



## CHANGE IN OWNERSHIP POLICY

<b>Policy:</b>	<b>Effective Date: 11 October 2007</b>
<b>Approved: 11 October 2007</b>	<b>Review Date: 11 October 2010</b>

Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by Council and may be reviewed on an earlier date if necessary.

### 1. SCOPE

This policy is applicable to all employees of FDDM who receives a home-owner subsidy.

### 2. CHANGE IN OWNERSHIP

2.1 An employee who receives a home-owner subsidy may sell her or his home and buy or build another home. In such a case, her or his home-owner subsidy shall apply only to a bond equal to the excess of:

2.1.1 The bond on the second home, over

2.1.2 The proceeds to the employee from the sale of the first home, after deducting the transfer costs and the balance of the bond.

2.2 If an employee divorces, and

- 2.3 Her or his spouse gets title to her or his first home;
- 2.4 The employee retains the home but must increase debt on it to pay for the share of her or his spouse; or
- 2.5 The employee and her or his spouse sell the home and divide the proceeds;
- 2.6 The employee shall receive the allowance she or he would receive if she or he had sold the home as provided above and kept only half the proceeds.

### **3. BONA FIDE OVER AND UNDERPAYMENTS**

If the amount of the allowance paid to a person is found to be incorrect as a result of the faulty application of these provisions and incorrect data provided by the mortgagee, the error should be corrected immediately and any amount which because of such an error was.

### **4. IMPLEMENTATION/ENFORCEMENT SCOPE**

- 4.1 In order to participate in the benefits of the scheme, a municipal employee must at the date of application or at any time during the mortgage subsidy period, be –
  - 4.2 in the service of the Municipality;
  - 4.3 a contributing member of a statutory established registered pension or provident fund or be under obligation to contribute thereto, after completion of a qualifying period of service; provided that his/her spouse does not receive any form of housing assistance.

## **5. CRITERIA FOR PARTICIPATION IN THE SCHEME**

### **5.1 OWNERSHIP PRECONDITION**

5.1.1 a person must own a property –

5.1.2 that is registered in his and/or spouse's name; or

5.1.3 that has been erected on the premises in respect of which he/she and/or spouse had secured a lease hold in terms of a statutory provision; or

5.1.4 that would lead to him/her and/or spouse securing tenure by a deed of sale, and in respect of which a registered mortgage loan was accede to him/her by an institution as contemplated in paragraph 3.4, but which had not been transferred to his/her and/or spouse's name, as –

5.1.5 land-surveying and/or township establishment or the provision of sewerage or other services e.g. streets, water, electricity etc. had not been finalised;

5.1.6 the person concerned, had refrained from paying the required deposit on the purchase price although survey and township establishment had been concluded; or

5.1.7 the purchase price of the property had not been finalised and for which only a provisional purchase price was known at the time of signing of the provisional deed of sale.

5.1.8 Before a qualifying employee can participate in the benefits of the scheme **a sworn statement on a document drawn up by the Municipality be submitted** by the employer of the spouse of the applicant, as confirmation that said spouse does not receive any form of housing subsidy in respect of rent or subsidised housing or home-ownership bond subsidy paid directly to him/her or indirectly concealed/entrenched in his/her pay-packet.

## 5.2 OCCUPATION REQUISITE

5.2.1 In the case of a municipal employee the property must be occupied by him/herself subject to 2.2.2 below:

5.2.2 A homeownership mortgage subsidy may be paid to an employee during a resettlement period while being employed locally whilst his/her spouse occupies a property elsewhere in order to enable him to sell such property and find and purchase a suitable property locally.

5.2.3 Should a person be compelled to temporarily vacate the property as a result of a disaster (hurricane, flood, earthquake, fire, etc.) or due to intimidation, the **Municipality** may continue with the payment of a homeownership mortgage subsidy subject to the prescribed conditions and for such a period as may be considered reasonable.

