

# NON-SA CITIZEN HOME LOAN APPLICANTS



## Applying for a mortgage as a Non-SA Citizen

*You don't need to be a South African citizen to buy property in South Africa. You can apply for a home loan as a foreigner directly at any bank or you can seek the assistance of one of our experienced mortgage brokers. This is essential if you are new to the South African property market and if you're not familiar with South African property laws and financial regulations. In addition, working with a mortgage broker allows you to apply once and receive multiple offers at all the main South African banks. The best news – our services are totally free of charge.*

### What is my residency status?

Before anything, you have to ascertain what your residency status is, from the bank's perspective. It boils down to: What are your ties to South Africa and what is your risk classification?

The risks categories, ranked highest (#1) to lowest (#5) are as follows

1. Non-resident non-SA citizen – no residency status (i.e. no SA ID and no visa);
2. Temporary resident on a work permit (3+ year work permits preferred);
3. SA-citizen living abroad and earning foreign income;
4. Temporary resident married to an SA-citizen where the temporary resident is the higher income earner;
5. Temporary resident married to an SA-citizen where the SA-citizen is the higher income earner.

### How is affordability assessed?

Affordability for a loan in South Africa is typically assessed by taking your *gross taxable income* (not including cost-to-company amount, or any employer contributions on your behalf) and subtracting your payslip *deductions* (tax, medical aid, pension), other *debt repayments* (car loan, credit cards, etc) and *living expenses*. The remaining amount should leave sufficient surplus for the bond repayment, bond insurance, housing maintenance costs and interest rate fluctuation risk allowance.

In addition, SA banks use the general rule of total bond repayments to be no more than 30% of your gross income, although this can be motivated to a higher ratio where sufficient evidence of lower expenses can be provided.

Due to exchange rate fluctuations and other risk factors outside of the bank's control, your total gross income may not be considered at the same inclusion rate as an SA-citizen living in country, which means that we conduct our home loan prequalifications for non-SA citizens very conservatively.

### Will a Deposit Be Required?

Yes, in most circumstances.

The South African Reserve Bank (SARB) exchange control regulations determine the extent to which foreign buyers not working in South Africa can borrow money when purchasing property. The maximum loan amount that can be granted to a non-resident non-SA citizen is 50% of the purchase price. As these

# NON-SA CITIZEN HOME LOAN APPLICANTS



regulations are set by SARB, there is no room for negotiating this point with any of the South African banks. The balance must then be paid in cash, whether the payment is made as a foreign exchange payment via SARB or transferred from a local bank account, into the transferring attorney's trust account.

Foreigners who have residency or work permits may be granted a bit more financing if the work permit is for three years or more. Where the application is a joint application with a permanent resident and temporary resident, higher loan amounts may also be considered.

We have managed to secure 100% loan amounts for temporary residents, but this is typically where they are applying with a permanent resident living in South Africa – particularly if the permanent resident is the higher income earner.

A refugee (with a Maroon ID) has recently been able to apply for a mortgage loan, however it is subject to Credit and usually only considered if the applicant has banking and employment history in South Africa for one to two years.

Type of Applicant	Maximum Loan Amount
Non-resident non-SA citizen	50% (non-negotiable)
Temporary resident, with a 3-year work permit	50 - 80%
SA citizen working abroad	70 - 90%
Refugees	50% and above, subject to credit

## Documents required

The question is often asked, “why do I need to verify my income when I have such a large deposit and the risk for the bank is so low?” It is true that foreigners with a 50% deposit for a property will still need to provide verification documents for their foreign or local income that will be used to qualify them for the loan amount.

This is mainly because the income verification requirements are not only required by law under the National Credit Act, but also under the Financial Intelligence Centre Act which was introduced in 2003 to fight financial crime, such as money laundering, tax evasion, and terrorist financing activities.

The full list of minimum documents required for each type of applicant is listed below, however the banks can request additional documentation if they are not satisfied with the application's ability to meet the requirements under South African law.

# NON-SA CITIZEN HOME LOAN APPLICANTS



## Additional costs

Foreign investors, like South African residents are liable for a number of transfer and bond registration costs, including:

- transfer fee, payable to the transferring attorney who is usually selected by the seller;
- transfer duty, payable to the South African Revenue Service (SARS), should the value of the property exceed R1 million; and
- bond registration fee (if a mortgage bond is required), payable to the bond registration attorney who will be selected by your mortgage bank from their panel of attorneys.

## Marriage status under South African law

In a transaction where a South African property is mortgaged, sold or purchased by a person within a foreign registered marriage, the other spouse's involvement is required in terms of executing the documents of the transaction. Normally, the formal validity of marriage is determined by the law of the place where the marriage certificate was issued.

A degree of legal uncertainty is present when one or both of the parties to the marriage did not reside in the same country, or when the marriage was formalised in a place outside either one or both spouse's country of domicile, for example in South Africa.

The default marriage status within South Africa is marriage 'in community of property' – which basically means the parties in the spousal relationship share all assets and liabilities and must apply together when purchasing property or applying for mortgage finance. It should be assumed that married foreigners applying for a mortgage loan in South Africa should at the very least, require their spouse's involvement and/or require them to be a co-applicant for the loan.

*There are many financial and legal aspects to consider when looking to buy property in South Africa as a non-resident. Give yourself a choice between multiple loan offers by applying for a home loan at all the local banks with Phoenix Bonds. We also work closely with our conveyancing and legal partners to ensure you have access to the best legal advice when buying property within South Africa.*

*Contact us now to get started!*

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# NON-SA CITIZEN HOME LOAN APPLICANTS



## Documents Required for Foreigners

### Documents required for a Non-Resident Non-SA Citizen

- ☐ Foreign passport
- ☐ Marriage Certificate
- ☐ International credit check
- ☐ Latest 6 months payslips
- ☐ Latest 6 months foreign bank statements
- ☐ Proof of funds \* for deposit (50% of the purchase price of the property)
- ☐ Phoenix Bonds home loan application form

\* Proof of funds for a deposit could be in the form of a savings account, investments or sale of another property.

Note that, if one or more of the applicant's is self-employed, then additional documents will be required as per our ***Self-Employed Applicant Fact Sheet***.

### Documents required for a Temporary-Resident Non-SA Citizen

- ☐ Foreign passport
- ☐ Visa or work permit
- ☐ Marriage certificate
- ☐ Contract of Employment (must be in English)
- ☐ Latest 6 months payslips
- ☐ Latest 6 months bank statements
- ☐ Phoenix Bonds home loan application form

### Documents required for an SA-Citizen Working Abroad

- ☐ ID
- ☐ Visa or work permit
- ☐ Contract of Employment (must be in English)
- ☐ Latest 6 months payslips
- ☐ Latest 6 months bank statements
- ☐ Phoenix Bonds home loan application form