



WEALTH CREATORS METHOD
— ONLY RESULTS MATTER —

TERMINOLOGY

A

Administration Fee

The fee charged by a Bank to cover the initial costs of processing a home loan application.

Affordability Score

The Bank's assessment of a Buyer's ability to afford monthly instalments based on their income.

Agent's Commission

The amount payable by the Seller for the work done on marketing and selling a property. This is a percentage of the selling price.

Amenities

Certain features of a property or features of the area which increase a property's value.

Application

The form used to apply for a home loan, containing information about a borrower's income, savings, assets, debts, and more

Appraisal

The assessment made by an Estate Agent to determine the property's current value before it enters the property market to be sold.

Appraisal Fee

The fee charged by an appraiser when producing an estimate of the market value for a property.

Appreciation

The increase in the value of a property due to changes in market conditions, inflation, or other causes.

Asking Price

The price at which the Seller is offering their property for sale.

Asset

The physical item that you invest in.

Active Income

Money stops coming when you stop working

Access Bond

This facility allows you to draw funds up to a predetermined loan amount.

Accrued Interest

Interest earned but not yet paid.

Administration Fee

Fee charged by a lender to cover the initial costs of processing a loan application. The fee may include the cost of obtaining a property appraisal, a credit report, or other closing costs incurred during the process or the fee may be in addition to these charges.

Affordability

As a lender you need to assess whether you can afford the monthly instalments on the home loan. Your monthly income must be of a permanent nature and joint income may be taken into account where appropriate. The general rule of thumb is that your monthly instalment should not exceed 30% of your gross monthly income. This calculation is referred to as the Affordability factor.
$$\text{Affordability factor (AF)} = \left\{ \frac{\text{monthly loan instalment}}{\text{gross monthly income}} \right\} \times 100.$$

Agreement of Sale

Contract signed by buyer and seller stating the terms and conditions under which a property will be sold.

Annual Premium

This is the premium payable once a year in respect of a life assurance or a home owner's insurance policy.

Assessment

The Bank's assessed value of the property.

Assessment fee

This fee pays for the administration work that accompanies a property assessment.

ALA – Alienation of Land Act

Section 2(1) of the **Alienation of Land Act** provides that no sale of **land** (which includes the exercising of an option to buy **land**) will be of any force and effect unless it is contained in a written deed of **alienation** signed by the parties or by their agents acting under their written authority.

B

Bank-owned Property

Repossessed property now owned by the bank, usually sold at a lower price.

Beetle Certificate

A certificate issued confirming that a structure is free of wood borer or termite infestation. This is a legal requirement when selling.

Bequeath

To transfer personal property through a will.

Body Corporate

A group of trustees which controls the day-to-day running of a sectional title scheme.

Bond



A lending agreement between a Buyer and the Bank. The legal bond document states that the Bank will lend an amount of money in the form of a bond.

Bond Cancellation Cost

Costs accrued during the cancellation of a bond. These include an Attorney's registration fee and a Deeds Office fee.

Borrower

Someone who receives money from a Bank (lender) with the intention to repay the amount.

Buyer

The buyer of a property enters into an Agreement of Sale with the Seller of the property and pays the purchase price in cash or via a home loan.

Buyer's Market

A period in the property market which favours the Buyer with an increased number of properties for sale and low purchase prices.

Buy-to-Let

When you buy a residential property with the intention of renting it out for profit.

Buy-to-Rent

This is when the purchase of the property is bought for investment and then rented to a third party to generate passive income.

Balance Sheet

Used for the recording of the financial positions of private individuals, companies, cc's and trusts.

Bearer / Seller

The legal owner of a piece of property.

Bona Fide

In good faith.

Bond Costs

These are the conveyancer's fees, stamp duty and VAT. They are payable by the buyer to the attorney attending to the registration of the bond on behalf of the bank. Conveyancing fees and stamp duty are calculated on a sliding scale based on the bond registered.

