

# Types of mortgages and mortgage loans offered by BBS

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*This educational column focuses on the types of mortgages offered at Botswana Building Society.*

In the last segment titled "steps to follow when applying for a mortgage loan", we discussed the BBS mortgage requirements. We hope you were able to appreciate what we covered. We await any enquiries or clarity that you might seek pertaining to the requirements which were discussed.

In this segment, we would like to explain the types of mortgage that BBS has so that you can identify one that is relevant to your needs. Therefore, the types of mortgage are:

## Ordinary Mortgage Loan

This loan is for when one acquires a complete property or a complete structure.

## Building Loan

A building loan is used to develop property or to purchase an already existing but incomplete structure.

## Refinance or further advance

The loan is provided as an additional loan for the extension of an existing property. It can also be used for an already existing property improvement, such as swimming pool construction and paving the yard. The funds can also be used to buy another property or clear other existing loans. The requirements for this loan will, therefore, depend on the purpose for which the loan is being sought.

## Re-Advance

The loan allows you to release funds or equity when the value of the property has gone up, or appreciated, and the loan amount has reduced. In this case there is non-involvement of Conveyancer or Attorney as Bonds are already registered in favour of the Society.

## Free Hold Land Financing

This loan allows you to purchase undeveloped land which has unrestricted ownership. Customers are given a period of seven years to repay the loan.

## Home loan

A home loan is acquired only when one purchases or builds a residential property.

## Commercial loan

The loan is used to finance commercial and industrial property development or acquisition such as offices, shopping malls, warehouses, schools, multi residential property for rental, etc.

## Interest rate structures

BBS has two mortgage interest rate structures, which help to determine the interest rate you pay and the loan tenure.

## Variable Rate Loans

A variable interest rate loan, also known as an

adjustable interest rate loan, is one in which the interest rate charged on the outstanding balance varies as the bank rate changes. It is driven by the prime rate. As a result, your payments will vary with changes to the prime rate. Therefore, the fluctuations in instalments cannot be pre-determined.

## Floating Rate Loans

The floating rate loan has a fixed rate of interest that is charged over the loan term of five (5), ten (10), fifteen (15) and twenty (20) years. The repayment amount, or the loan instalment, remains the same for the duration of the loan tenure during any of the periods indicated above.

## Loan tenure

Loan tenure refers to the period of the mortgage loan, from the date of the first disbursement to the last date, being the date of closure of loan. Individuals can be given a loan term of up to thirty years (30), which is repayable within the age of sixty five (65).

As for companies, they can qualify for a maximum term of twenty (20) years.

## Loan Amounts

BBS finances a minimum loan amount of P20,000.00 for both residential and commercial loans. The maximum loan is determined by the location of the property being financed. It will differ from one location to another, with urban centres offering higher amounts.

The debt serving ratio for BBS must not exceed 40% of gross family income. That is, an applicant's monthly instalment must be within, or 40% of their monthly gross income.

## Loan to Value

Loan to value is a key risk factor that BBS uses to assess or to qualify mortgage loan applications. The analysis informs the BBS of its risk appetite based on some of the following key factors, the individual affordability, the purchase price (price at which the property is being sold), or the construction sum in the case of building loans and all the above mentioned assessed against the current Open Market Value of the property for which the loan being sought.

BBS finances up to 90% of the Open Market Value for both individuals and companies in all urban centres, and between 50% and 80% in semi-urban and rural areas.

The Society finances property throughout the country. However, the property must be registered with the Deeds Office. For SHHA plots, they must be converted to Fixed State Grant for them to be considered for funding.

**BBS has qualified Sales Consultants who are ready to assist you. You may reach them at 3971396 or visit any of our branches country wide for assistance.**

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\* Terms and conditions apply

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*In the next segment, we will share with you information on our savings and investment products. BBS offers a variety of savings accounts which can help one save for whatever purpose, including the acquisition of property.*



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