



ABSA's latest CREDIT POLICY with regards to HOME LOANS TO FOREIGNERS. Please use as guidance only.



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REVISION TO CREDIT POLICY – HOME LOANS TO FOREIGNERS

Temporary Residents with Work Permits:

Now up to 100% for salaried people, and maximum of 80% for self employed people.

Based on supporting documents to assess the financial stability, creditworthiness and repayment ability of the applicant.

- Fully completed application form/Electronic application form
- Copy of passport
- Offer to purchase / sale agreement
- Proof of income

SALARIED EMPLOYEES

- Work permit
- Employment contract dedicating employer name, income, contract term, and conditions.
- Pay slip or 3 months bank statements reflecting the net salary deposits.

SELF EMPLOYED APPLICANTS

- * Lending to self-employed individuals will be limited to a maximum of 80% loan to value (LTV) and lower, depending on the quality of the financial statements (e.g. audited / not audited / only financial records etc.
- * Work permit / business permit
- Financial statements of the entity; and

- Management accounts if latest financial statements are older than 6 months; and
- 3 months bank statements of both the applicant's business and personal bank account to verify the declared turnover and salary and
- Proof of registration with their local SARS branch office in order to obtain an
- Income tax reference number

If property to be leased

- Copy of lease agreement
- In the absence of a lease agreement affordability and repayment ability will be calculated on the income of the applicant and the potential rental income will not be taken into account.

WORK PERMIT REQUIREMENTS

The employer stipulated in the work permit must correspond with the current employer as per the employment contract.

All contract workers temporarily residing in the Republic will be required to sign the declaration regarding foreign assets in terms of Exchange Control Ruling Section B(8)(E) as well as the following acknowledgement:

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Exchange Control Policy stipulate unconditionally, that the loan amount of your home loan MUST be reduced to an amount equal to the funds invested in the property in South Africa before permanently departing South Africa.

This means that, before departing, you are required to:

- reduce the outstanding amount owing on your Home Loan to an amount
- not exceeding 50% of the original purchase price as well as 50% of any additional advances granted; or
- Consider selling the property if you are unable to comply with Exchange Control Rulings and Regulations.

You are required to sign the attached declaration and undertaking as confirmation that you understand the above terms and conditions and that you will comply with these prior to permanently departing South Africa.

S.A. RESIDENTS TEMPORARILY ABROAD

Up to 110% (with certain criteria)

Supporting documents required to assess the financial stability, creditworthiness and repayment ability of the applicant:

- Fully completed Application form / Electronic application form
- Copy of Identity Document
- Offer to purchase / sale agreement
- Proof of income
- * Salaried applicants
 - * Employment contract indicating employer name, income, contract term and conditions; and
 - * Pay slip; or 3 months bank statements reflecting the net salary
 - Deposits.

- Self employed applicants:
 - * Financial statements of the entity (International GAAP standards acceptable); and
 - * Management accounts if latest financial statements are older than 6 months; and
 - * 3 months bank statement of both the applicant's business and personal bank account to verify the declared turnover and the salary; and,
 - * Proof of registration with their local SARS branch office in order to obtain an income tax reference number.
- If property to be leased
- Copy of lease agreement.
- In the absence of a lease agreement affordability and repayment ability will be
- Placed on the applicant.

Loan to Value

- **Normal lending criteria apply and loans up to 110% loan to value may be approved.**
- **Salaried applicants: If unable to provide employee contract – lending will be limited to 90% loan to value.**
- **Self employed applicants: If unable to provide all documents as stipulated above, lending will be limited to 90% loan to value.**

Repayment to income and affordability:

- **The maximum monthly repayment ability of the applicant will be tested by the following:**
- **Repayment to income;**
The applicants' gross income in foreign currency, prior to any deductions, must be converted to Rand.
The maximum repayment amount to gross income ratio of the applicant(s) may not exceed 30%
- **Affordability:**
- **When analysing the applicant's monthly income and expenses, the applicants' foreign cost of living as well as the local expenses (if any) must be taken into account. Affordability will be the overriding factor in determining the maximum allow able monthly repayment amount.**
- **The mortgage lending limit determined by application scoring.**
- **Consideration will be given to the following:**
- **Employment sector**
Term of contract
Expected timeframe abroad

**Intention of the applicant to return to the Republic
Property type and demand.**

IMMIGRANTS (PERMANENT RESIDENTS)

Up to 110%(subject to conditions)

Once permanent residence status has been obtained, the immigrant has all the rights, responsibilities and obligations of a South African citizen.