Bond Registration Fee

The fee charged for the registration of the home loan in the buyer's name.

Bond Term

This is the original term of the loan.

Borrower (Mortgagor)

An individual who applies for and receives funds in the form of a loan and is obligated to repay the loan in full under the terms of the loan.

Broker / Estate Agent

An individual who brings buyers and sellers together and assists in negotiating contracts for a client.

Building Contract

A Contract between the land buyer and the builder, outlining the specifications of the building.

Building Loan

A Loan granted to a buyer who buys a vacant plot of land on which he intends to build.

Buyer's Market

Market conditions that favour buyers. With more sellers than buyers in the market, sellers may be forced to make substantial price concessions.



C

Cancellation Attorney

The Attorney who attends to the cancellation of the Seller's bond and is appointed by the Bank with whom the current mortgage bond is held.

Certificate of Insurance

A certificate issued by an insurance company verifying which parts of your property or property contents have coverage and the amount.

Cluster

A freehold property in a development of similar houses.

Commercial Property

Property which is used for business purposes or for generating income from the premises. Not used for residential purposes.

Conveyance

The document used to effect a transfer, such as a deed, or mortgage.

Conveyance Tax

A tax charged for the transfer of property from the Seller to the Buyer.

Conveyancer

A Conveyancing Attorney will attend to Deed Office transactions such as the transfer of a property from a Seller to a Buyer.

Cooling Off Period

The 5-day period after the Offer to Purchase has been signed during which the Buyer of a property has the right to cancel this agreement.

Credit Score

A statistical method of assessing your creditworthiness. Your credit card history; amount of outstanding debt; the type of credit you use; negative information such as bankruptcies or late payments; collection accounts and judgement; too little credit history and too many credit lines with the



maximum amount borrowed are all included in credit-scoring models to determine your credit score.

Credit Report

A detailed score card of an individual's credit history prepared by an official credit bureau. This report will determine your risk as a borrower.

Creditor

An institution or person to whom money is owed such as a Bank or mortgage originator.

Capital Growth

The growth on your investment over a certain period of time

Contract for Deed

A Contract for Deed is a tool that can allow buyers who either don't qualify for traditional lending options or who want a faster financing option to purchase property.

Commercial Property with commercial rights.

Commercial property refers to real estate property that is used for business activities. Commercial property usually refers to buildings that house businesses, but it can also refer to land that is intended to generate a profit, as well as larger residential rental properties.

Capped Rate

Consumer safeguards which limit the amount the interest rate on an adjustable rate mortgage can change in an adjustment interval and/or over the life of the loan.

Ceiling

The maximum allowable interest rate of a variable rate mortgage.

Collateral

Assets (such as your home) pledged as security for a home loan.

Commission

Money paid to a real estate agent or broker for negotiating a real estate or loan transaction.

Contract of Sale

The agreement between the buyer and seller on the purchase price, terms, and conditions of a sale.

D

Debit Order

A monthly instruction given to a Bank to deduct money off your account for payment of a loan.

Debt-to-Income Ratio

A ratio which shows a Buyer's monthly payment obligation to debts and which is divided by gross monthly income to ensure affordability.

Deed

A document which states the particular information of a property transfer.

Default

Failure to make the home loan payment within a specified period of time.

Deposit

Money which you have saved and is paid towards the purchase price of a property. In renting, a deposit is also paid upfront as security.

Depreciation

A decline in the value of a property.

Dwelling

Any building (e.g. A house, flat, apartment, room, hostel room or shack) within which people reside.

Duet

Where one stand is divided into two smaller stands with only the two owners of the smaller stands governing the property.

E

Economy

Economy refers to the wealth and resources of a country or region.

Electronic Banking

Electronic banking is a method of banking which allows an account holder to perform banking duties without having to physically enter a branch.

Estate Agent

The Estate Agent is a person who is authorised to act as an agent for the sale of land or the valuation, management, or lease of property.

Eviction

The lawful removal of an occupant from a property which they are renting.