## 5.3 LOAN REQUISITE

5.3.1 A mortgage loan (and not a hire-purchase contract) must be registered against the property that was obtain from –

5.3.1.1 the Board of Development and Housing, the Housing Board of the Development Municipality, the Housing Development Municipality or the National Housing Commission;

5.3.1.2 a local authority;

5.3.1.3 a financial institution that is registered with the Registrar of Financial Institutions;

5.3.1.4 a financial institution that is registered with the Registrar of Financial Institutions of an independent (former self-governing national) state that previously formed part of the Republic; or

5.3.1.5 any other institution established by an Act of parliament that grants mortgage loans.

5.4 Where any doubt or uncertainty regarding the registration of a specific financial institution exists, the Registrar of Financial Institutions should be consulted.

## **6 RULES AND PROCEDURES**

### **6.1 CALCULATION OF ALLOWANCE**

The maximum permissible mortgage subsidy currently determined at R85 000, is calculated in accordance with the basis, conditions and restrictions set out in 9 and 10.

### **6.2 ACKNOWLEDGED LOAN AMOUNT**

- 6.2.1 This is the amount of the registered mortgage loan on which the Municipality calculates the municipal employee's homeownership mortgage subsidy.
- 6.2.1 For the purpose of this scheme the acknowledged loan amount shall be the sum total of the whole or that portion of the registered mortgage loan(s) that was used for the purchase of the property occupied by such employee, to build or to effect fixed improvements or alternations (including structural maintenance) thereto or to the premises.
- 6.2.2 For determination of the acknowledged loan amount to be used for the calculation of the subsidy -
- 6.2.2.1 a specific registered mortgage loan or the total registered mortgage loan if an employee has more than one such loan over his property, shall be deemed to be the acknowledged loan amount if utilised as contemplated in sub-paragraph 4.2.1;
  - 6.2.2.2 the amounts of registered mortgage loans or portions thereof, that are not utilised for the purposes contemplated in paragraph 4.2.1 shall be deducted from the registered mortgage loan or total of registered mortgage loans, should an employee have more than one such loan on his/her property; and
  - 6.2.2.3 the acknowledged loan amount shall, if applicable, be further decreased by the amount whereby the

employee had been penalised in terms of paragraph 4.3.2.

6.2.3 The amounts of registered mortgage loans or portions thereof that are not utilised for the purposes contemplated in paragraph 4.2.1 and whereby the employee is penalised in terms of the order of magnitude of the acknowledged loan amount utilised for the calculation of his/her subsidy on such property, is not transferable in respect of properties that may have been purchased or erected at a later stage.

### 6.3 APPROPRIATION OF THE PROCEEDS FROM THE SALE OF A PREVIOUSLY SUBSIDISED PROPERTY

6.3.1 If an employee had previously owned a property (whether paid or not) that was registered in his/her name in respect of which he/she had previously received a mortgage subsidy for whatever period, on the basis (or similar basis) set out in this determination, by virtue of his/her service with the relevant local authority, and which had been sold (for this purpose it shall be deemed to have been sold on the date of registration thereof in the name of the new owner) he/she shall be obliged to utilise the amount equal to the full difference between the sales price of the previous property on the one hand, and the total sum of the balance of the mortgage at the date of sale plus the purchase costs (commission, inspection fees, architect fees, etc.) transfer costs and duty on the new property on the other hand, for the purchase of the property (including the erection of the residence) that he/she occupies.

6.3.2 An employee who sells a previously owned property under the circumstances described in subparagraph 4.3.1, but who had

neglected or refused to reinvest such proceeds in the purchase of a new property, shall be completely excluded from participation in the home ownership mortgage subsidy scheme, with effect from date of the sale of the previous property.

6.3.3 An employee shall be given the opportunity to sell an existing property and to buy a new one or to build a residence, three times during his period of employment with one (1) specific local authority.

#### 6.4 DATE FROM WHICH A MORTGAGE SUBSIDY IS PAID

##### 6.4.1 Persons already employed

On condition that an employee meets all qualifying requirements (and continues to do so), a mortgage subsidy may be paid to him/her on each and every salary payday.

##### 6.4.2 On first appointment

On condition that an employee meets with all qualifying requirements, a mortgage subsidy may be paid to him/her on every payday.

