

Thinking of buying a second or subsequent home?

As from 22 March 2017, prospective home loan applicants of second or subsequent residential properties will be required to pay a percentage of the purchasing price or market value of the property as a deposit.

The commercial bank providing the loan to the prospective buyer will finance the remaining percentage of the home loan. This is known as a Loan-to-value ratio or LTV.

For example: For the purchase of a second residential property, the LTV ratio is set at 80% of the purchasing price or market value of the property. For instance, if the value of the second property you want to buy is N\$1 000 000.00, the Bank will finance N\$800 000.00 and you will be expected to pay a deposit of 20 percent (N\$200 000.00) upfront.

Every additional property thereafter will have an increase of 10 percent on the deposit amount as shown below.

		Deposit	Loan
1st home loan		0	100%
2nd home loan		20%	80%
3rd home loan		30%	70%
4th home loan		40%	60%
5th home loan		50%	50%

In the event that the first residential property has been paid off completely, the prospective buyer will be treated as a first time buyer and will not be subjected to LTV.

This regulation will give prospective first time home-buyers a better chance of owning a home as they will be exempted from paying a deposit. This means that the commercial bank will extend a home loan to the prospective first time buyer and they will not be expected to pay a deposit.