Escrow

An **escrow** is a contractual arrangement in which a third party receives and **disburses** money or documents for the primary transacting parties, with the disbursement dependent on conditions agreed to by the transacting parties, or an account established by a **broker** for holding funds on behalf of the broker's **principal** or some other person until the consummation or termination of a transaction

F

The Formula For Riches™

$$\$ = \left(S * \left(\frac{G}{Ri} \right)^{Re} \right)^{nm}$$

Where:

\$ = The desire to become and remain wealthy

S = Surplus

G = Growth on your surplus

R = Risk involved in the investment or business

Re = Responsibility to manage the growth and risk

nm = Time and personal effort

Fees

A charge to cover the cost of a service (e.g. building inspection fee, zoning fee).

FICA

The Financial Intelligence Centre Act, 2001 was formed to regulate money laundering and requires valid information to be presented to the Bank.

Financial institution

An establishment such as a bank, trust company, insurance company and investment dealer. A financial institution deals with investing your money.

Financing

Financing is the process of providing funds for business activities, buying a car, making purchases or investing.

Farm & Plot

A Property with agricultural rights.

Free Stand

This is a residential stand with no governing body other than the registered owner.

Floor plan

A floor plan shows the architectural layout of the building and the specifications of each room.



Forced Sale

The sale of a property used as security for a loan to repay the creditor in the event of default on the loan.

Foreclosure

When a Bank takes possession of property as a result of defaults in loan or mortgage payments. (See: Repossessed)

Fractional Ownership

Shared ownership and shared usage of an asset such as property. Fractional ownership often refers to holiday property.

Freehold

Property where the owner has full rights to the property and takes on all responsibilities.

G

Gross Income

Your total monthly income before taxes and other expenses are deducted.

Gross Profit

Remaining revenue after deducting total costs from total sales.

H

Habitable

A term used to describe a dwelling or home which is suitable for a person to live in.

Home Inspection

An inspection that evaluates the condition of a property for valuation purposes.

Home Loan

An agreement between the Buyer and a Bank, where the Bank lends the Buyer money in order to purchase property.



Home Loan Application

A form on which all relevant personal and financial information is given to begin the home loan application process.

Home owners Insurance

An insurance policy that covers your house (structure and property) in the event of damage or loss.

House

A freehold dwelling.

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Instalment Amount

The monthly amount paid to the lender as part of the total home loan amount. Instalments run for the entire duration of the agreed term.

Insurance

Insurance protects an individual or their property in the event of unforeseen circumstances, such as theft, loss or death. This is a monthly fee.

Interest

A charge owed for borrowing money. Interest is calculated as a percentage of the remaining balance of the amount borrowed.

Interest Bearing Account

When Attorneys and Estate Agents hold money for clients, it is deposited into an interest bearing account. This is for the protection of the amount.

Interest Rate

Interest is added onto the amount of money borrowed from a Bank. This amount is fixed for a period and is based on the amount of money.

Internet Banking

This is an electronic banking facility that enables an account holder to process banking transactions online.

Income

Passive Income/ Residual Income – Money you earn even when you are not actively working

Industrial

A Property with industrial rights.

Inflation Rate

Inflation is **defined** as a sustained increase in the general level of prices for goods and services in a country, and is measured as an annual **percentage** change. ... Put differently, as **inflation** rises, every rand/dollar you own buys a smaller **percentage** of a good or service.

J

Joint Income

The total gross income of two parties or partners living in one household.

K

L

Land Surveyor

A qualified professional who is trained to measure the boundaries of a property.

Landlord

The owner of property that is leased to others. A landlord is seen as a custodian of the property and is responsible for collecting rent.

Landmarks

Points of interest or amenities. Schools, libraries, sports fields and shopping centres are examples of landmarks.

Lease

A contract signed between an owner of a property and the tenant. This contract specifies important terms and conditions regarding the rental period.

Lender

A Bank, person or other institution that lends money to a borrower.

Lessor

The owner renting out the property.