The Permanent Residence / Immigration Certificate **must first be obtained.**

Supporting documents required to assess the financial stability, creditworthiness and repayment ability of the applicant:

- Fully completed Application form ? Electronic application form
- Copy of Identity Document and Permanent Residence / Immigration Certificate; or
- Copy of Passport, endorsed with Permanent Residence Status and the Permanent Residence / Immigration Certificate.
- Offer to purchase / sale agreement
- Proof of income (as required for South African Residents)

In order to comply with Regulation C 2(F) of the Exchange Control Rulings and Regulations, all Immigrant applicants are to complete and sign a Declaration regarding their foreign assets at their bank or Authorised dealer. A certified copy of this declaration must be submitted prior to registration of the Mortgage Bond.

NON-RESIDENTS

Maximum of 50% of the purchase price, on new or existing unbonded properties and any improvements / or on switches.

Definition: A non-resident is a person (i.e. a natural person or legal entity) whose normal place of residence; domicile or registration is outside the Common Monetary Area.

Section F(C)(iii): The facilities accorded will not cause the borrower to exceed 100 per cent of the Rand value of funds introduced from abroad and invested locally.

BUY A PROPERTY:

The loan amount may not exceed 50% of the purchase price of the property. The borrower must pay the balance of the purchase price with funds introduced from abroad.

Notwithstanding that the transaction falls within the constraints of the Exchange Control Rulings, approval for the transaction must be obtained.

RAISE FUNDS AGAINST AN UNBONDED PROPERTY ALREADY REGISTERED IN HIS/HER NAME

The loan amount may not exceed 50% of the purchase price of the property, irrespective when the property was purchased.

SWITCH A BOND FROM ANOTHER FINANCIAL INSTITUTION

The amount of the home loan will be limited to the amount of funds the borrower initially introduced from abroad and invested in the property. If the borrower applies for a loan in excess of that amount he/she must supply documentary evidence of additional monies introduced from abroad **and** invested in the property.

FURTHER ADVANCES

The same principles as above apply, if the borrower applies for a further advance of R100,000 he/she must supply evidence that an additional amount of R100,000 was introduced from abroad **and** invested locally in the property.

FLEXI RESERVE FACILITY

A Flexi Reserve facility may be granted on condition that this amount does not exceed the approved loan amount calculated above.

SUPPORTING DOCUMENTS REQUIRED TO ASSESS THE FINANCIAL STABILITY, CREDITWORTHINESS AND REPAYMENT ABILITY OF THE APPLICANT:

- Fully completed application form / Electronic application form
- Copy of passport
- Offer to purchase / sale agreement
- Proof of income
- **Salaried applicants:**
- 3 months bank statements to verify declared income
- **Self-employed applicants:**
- Financial statements of the entity; and
- 3 months bank statements of the applicant's personal account to verify the declared income
- **If the property is to be leased:**
- Copy of lease agreement.
- In the absence of a lease agreement affordability and repayment ability will be calculated on the income of the applicant and the potential rental income will not be taken into account.

GIVEN THE LOW LOAN TO PURCHASE PRICE, IF THE APPLICATION IS SUBMITTED WITHOUT THE REQUIRED PROOF OF INCOME, IT MAY BE APPROVED IN PRINCIPLE SUBJECT TO THE INCOME BEING VERIFIED BY THE PROCESSING UNIT, PRIOR TO FINAL GRANT.

