

1. What is a Home Loan?

A home loan is also known as a mortgage bond. It is the type of a loan given by a financial institution or building society to purchase a real estate or property.

The term mortgage bond can be used for residential, commercial, agricultural, industrial real estate among others. However, in most cases, home loan terminally is mostly used when referring to residential real estate property.

This document focuses on the home loan application processes for residential property only.



2. How Many Types of Home Loans do Exist?

There are many types of home loan packages that can be offered and this will depend on financial or building society to another. But there are two types of home loans:

i. Amortised Home Loan: This is the type of mortgage bond which has a fixed rate of a mortgage bond. This type of home loan is rarely given to home loan borrowers and it is not common in the local housing market.

ii. Adjustable-rate Mortgage (ARM): It is also known as a floating rate or variable rate mortgage. In the Namibian housing industry, this is the most type of home loan issued by most financial institutions and building society's organisations.

3. Do I Really Need to Buy a House?

Yes, buying a house is one of the most important investments that someone can make. It is better to own your home than to rent out a property. Many studies have shown that owning a property is a very important achievement in one's life. It also gives a chance and easy access to other types of financial services such as business loans for start-up, agricultural loan among others. Many people fail to access certain financial services simply because they do not own any fixed property, mostly a house.

Also, in most cases, if you purchase a home, you are likely to get a housing subsidy from your employer. Normally, many employers do not give a housing subsidy to those employees who do not own a house. They only give a minimum housing allowance which is always less than the housing subsidy.

It is therefore important to acquire a home as soon as you can because the sooner you get it, the better. We will discuss this further under the factors which determine the home loan qualifying amount.



Decision

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4. What are the Key Factors in Determining the Qualifying Home Loan Amount?

The factors that are being considered to decide on the applicant's home loan qualifying amount differ from one institution to the other; however, the following factors are commonly used by many institutions. They are the fundamental or basic factors that cannot be overlooked.

i. Monthly Income(s): This refers to the total income which the applicant received regularly, and it must be coming from a source(s) that is continuous and reliable for the whole period of the loan term.

ii. Monthly Expense(s): This refers to the financial commitments which the applicant must pay monthly. This can include but not limited to a personal loan(s), monthly bills such as glossaries, tuition fees, car loans, etc.

iii. Age: The age of the applicant is very important in deciding the home loan amount because it helps to determine the loan term. In most cases, a home loan applicant cannot be given the loan term which is beyond their retirement date. This is caused by the factor that if the applicant retires, he/she will no longer have a steady monthly income to repay the monthly installment of the mortgage bond. And, the shorter the loan term is, the lower the qualifying amount will be. Lets use this case as an example. Mr. Boniface is 55-year-old and get a monthly salary of N\$25,000.00 and Ms. Beata is 30-year-old and let us assume that she gets the same salary as Mr. Boniface, and they both have the same monthly expenses. Because of the differences in their remaining years to retirement, Ms. Beata's qualifying amount will be more than double Mr. Boniface's. That is why it is encouraged to purchase a house as soon as you get a steady monthly income no matter how small it maybe.

iv. Housing Subsidy (if applicable): This refers to the monthly additional amount your employer will subsidise you. This also varies from one employer to another. Some employers do subsidise their employees. Once again, this depends on the employer's policy.

v. Employer: There are various ways your employer can influence your home loan qualifying amount. During the credit assessment of the home loan applicant, some credit analysts consider the probability of your employer's business activities to close down and the risk of an employer's business continuity. If your employer's business activities are likely to cease within a shorter time, the lender will consider giving you a shorter home loan term resulting in lower qualifying amount and high monthly installment.

Also, as it was mentioned earlier, if you purchase a house, you will benefit from the additional amount paid by your employer as a subsidy. And in many cases, if you do not purchase the house, you lose this support from your employer. It should be mentioned again that some employers do not make provision of subsidising their employees whenever they purchase real estate. Once again, this depends on the employer's policy.



5. What can I do to get a home loan?

If you want to apply for a home loan and you are a GIPF active member, you can approach your nearest First Capital office to assist you with the application process. Alternatively, you can call our office on 061446700 for assistance or email us your inquiry on info@firstcapitalnam.com

However, if you are not a GIPF active member, you can approach any financial institution or building a society of your choice to assist you with a home loan.

6. What are the Stages of purchasing a house through a financial institution or a building society?

The duration and the processes of purchasing a house differ from one institution to the other; however, the following are the most common stage of home loan application processes:



Under this document, we have discussed in detail the application processes of the first stage which is Approval. We shall discuss the remaining two stages in our next article. Don't miss out on our next publications!



7. What are the steps of a Home Loan Approval?

The time frame of getting the final approval depends on the institution you approached for home loan assistance. And, two elements are very important in deciding the time frame it can take to obtain an approval letter for a home loan. The following steps are key elements under the approval of a home loan:

i. Step 1: Pre-Approval Amount: Under this stage, the lender (the financial institution or the building society) tries to determine your home loan qualifying amount based on the factors we discussed under section 4 of this document. To know your qualifying amount requires you to furnish the required documents to the lender. And this stage does not require you to identify a property you need to purchase.

ii. Step 2: Property Appraisal (Property Valuation): After knowing your home loan qualifying amount, you can look to approach a seller of a property of your choice as long as the selling price is within the range of your qualifying amount. After submitting the deed of sale to the lending institution, the lender will appoint a property appraisal experts to assess the market and insurance value of the property you intend to purchase. The same process is followed if you intend to purchase a vacant plot or and purchasing an existing house and do some improvements.

iii. Step 3: Credit Committee's Decision: The credit committee is the final body that decides on the final approval on the home loan applicant. However, in some institutions or and building society, the final approval of the home loan is issued by the Credit Manager or Credit Analyst.

8. How long does it take to get a Home Loan Approval from a financial institution or a building society?

The time frame to obtain a home loan approval varies from one home loan application to the other and from institution to institution. However, if the applicant's home loan file and the subject property's documents are in good order, the process of issuing a final home loan approval can take an average of twenty-one working days.

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