Levies

A set of fees or a tariff collected by an authority.

Loan

An amount of money transferred from a Bank (lender) to a borrower in exchange for future repayments.

Lease Options

Loan from Family or friends

Liquid - How easily the investment can be turned into cash

M**Mortgage Broker**

Someone who acts as an intermediary between the Buyer and a Bank, for the purposes of arranging a home loan.

Mortgage

A mortgage bond is registered in favor of the bank, which has given a loan to the buyer to finance the payment of the purchase price of a property.

Municipal Land Value

The value of a piece of land, or property set out and decided by the Municipality.

Municipal Rates

Taxes paid to the municipality by property owners.

Municipality



A local government which presides over a city, town, or district which acts as the local authority.

Miscellaneous costs

This is everything such as levies, new carpets, little maintenance jobs that needs to be completed before the tenant moves in.

Monthly costs

Rates and taxes, levies, water, electricity, sanitation, insurance.

N

Net Income

This is your yearly income after taxes.

Notary

A **notary** is a person licensed by the government to perform acts in legal affairs.

O

Occupant

Someone who occupies a particular property or place.

Occupational Rent

A charge applied to the Seller for occupying the property after registration has taken place or to the Buyer for occupying the property before.

Offer to Purchase

A legally binding document signed by the Buyer and Seller stating the agreement of the sale and its conditions.

Office Park

A property designed specifically for business and corporate offices.

Owner

Someone who owns a property or an asset. This ownership is usually indicated on a title deed.

P

Payslip

A document issued on a monthly basis by your employer as proof of your monthly income.

Premises

A building or part of a building, usually including the adjacent grounds.

Property Transfer

When ownership of a property legally changes hands from Seller to Buyer, through registration of the property at the Deeds Office.

Property Type

The classification of commercial Real Estate. The four primary property types are: retail, industrial, office and residential.

Purchase Price

The amount paid for the purchase of a property as set out in the Offer to Purchase agreement.

Purchaser

The person who buys a property.

Policies

Endowment –

Unit Trust –

Retirement Annuity –

Life Cover / Life Assurance-

Property as an investment-

Partnerships

Q



Qualified Buyer

Someone who meets a Bank's requirements of affordability and has qualified for a home loan.

R

Rand (R)

The currency unit for South Africa. R1 is equal to 100 cents.

Registering Attorney

The Attorney who attends to the registration of the new bond into the name of the Buyer.

Renovate

Restoring a home or property by rebuilding or remodeling.

Repayment Term

The number of months allocated to pay off a home loan. The maximum repayment term is 30 years.

Repossessed

A home that has been reclaimed by the Bank due to default payments by the owner. (see: Foreclosure)

Residential Property

A property used for residential purposes, not for business or office purposes.

S

Sectional Title

An entire property of flats or townhouses. The property is divided into individual units and sold separately and runs under a Body Corporate.

Seller's Market

During this time there are more Buyers than houses because the demand for property is greater than the supply.

Subject to Sale

When a sale of a house becomes binding and unconditional then certain conditions are met, such as bond approval.

T

Taxes

An involuntary fee levied that is enforced by government in order to finance government activities.

Tenant

A person who occupies a property, but does not own it and pays rent in return.

Title Deed

The legal document which states ownership of a property. The Title Deed is filed at the Deeds Office and contains details of the property.

Townhouse

A cluster-type home, either a simplex or a duplex, usually sharing a boundary with other units.

Turnkey –

Transfer costs – This is the money that goes to the attorney that specialises in the transfers of property.

Transfer duties – This is the tax that is paid to the government on the transfer of every property.

U

Utilities

Services provided by the government for your use at home. Utilities include: water, electricity, telephone service and other essentials.

V

Vacant Land



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An empty plot of land that has not yet been developed.

Voetstoots

Refers to a property sold "as is". After a sale of property, a Seller is not liable for defects following a reasonable inspection of the property.

vendor Financing

W

Walk-Through

The final inspection of a home.