a For Sale board in front of the property or not. This must then be done accordingly to the Municipalities by law. So there are different ways to search for properties namely:

- ❖ Seeing a For Sale board and contacting the agent and make an appointment to view the property.
- ❖ Visiting Show houses over weekends.
- ❖ Visiting websites on the internet. Most agent specialising in an area will have their own website, ours is www.duvenhageproperties.co.za
- ❖ Their are also bigger portals like Property 24 or SA Hometraders etc.
- ❖ Then their is also newspaper/magazine advertisements. Although most agencies doesnt make use of newspaper ads anymore
- ❖ Social Media such as Facebooks etc.

Things new buyers forget to keep in mind?

The purchase of a new property comes with a string of new bills and responsibilities. It is not only the new bond that must be paid but also these items that are most of the times not thought about.

- ❖ Levies (if it isnt a full title property)
- ❖ Household Insurance (On the Building)
- ❖ Municipality Rates
- ❖ Repairs and maintainance (Garden, painting the house, pool etc)
- ❖ Water & Lights

Do you know the difference between the different types of properties?

- ❖ In a **Full title property**, the buyer takes ownership of the land and everything which is built on it. To explain more fully, a freehold or full title property is usually a free-standing house or a cluster home in a development or estate and will have its own erf number, registered at the Deeds Office. In a free-standing house, you may make any changes you like to your property, provided that they comply with municipal regulations, e.g. you may obtain planning permission and extend, renovate, or change the exterior of your home in any way you wish. Provided that you fall within the local area rules, you have complete control over your property and may alter or add to any portion of your home and your neighbors may not object to it.
The owner of a freehold property is entirely responsible for all costs involved in the home, including rates and taxes, water, electricity, insurance and all maintenance. They will also have to take responsibility for the upkeep of their garden and pavement, driveway, perimeter wall and fencing, pool and anything else which forms part of the building and land.
- ❖ Although a **Cluster home** could be part of a sectional title complex, it will more often be part of a homeowners association. If you buy into a homeowners association, you will be buying a freehold property which usually forms part of a private, walled community and you will automatically become a member of the homeowner's association which manages and runs the communal affairs of the estate.

As a member of a homeowners association, you are usually required to contribute towards a monthly levy which covers the cost of maintaining anything which is shared between the owners like the security, perimeter walling and electric fencing and the upkeep of the estate gardens and any other facilities which are shared. There will also be a set of rules which must be complied with and you will possibly be required to obtain permission for any changes you wish to make to your property as there will be stipulations regarding conformity within the estate.

The major benefit of buying a full title property is that you may do whatever you please to your property within the restrictions of your municipal regulations. Check these carefully before buying your property as the local laws may vary.

In a freehold or full title property you may modify, extend, alter or change both the interior and exterior of your property and fully express your own taste levels and creativity. You can adapt your living areas and land to suit the needs of your family.

You are not governed by any laws other than your local council regulations and are free to make your own decisions for which in a sectional title complex you would require prior written permission – eg keep pets, rent out a portion of your home, install services which you require like a borehole, satellite dish, etc.

This freedom to do whatever you like to the exterior of your property may also work to your detriment, because the same privilege is afforded your neighbors. Where in a sectional title complex you can be assured that the exterior of your neighbors' units will have to conform to the same standards as your own unit, in a full title area the value of your property may be adversely affected should your neighbor neglect the upkeep of their property or make changes to their home which may be aesthetically unappealing to your future buyers.

- ❖ **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 property. These are collectively known as units. Sectional title dwellings comprise of mini sub type houses, semi detached houses, townhouses, flats or apartments and duet houses.
- ❖ **Share Block**, this property is owned by a company and each unit is allocated a number of shares in the company. Very few financial institutions will give you a bond on a "share block", seeing that they arent buying a property but a share. All of which means that if you are interested in buying a share block property you will need to have the capital in cash upfront.
- ❖ **Commercial property** is real estate property that is used for business activities. Commercial properties fall into many categories and include industrial properties, shopping centres, farms, offices or even vacant land.
- ❖ **Small Holdings** is areas of recognised residential areas not exceeding 8.5 hectares with municipal water & electricity.

Get your affairs in order:

Pay your bills on time every month in order to ensure that you have a good credit rating. 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. We at Duvenhage Properties do this report for you free of charge.

As good as it is to have your bills up to date; you must also see to it that you have accounts. If you have no accounts then the National Credit Regulator can give you a score, and this will mean that no bank will give you a loan.

We at Duvenhage Properties also pre-qualify you for what amount you can buy. This doesn't guarantee that you will get a loan seeing that we qualify you on a Pay to income (PTI) principle. Your property payment per month must not exceed 30% of your gross income. Most of all property websites like www.duvenhageproperties.co.za have a property calculator to work out for what amount you can buy.