##### 6.4.3 On re-institution of the mortgage subsidy

On the re-institution of the mortgage subsidy after suspension thereof for whatever reason, the mortgage subsidy shall be payable with effect from the date on which the employee had again become eligible.



## 6.5 SUSPENSION OF MORTGAGE SUBSIDY

- 6.5.1 Unless otherwise determined in this determination, the payment of the mortgage subsidy shall be suspended from the date on which the disqualifying change had become operative.
- 6.5.2 If and when an employee's services are terminated for whatever reason and he/she still complies with the qualifying requirements, the mortgage subsidy may be paid to him/her up to and on the last salary payday.

## 6.6 MORTGAGE SUBSIDY PAYMENT PERIOD

- 6.6.1 The mortgage subsidy is payable for the duration of the term of redemption of the registered mortgage loan in respect whereof the subsidy is payable. This signifies that each employee has a fixed mortgage subsidy payment period that shall on a fixed date –
  - 6.6.1.1 take effect, namely the date on which the first compulsory monthly repayment of the mortgage loan is due; and
  - 6.6.1.2 expires, namely the date on which the redemption period to which the mortgage loan is subject, expires.
- 6.6.2 If a municipal employee –
  - 6.6.2.1 applies for a mortgage subsidy on date of appointment, in respect of a property bought or erected before this date; or

- 6.6.2.2 whose mortgage subsidy in respect of a specific property had been discontinued for whatever reason and whose circumstances had changed in such a way that he once again qualifies for a mortgage subsidy in respect of the same property.

His date of appointment or the date on which he again qualifies for a mortgage subsidy shall be the date on which his/her mortgage subsidy payment period commences. The expiry date of the mortgage subsidy payment period shall however remain as contemplated in subparagraph 4.6.1.2.

- 6.6.3 If a municipal employee has more than one registered mortgage loan in respect of the property occupied by him/her, the mortgage subsidy payment period in relation to each such mortgage loans shall be as contemplated in paragraph 4.6.1 and 4.6.2 above.

- 6.6.4 Any adjustment by the mortgagee to the redemption period (extension or reduction) whereto the mortgage loan is subject shall accordingly entail an adjustment to the mortgage subsidy payment period. The latter is inter alia, also applicable when two or more mortgage loans are consolidated into one registered mortgage loan (without the person obtaining additional funds in this way) and if the mortgagee indicates a new redemption period. However, also refer to the terms of paragraph 4.8.2 in this regard.

## 6.7 ACKNOWLEDGEMENT OF FURTHER INCREASED OR REGISTERED MORTGAGE LOANS

6.7.1 Subject to the terms of paragraphs 4.2.1 and 4.2.2 an employee shall be eligible for an increased monthly mortgage subsidy if he acquires an additional or increased registered mortgage loan and utilises such funds to make any fixed improvements or alterations to the property concerned which is occupied by him/herself; or

6.7.2 a further registered loan or an increased registered mortgage loan which is utilised for the fixed improvements/alterations to the property concerned shall be acknowledged for mortgage subsidy purposes at the earliest with effect from the date on which the improvements/alterations have been completed in full.

## 6.8 BONUS ON PARTICIPANTS IN MORTGAGE SUBSIDY SCHEME

A municipal employee, who applies for a mortgage subsidy or already receives such, must –

6.8.1 verify/support his application with the necessary documentary proof;

6.8.2 during the period in which he/she receives the allowance, report any changes relating to the loan amount or expiry date of his/her mortgage subsidy period and where applicable, verify such information with documentary proof;

6.8.3 make arrangements for the payment of monthly installments on his/her mortgage loan(s) per debit order against his salary; and

6.8.4 submit on request an annual statement of account from the mortgagee to the Municipality, reflecting yearly transactions in

respect to the mortgage loan. A local authority may at its own discretion suspend the mortgage subsidy payments of a participant in the scheme, should he/she fails to submit such statement on request and within a reasonable time (say 3 months).

