



# BUSINESS MORTGAGE

Mortgage Max  
18 September 2020

Standard Bank **IT CAN BE™**



# AGENDA

## WHAT IS A BUSINESS MORTGAGE?

- FEATURES AND BENEFITS & PRICING
- ACCEPTABLE & UNACCEPTABLE PROPERTY TYPES
- ACCESSOR REQUIREMENTS
- CREDIT REQUIREMENTS



## WHAT IS A BUSINESS MORTGAGE?

*BUSINESS MORTGAGE IS A STANDARD BANK HOME LOANS PRODUCT, WHICH WAS INITIALLY LAUNCHED IN OCTOBER 1999 AS A DEFENSIVE PRODUCT. THIS PRODUCT WAS DESIGNED TO ASSIST CUSTOMERS IN PURCHASING “ CONVERTED RESIDENTIAL PROPERTY” USED FOR BUSINESS PURPOSES AND WAS NOT INTENDED TO BE USED TO FINANCE INVESTMENT PROPERTIES OR CUSTOM BUILT COMMERCIAL PROPERTIES.*

### **Business Mortgage:**

- Caters for residential properties where the customer intends to use a portion of the premises for the running of a business. This would be applicable where the property has been rezoned for business use or where consent use is required from the municipality. A copy of the relevant consent use/ rezoning certificate is to accompany the application.
- Business zoning is required from the municipality when more than 50% of the property’s floor space is used for business purposes. Consent use to the property (not the person) is required when less than 50% of the property’s floor space is used for business purposes and the municipality has deemed the property to have considerable business use.
- Instances also arise where customers approach the municipality for “temporary departure use”. These requests are also reliant on the Banks consent and are treated as Business Mortgages.
- Targeted at small to medium businesses. e.g. Bed and Breakfast/Guesthouse, attorneys, doctors, accountants, dentist or other professionals.



**FEATURES,  
BENEFITS &  
PRICING**

**02**



## FEATURES, BENEFITS & PRICING

THE PRODUCT HAS UNIQUE FEATURES AND BENEFITS

### Features:

- Borrow up to R10 million. (Minimum R100 000)
- Sectional Title Units in Office Park up to R5m
- Repayment period of 20 years.
- Loan of up to 80% of the property's assessed value
- Finance is available for additions and alterations
- Further Advance and Access Bond facility may be applied for
- Offered to all types of customers including non-residents subject to exchange control

### Benefits:

- Offers a tailor made solution
- Specific insurance offering that covers the business
- Longer period and higher LTV offered compared to Business Banking products such as MTL.
- Ability to access additional equity in the property through a Further Advance
- Access funds paid into the Business Mortgage via an Access bond facility.

### Pricing:

- Business Mortgage Loans are priced based on risk over and above the granted home loan rate.



# ACCEPTABLE & UNACCEPTABLE PROPERTY TYPES

# 03



## ACCEPTABLE & UNACCEPTABLE PROPERTY TYPES

### Acceptable

- Professionals Home Offices: Doctors, Attorney's, Accountants, Consultants
- Bed and Breakfast
- Guesthouses
- Surgeries for doctors / dentists
- Estate agents
- Sectional Title Office Units

### Unacceptable

- Commercial/Manufacturing Plants
- Factories & Retail outlets
- Building Loans (Further advances for building alterations may be considered.)
- Vacant Land
- Agricultural loans, where income is derived from productive value from the farm.
- Sectional Title Offices – Mix of Residential and retail



# ASSESSOR REQUIREMENTS

# 04



## ASSESSOR REQUIREMENTS

### Consent Use (To Property or to Person)

- Property remains zoned residential however, allowed to operate a business from site
- Must retain a residential character
- Must be able to convert back to residential
- Portion % used for business use to be determined and added to report by Assessor.
- Official letter of consent use must be made a condition of loan.

### Re-Zoned to Business

- Property must be situated in a Business node (norm for the area).
- Adequate comparable sales must be on hand
- Business zoning checked and verified (Zoning certificate) must be obtained.

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- A blue silhouette of a person standing, facing forward, with a speech bubble pointing to the left.
- Certified title deed
  - Zoning certificates
  - Property details
  - Income and expenditure



# CREDIT REQUIREMENTS

# 05



If the property is a B&B/ Guesthouse ,we will evaluate on the basis of an SME proposal, having regard to :

- **Past financials**
- **Budget forecast**
- **Business Plan** - essentially to ensure the applicant has adequately researched the purchase
- **Management capability**
- **Cash flow forecast**
- **Personal Balance Sheet.**

*Assessments are undertaken post grant on a revenue / expenditure method.*



THANK  
YOU.