

BUILDING LOANS

#Tips on #BuildingLoans

Building your own home should be a dream come true...not a nightmare! Here is a few useful tips you may find useful during your building project.

1) Before buying #vacantland, you need to pre qualify yourself, to be sure that you would qualify for the loan amount you have in mind to build for, unless you are building cash. The last thing you want is to buy vacant land and not qualifying to build that home you have been dreaming about.

2) The banks criteria on building loans are stricter than financing completed properties and a deposit of 10% to 20% will often be a requirement.

3) Remember the bank will only release the money for the land due to the seller on registration and the rest of the money will be held on retention and released by way of progress payments, as progress on the building project is made.

4) When the bank insists on a deposit, eg 10%, that 10% deposit needs to be paid into the attorneys trust account before registration or the 10% improvements need to be valued by the banks valuator on the land, in the form of for eg the foundations and slab being done. What ever money the bank expects the client to pay, needs to be paid first and then only will the banks money kick in. If you had an idea to use your own money towards the finishes of the house only, you will unfortunately have to rethink your way forward.

5) Once you have a #buildingplan (not necessarily approved by council as yet) you need to get a formal quote from a reputable builder that is NHBRC registered. The approved plans will only be a requirement on registration.

6) The #quote should give a detailed breakdown of finishes and include specs / PC amounts on all finishes right through from light fittings, flooring, BIC, type of window frames etc.

7) We recommend you taking this quote to your local supplier and getting an idea of what type of finishes you can expect for the PC amounts allowed for. Eg What kind of tile you will get for R100 /m2 and whether you will be happy with the selection.

8) With most building projects, clients end up spending on average 20% more than the original agreed price, due to going slightly over the budget with allowed PC amounts. It is therefore important that you confirm that the finishes included in the quotation, would meet your expectations before accepting the quote.

9) Sometimes clients have friends and family that can build for "cheaper" than the market price. Note that the banks will do their own valuation on your project and if they feel the price quoted is unrealistically low, they will decline the application due to the quote not being on par with the market and possibly offering below acceptable finishes for the area. You can contact us for more information herein.

10) Be sure that your builder is not only registered with the #NHBRC, but also enrolls the project on the specific erf number, with the NHBRC. You will need the enrollment certificate. Late enrollment could lead to #lateenrolment #penalties which will shock your pocket.

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11) **#Progresspayments** are made throughout the project and after every payment, your outstanding loan amount will increase. It is important that you service the interim interest on the bond every month, else you will have a shortfall by the end of the project.

12) Remember in the beginning the repayment on R500 000 may still be manageable, while paying your R10 000 rent, but by the end of the project the loan amount would have increased to eg R1800 000, which will need to be serviced, whilst still paying your R10 000 rent. It is therefore important to budget for both these expenses. (Unless you are lucky to stay with family or friends during this time).

13) The bank will only make the final progress payment, once the **#occupationcertificate** is available.

14) We recommend clients keeping an excell spreadsheet with record of every item bought throughout the project. This way you can tally up the cash you spent out of pocket vs the PC amounts allowed as per the contract.

15) The banks will not consider a building loan application, unless a detailed **#buildingcontract** is supplied, where a **#completiondate** is specified. It is recommendable that client and builder has concrete written guidelines and rulings relating to late completion of projects. Some of the banks build risk premiums into the interest rates offered on building loans, which will fall away as soon as the occupation certificate is available. This is to encourage the client to complete building as soon as possible. The longer the building project therefore takes to complete, the more expensive it becomes for the customer.

16) **#Turnkey** Building Projects will not have progress payments and even though, in the customer's eyes it will still be seen as a building loan, the bank will apply criteria as if the client is building a completed house. That would mean that the builder / seller would only receive one payment at the end of the project, once the occupation certificate is available. We will still have to submit the building plans, building contract and specification of finishes with NHBRC certificate, at the time of the bond application, but technically the client will be buying a complete house and deposit requirements may be less strict.

Call us for any further questions on 087 151 4712 or 011 6622 396 or 083 707 1684. **#PayneLessBonds #Experience #Knowledge #Awesomeservice**