## 6.9 BONA FIDE OVER AND SHORT PAYMENTS

Should the amount of the mortgage subsidy payable to a municipal employee prove to be incorrect as a result of the incorrect application of the prescriptions or incorrect information furnished by the mortgagee, the error should be rectified without delay and any amount that as a result of such error –

6.9.1 was overpaid, must be recovered from the employee concerned. If however, this amount cannot be recovered in one sum, interest should not be levied on the outstanding monthly balance; or

6.9.2 in the case of a short-payment, such monies must be paid to the employee.

## 6.10 PENALTY CLAUSE AND RECLAMATION/ADJUSTMENT OF THE MORTGAGE SUBSIDY

6.10.1 If, as a result of a formal disciplinary investigation it is found that a mortgage subsidy is paid to an employee who does not qualify, or that a higher allowance than that for which he/she qualifies is being paid as a result thereof that incorrect information deliberately submitted or relevant information concealed –

6.10.2 payment of such allowance must be suspended with effect from the first date of payment after date of discovery thereof;

6.10.3 the total amount paid to him or paid in excess, must be recovered. If however such amount cannot be redeemed in a single amount but only by means of monthly payments, interest should be levied on the outstanding balance from the date on which the employee was informed in writing to repay such amount, at the official interest rate determined by the Minister of Finance from time to time for this purpose; and

6.10.4 he shall in future not be eligible for any mortgage subsidy from the Municipality.

## 6.11 FORMS

Comprehensive documentation in respect of applications, suspensions and amendments to home mortgage subsidies must be kept by the Municipality.

## 7. SETTLEMENT POWERS OF ATTORNEY

The Municipality of the local authority concerned or his delegate is authorised in view of the terms of this maximum permissible determination of R85 000 –

7.1 to approve, disapprove or suspend the payment of the mortgage subsidy;

7.2 in individual cases, to determine and amend acknowledged loan amounts, mortgage subsidy amounts, mortgage subsidy payment periods, commencement dates of mortgage subsidies and final mortgage subsidy dates;

7.3 take any other action therein prescribed or congruent thereto.

## 8. **CONTROL**

Control measures are the responsibility of the Municipality.

## 9 **MORTGAGE SUBSIDY PAYABLE IN RESPECT OF INTERIM INTEREST**

9.1 Mortgagee as a rule levy interim interest on registered mortgage loans for the period extending from the date of registration thereof until the day preceding the date on which the first compulsory capital and interest redemption payment is due. On condition that the employee had complied with the occupancy requirements during the period in respect of which interest is levied, a subsidy may be paid to the employee on the interest thus paid to his/her mortgagee to wit, for the actual period for which the interest was levied or 30 days, namely the shortest period.

9.2 The mortgage subsidy payable in terms of subparagraph 7.1, is calculated as follows:

$A \times B =$  (rounded to the nearest higher rand) where:  
100

A - represents the person's acknowledged loan amount or the total of acknowledged amounts, and

B - represents the factor of 0,7305 (or 0,6487 in the case of a person who owns another previously subsidized home).

9.3 The provision in subparagraph 7.1 only has bearing on the first or main mortgage loan on a property. A mortgage subsidy is therefore

not payable on interim interest in respect of a second or further mortgage loan on the property occupied by the employee.

## 10. DIVORCE

- 10.1 When an employee of the Municipality divorces his/her spouse and he/she should consequently, in respect of the property for which he/she had received a mortgage subsidy for any period (on the basis) of this assignment set out herein or similar basis example an earlier determination, by virtue of his/her service in the Municipality –
- 10.2 sell such property in order to pass the proceeds to his/her spouse or to divide the proceeds on a specific basis between him/herself and his/her spouse, his/her case must be handled in terms of the rules under paragraph 4.3. For this purpose only 50% of the nett proceeds from the sale of such property and as contemplated in said paragraph, must be taken into account when he/she acquires a subsequent property and applies for the payment of a mortgage subsidy; or
- 10.3 awards such property to his/her spouse (by e.g. transfer thereof in the name of the spouse or by awarding usufruct to her/him) the case should be handled in terms of paragraph 4.3 as if he/she had sold such property.

For this purpose a valuation of the realistic market value of the property should be obtained as at the date of the granting of such property to the spouse in order to determine a nett return. Furthermore only 50% of the nett proceeds, as contemplated in the said paragraph, must be taken into account when a subsequent property is acquired and application is made for a mortgage subsidy.