We work on the following formula. $\text{Bruto salary} \times 30\% \div 9.16$ (if interest rate is 9.25%) $\times 1000$ this will be the Pay to income (PTI).

Finding the right home!



There are a couple of things to take in consideration whether or not a property is the ideal property for you. Things to look for is:

- Make sure that when you go and view the property, that all the parties that must sign the Offer to purchase view the house and are happy with the house.
- Make sure to view the property while it is still daylight so that you can view the inside and outside properly.
- Determine what the access to the property is like, for example if you buy in a busy street, to get in and out.
- Take a note book and write down what agent shows you which house and what do you like and dislike in that house. Take some of your own pictures to review it later at home.
- Look at things such as distances to schools or university, Shopping centre.
- Ways of getting to work, is their public transport, easy access to main roads etc.
- If you dont know the area, call the local Police station and get some facts about the security in the area. Is their things like a neighbourhood watch in place etc.
- What are the neighbours like. Look at what the view of the neighbours house tells you. Is their yard clean, are they noisy? Is the house well maintained?
- Ask the agent to see the disclosure form that the owner of the house gave to declare if their is faults at the house.

- Make sure that on date of registration you get a COC or Electricity certificate or Certificate of Compliance. It is a must that the seller provide you on registration with such a certificate to say all the electricity is in working order. The electric fence (if their is one) is included in the COC.
- If you stay at the coast, the owner must provide you with a borer certificate.
- If the property have any gas implements, they must provide a certificate for it to say it is in good working condition.
- Make sure from the agent that all the fixtures are staying, and that it is paid up by the owner.
- Some places like Cape Town starting to insist on a plumber certificate.

The Consumer Protection Act puts buyers in a much stronger position when purchasing a property from a Developer or a previous owner.



Can I view a property with an agent and buy it privately?

NO!!

When an agent list a property with a seller, the seller give that agent a mandate. That mandate might be a Sole mandate or an open mandate. The moment that seller give the agent the permission to sell his property for a certain price, that seller is liable to pay the agent the commission that was agreed upon.

If you see a property with one agent, you also cannot put in the offer to purchase with another agent. It is unethical. The agent that showed you the house is the agent that you must put in the offer with. Otherwise that agent that showed you the property can sue the owner for his full commission from the seller.

If you viewed a property, and you want to put in a lower offer, it is that agent's duty to take any lower offer to the seller. The seller then has the right to say yes or no for the offer that you made. However, if you just accept the price that was given to you, then pay it. But if you didn't ask your agent and put in a lower offer, you will never know if the seller would have accepted it.



What is an Offer to Purchase and how does it work?

An Offer to Purchase or OTP is a legal document with certain conditions that must still be met. You cannot cancel an OTP unless you have a "Cooling of period" for buying a property of less than R250 000. If a property is above R250 000 then you don't have a "Cooling of period". Or of the agent is marketing the property directly to you then you also has 5days to decide do you want to purchase the property or not. But if you have contact the agent and he showed you properties, and now you like a property and you put in an OTP, this is not direct marketing. As soon as both parties have signed this is then a legal contract. Constitute a "Deed of Sale".

When you look at properties and you see a property that you like, don't be afraid to make an offer to the agent. The law state that any offer that you make to the agent, must be given to the seller. Then it is the Seller's choice to say yes will accept the offer or not. Or he can make and counter offer and say he will accept

then a other certain price. However, if you didn't try, you are not going to know if the seller might have except a lower offer. Such offer however must be in writing.

Ensure that there is an expiry date or "Date of irrevocable offer" on the contract. This gives a deadline to the seller to accept or reject the offer within a reasonable amount of time.

What if I must still sell my property, can I still put in an Offer To Purchase on a property that I like. Yes, you may, you put in the offer to purchase and your Duvenhage Properties agent then will put in a "Back Door Clause" for you. This means that you cannot purchase this property if your property wasn't sold successfully. You can ask for a reasonable time "90day" to get your property sold. However, this also gives the seller the opportunity to still market his property to other purchaser and not keep it out of the market. If another agency sign another offer to purchase, and they get a bond with all suspensive conditions that was met, then the owner must give you a written notification and give 72 hours or whatever was agreed upon notification to get all your affairs in order and your property sold. If not, the 2 second offer will go thru.

Occupation of your new property normally take place on date of registration, however you may occupy earlier if it was agreed upon in the offer to purchase and for a amount stated in the Offer To Purchase. This must be market related. Normally this will be 1 % off the purchase price.

If you pay a deposit as stated in the Offer To Purchase, this deposit must be held in a trust account and interest bearing for the purchaser. We prefer that the buyer use the Conveyancer Trust Account.

What happens after my Offer to Purchase has been accepted!

