

LET'S TALK MONEY

Issue 5



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PRACTICAL ASPECTS TO CONSIDER WHEN CALCULATING YOUR BOND INSTALLMENT

At Bank Gaborone, we understand that at different stages in your life, whether you are single, married or a growing family, you have changing housing needs. We can provide you with competitive finance options to help you own the ideal home that meets your particular needs.

Buying a house is however not just a matter of "What can I afford?" Instead it is a long term commitment for which you should rather ask yourself: "What can I afford on a sustainable basis?" It is also the biggest investment that most of us will make during our lifetime .

The building must also be insured during the duration of the loan and one should also provide for regular maintenance to ensure that the property at least maintains and preferably increase in value.

Keep in mind that the interest rate will primarily determine your monthly repayment cost, and interest rates will most definitely fluctuate during the period of your bond.

To ensure that your house does not become a financial burden for you and your family, a useful guideline to apply is that your monthly installment should not exceed 30% of your gross monthly income.

Your monthly home loan installment is furthermore a function of the agreed repayment period and the interest rate which is normally linked to the bank's Prime rate , will be adjusted in accordance with fluctuations in the Prime rate.

Should interest rates drop and you continue paying the higher amount, you will save a substantial amount through bigger capital reduction and subsequent less interest over the longer term.

If you qualify for a monthly housing allowance or subsidy it can be used towards your monthly installment. This may allow you to qualify for a bigger loan or a better property. However you should always be realistic by not committing yourself to a higher monthly installment which you may not be able to afford on a sustainable basis. Rather opt for a longer repayment period, but try to repay the loan earlier by making extra deposits from time to time depending on your availability of funds. In doing so, the outstanding loan amount will be repaid much quicker, resulting in real savings by means of lower monthly interest charges.

Bank Gaborone's professional team of property finance consultants await your enquiries and are looking forward to delight you with excellent service. Please contact them at 3671500 or simply email us at info@bankgaborone.co.bw.

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