## 11 EXCEPTIONAL CASES

In the case of exceptional circumstances arising that justify any deviation from these terms, the Industrial Council should be approached.

## 12. CALCULATION OF MONTHLY MORTGAGE SUBSIDY

The monthly mortgage subsidy that may be paid to an employee, represents-

12.1 R621,00 (or as amended from time to time) or

an amount calculated according to the following formula:

$A \times B =$  (rounded to the nearest higher rand) where:

100

A - represents the person's acknowledged loan amount or the total of acknowledged amounts, and

B - represents the factor of 0,7305 (or 0,6487 in the case of a person who owns another previously subsidized home) or

The amount (rounded to the nearest higher rand) calculated at the rate of 64% of the person's compulsory monthly capital and interest redemption which is paid by stop order to the mortgagee.

(NB. The "monthly capital and interest redemption paid to the mortgagee per debit order" referred to in paragraph above, must be deemed to be merely a reference to the amount that the employer indicates on his debit order as "compulsory capital/interest redemption.")



### **13. RULES FOR THE CALCULATION OF THE MORTGAGE SUBSIDY**

- 13.1 No mortgage subsidy is payable in respect of a mortgage loan if interest thereon is levied at the rate of 3% or lower. The interest rate in respect of a mortgage loan must otherwise be ignored in terms of paragraph 9.1 above, for the calculation of the subsidy.
- 13.2 Although the redemption period of a mortgage loan has a direct influence on an employee's mortgage subsidy payment period (refer to paragraph 4.6 in this regard) it must be ignored in the calculation of the monthly mortgage subsidy.

### **14. COLLATERAL SECURITY**

- 14.1 Collateral security for the purchase of houses by employees of the Municipality is provided in the form of a written guarantee to or money being deposited with the relevant financial institution subject to the following conditions:
- 14.1.1 Subject to 11.2 below, collateral security is only provided in respect of property in Sasolburg and Zamdela.
- 14.1.2 A waiting period of one year applies in respect of all employees, excluding new appointments, already residing in the Vaal Triangle in which case the Municipality will redeem the existing security of the previous employer subject to all other applicable conditions for the provision of collateral security.

- 14.1.3 The maximum amount for collateral security is the lesser of 20% of the purchase price of the property or the amount paid into the pension fund by the employee (excluding any contributions by employer(s), subject further thereto that the total monthly repayment notwithstanding any subsidy or allowance, shall not exceed 30% of the basic monthly salary of the employee.
- 14.1.4 A person who is the registered owner of immovable property (here or elsewhere) does not qualify for collateral security subject to 11.2 above.
- 14.1.5 The collateral security may not be used for any further advances and/or bonds.
- 14.1.6 Employees are only assisted once through the provision of a collateral security.
- 14.1.7 The employee must be a member of a registered pension or provident fund in order to qualify for collateral security.
- 14.1.8 Before collateral security is provided to any employee:
- ! 14.1.8.1 a valuation certificate of the property issued by the Manager Technical Services must be submitted;
- ! 14.1.8.2 an affidavit of the employee's assets and liabilities must be submitted.

- 14.2 An agreement containing all the conditions is entered into between the employee and the Municipality before any collateral security is supplied **(ANNEXURE)**.
- 14.3 Annual inspections are made in order to determine whether the property is kept in good condition.
- 14.4 Proof must be submitted annually to the effect that the property is properly insured.
- 14.5 The employee must take out life insurance for at least the amount that is needed to relieve the Municipality of its bond responsibilities and it must be ceded to the Municipality for as long as the Municipality is liable.
- 14.6 In the case of an employee with obligations in respect of collateral security provided by the Municipality, leaving the employ of the Municipality the Pension/ Provident Fund is notified thereof and application is made to the said fund for the Municipality's interest to be noted.

## 15. AUTHORITY

Formulation Policy	:	Director Corporate Services
Authorisation Policy	:	Council
Ownership & Maintenance Manager	:	Deputy Director : Corporate Services