After the agent get the Offer to Purchase back from the seller and it has been accepted, the purchase must provide the agent within 72 hours after been notified and receiving you copy of the signed OTP, send all documents needed by the agent to apply for the bond. This will be documents such as the permission form that you gave to do a credit check on you. We prefer to do this before the time to qualify you. Also a copy of all the purchasers, identity document/s, 6 months bank statements, proof of your current address and 3 month salary advices (if you get overtime 6 months).

If you are self-employed you must give all of the above documents, as well as proof of income or your Accountants Letter to confirm Income. Also the last 2 years Financial Statements. Copy of registration document or Trust Deed.

Proof of your tax registration and the completed Home Loan Document that is completed and signed.

One of the aims of the National Credit Act (NCA) is to ensure that a purchaser don't become over indebted. In order to ensure that this happen, lending institutions are required to properly evaluate your past en 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 bond that exceeds your 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 institution. If this information of the Credit bureau is inaccurate you can lodge a dispute with the Bureau. After they have updated its records because it had recorded incorrect information, they will inform all the other bureau as well. This correction may however take up to 20 days to reflect and be removed.

Your Loan To Value (LTV) is one of the risk assessment tools that Lending Institutions use to when considering a bond application. Assessment with high LTV ratios is generally seen as higher risk and, if this loan is approved will generally get a higher interest rate. This LTV is normally calculated by dividing the loan amount by the value of the property. If you give a deposit this then bring your risk down and give you a better LTV.

Payment to Income (PTI) or Instalment to Income (ITI) is basically your affordability measure in mortgage lending decision, and is the ratio of your monthly bond instalment to your monthly income before taxes. Your PTI should not exceed 30%.

From signing your offer to purchase, till date of registration you are not allowed to make new debt to compromise this bond application. If you do this might be seen as breach of contract.

Normally the repayment period is 20 years, however you can ask for a 30 year period. All depend on your age and income. You can make additional payments into your home loan, 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.

What happen after the agent send the application to the bank?

After all your documents were signed and collected and send to the bank, the bank will determine if it is possible for them to give you an Approval in Principle (AIP). This take between 24 till 72 hours. Or decline the application. If it is decline, they will provide the reasons. The AIP is based on the basic information you have supplied regarding your income, affordability and credit worthiness.

The financial institution that gave you and AIP, will now arrange an appointment with the agent for an Expert appraiser to value the property you intend to purchase. This usually takes about 3 working days to complete. They would give you a bond if the property isn't worth the price, because strictly spoken they are purchasing the property until you have paid it off.

Once the property is valued, the information you have provided get verified and assessed in depth. If this is all in order, the process will continue and a grant letter will be send to the agent to confirm your bond. If there is a problem, you will be contacted by a bank consultant to discuss a possible solution.

This grant letter or Letter of Acceptance must know be signed by the purchaser, in this letter the details of the costs involved, interest rate and monthly instalments are explained to you.

If you buy cash, there is no appraiser going out to do a valuation on the property.



Conveyancing

After the bond has been approved, the agent will send the offer to purchase and the documents required to the Transfer - and Bond Attorney (if applicable). From this point on the agent will stay in contact with the purchaser and the seller, although the agent's role is now basically completed. The attorneys will contact both the buyer and seller and will send a list of required documents, in order to draft their documents.

The Seller is liable for the payment of the rates and taxes to the City Council, in order to obtain the clearance certificate. The law requires the certificate to be valid for 4 months in advance, which is also for the seller's account. The attorneys will request a refund from the Council with registration of the property on behalf of the seller. Should the seller still have a bond registered in favour of a financial institution, the cancellation cost must be paid to the attorneys appointed by the bank. The cost for the cancellation usually starts from R2 900.00 upwards, depending on the amount of bonds to be cancelled.

The Purchaser must sign the bond document within 4 weeks after the attorney received the offer to purchase and the bond instructions.

The attorneys will apply for the transfer duty receipt from SARS, Clearance certificate from Municipality and in the case of a Sectional Title a levy & Insurance certificate from the Body Corporate.

Furthermore, all the required certificates, more specifically the electrical compliance, - Gas and Fence Certificate (if applicable).

Once the transfer, bond and cancellation attorneys are ready, the documents are lodged at the deeds office.

Registration usually takes place approximately 10 working days, after registration.

Purchaser pays transfer costs & transfer duty!

Transfer duty is payable to SARS when the property is transferred from the Sellers name to the Purchasers name. This amount is normally determined by Government. The attorney doing the work also has a fee for duties delivered to register the transaction. Normally between 8% and 10% is levied on the purchase price for a CC/Trust or Company.

For individuals 0% is levied on a amount determined by the Government. This change yearly.

If the buyer and the seller are registered VAT vendors of the property that is sold, it is sold as a going concern and then the transaction is zero rated.

If the municipal valuation is more than the purchase price, then transfer duties is payable on the valuation amount.