FOR ALL EXCHANGE CONTROL APPLICATIONS – DOCUMENTATION REQUIRED TO BE SUBMITTED TO OBTAIN EXCON APPROVAL:

- * Residence Permit number as well as work permit and expiry date if applicable.
- Confirmation of when the 50% deposit will be made and in what currency
- Full details of customer (name, surname, passport number)
- Purchase price of property.
- Address of new property.

AFFECTED PERSONS – Definition: An affected person is a body corporate, foundation trust or partnership operating in the Republic, or an estate, in respect of which –

75% or more of the capital assets **or earnings** thereof may be utilised for payment to, or to the benefit in any manner of, any person who is not resident in the Republic: or **75%** or more of the voting securities, voting power, power of control, capital, assets or earning thereof, are directly or indirectly vested in, or controlled by or on behalf of, any person who is not resident in the Republic.

These entities must be registered locally and may be a trading or a property holding entity.

Exchange Control Policy

The bank must obtain approval for the transaction from the Reserve Bank – Regulation 3(1)(f): and

Section F©(ii) – The facilities will not exceed 100% of the effective capital of the entity:

i.e. MAXIMUM LOAN WILL BE 50% OF THE PURCHASE PRICE

Supporting documents required to assess the financial stability, creditworthiness and repayment ability of the affected person:

- Fully completed application form and addendum thereto completed by each trustee / member / director
- Copy of passport / ID of each trustee / member / director
- Offer to purchase /ale agreement

Entity in name of a trust

- Certified copy of trust deed

Entity in name of close corporation or company

- The names, passport numbers, identity numbers and addresses of the members or directors
- Proof of income property holding entity
- **Not of the affected person** in which name the property will be registered, **but** that of each individual trustee / member / director or the affected person who will take responsibility of the repayment of the facility. These individuals may be salaried or self-employed.
- **Salaried individuals:**
- 3 month bank statements to verify declared income
- **Self-employed individuals:**
- Financial statements of the entity; and
- 3 months bank statements of the trustee / member / director’s personal account to verify the declared income
- If property to be leased – Copy of lease agreement
- In the absence of a lease agreement affordability and repayment ability will be calculated on the income of the applicant and the potential rental income will not be taken into account.

- **Proof of income trading entity**
- The income of the trading itself:
- Signed copy of latest certificate / audited financial statements, to determine **liquidity, solvency and repayment ability** of the affected person.
- Management accounts if the latest certified / audited financial statements are older than 1 year; and
- 3 months bank statements of the trading entity to **verify the declared turnover.**

THE APPLICATION WILL BE APPROVED IN PRINCIPLE, SUBJECT TO EXCON APPROVAL AND VALUATION

GIVEN THE LOW LOAN TO PURCHASE PRICE, IF THE APPLICATION IS SUBMITTED WITHOUT THE REQUIRED PROOF OF INCOME, IT MAY BE APPROVED IN PRINCIPLE AND VERIFIED PRIOR TO FINAL GRANT.

Special conditions regarding the Exchange Policy:

- **Trust**
- Documents to be submitted prior to registration;
- A certified copy of the Trust Deed
- A certified copy of the Letter of Authority issued by the Master of the High Court.
- A certified copy of the passport / identity document of each trustee

And the normal requirements as per a Trust acquiring property.

Special conditions regarding the affected person as a Company.

- A certified copy of the Memorandum and Articles of Association
- A certified copy of the Certificate of Incorporation issued by the Registrar of Companies
- A certified copy of the Certificate to Commence Business issued by the Registrar of Companies
- A resolution signed by all the directors of the company.

And the normal requirements as per a Company acquiring property.

Special conditions regarding the affected person as a Close Corporation.

- A certified copy of the Founding Statement (CK2) together with the Certificate of incorporation furnished by the registrar
- A resolution a signed by all the members of the close corporation .

And the normal requirements as per a Close Corporation acquiring a property.

REFUGEES

Can lend up to 100% to salaried employees; and
80% to self employed people. (Subject to certain criteria)

COMMON MONETARY AREA

The CMA consists of the Republic of South Africa, Lesotho, Namibia and Swaziland
Normal lending applies to applicants of the Common Monetary Area.

ABSA HOME LOANS
CAPE TOWN

January 2006

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