



# SECTIONAL TITLE SOLUTIONS

## ARREAR LEVY AND PROJECT FUNDING SOLUTIONS

Thank you for your interest in arrear levy and project funding solutions offered by Sectional Title Solutions ("STS").

### 1. WHAT WE DO

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STS is a value-enhancing business that focuses on providing unique **cost saving** and **revenue generating** solutions to the Sectional Title industry and Homeowners Associations.

Solutions provided to our Sectional Title and Homeowner Association clients include:

1. Innovative arrear levy and project funding solutions;
2. State of the art Fibre to the Home and Wireless Internet solutions;
3. Cost-saving energy efficiency and Solar solutions;
4. Revenue generating outdoor media and advertising solutions;
5. Comprehensive property related insurance solutions;
6. Legal and levy advisory services and solutions; and
7. High-quality paint and maintenance related and funding solutions.

Our core focus is to provide a sustainable value added solution that will benefit all unit owners and stakeholders, reducing inefficient costs and generating much needed revenue for Bodies Corporate, in order to ultimately ensure financial sustainability and protect the unit owner's value of their investment in their property.

### 2. ARREAR LEVY AND PROJECT FUNDING: THE SOLUTION

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STS specializes in facilitating loan funding to Sectional Title Bodies Corporate, offering various lending solutions to Bodies Corporate that have underlying levy debtor problems, or require funding for municipal arrears, maintenance and / or capital projects, but whose unit owners cannot immediately raise the necessary upfront cash.

Funding extended by STS, utilizing our lending model, assists:

- a. Bodies Corporate to maintain their obligations required by the Sectional Titles Act;
- b. The Body Corporates financial position, preventing unit owners who pay their levies from subsidizing their non-paying co-owners; and
- c. Bodies Corporate in offering their non-paying unit owners debt rehabilitation opportunities so as to protect their home ownership and to avoid expensive legal costs.



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STS offers flexible funding terms, including:

- a. Repayment terms of between 12 and 60 months (terms longer than 60 months will be assessed on a case by case basis);
- b. Interest servicing versus interest capitalizing terms; and
- c. Repayment flexibility and capital moratoriums.

### **3. ARREAR LEVY FUNDING**

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There are a vast number of Sectional Title Bodies Corporate in South Africa that struggle to operate functionally as a result of non-paying unit owners. The non-payment of levies results in a shortfall in the operational budget of a Body Corporate and basically means that paying unit owners either end up subsidising non-paying unit owners' levy amounts and / or their property assets are not managed or maintained in terms of the Act.

This shortfall in operational funds typically results in a lack of funding available for routine maintenance and other important expenditure items, to the common property, that ultimately leads to building decay over time, depreciating asset values and in some cases, eventual destruction of the building.

The general decay of the building, if not maintained over time, not only erodes asset value of those units within the Body Corporate, but also the properties surrounding it. The decay of a single building can negatively impact on the value of neighboring properties. This leads to a chain reaction, the results of which are easily identified in many of our inner cities.

In some cases, the non-payment of levies is more severe and not even necessity-items such as basic utilities can be paid. In this scenario, where utilities have been disconnected, and, in the absence of individual water and electricity meters, even the paying unit owners suffer the consequences of the non-payment of levies by a portion of its members.

It is also essential to note that the STS lending model creates the opportunity for the Body Corporate to offer debt rehabilitation to their non-paying owners. In the absence of the STS loan the Body Corporate would be forced, in terms of the Act as well as to avoid prejudice to the paying owners, to immediately institute legal action against the non-paying owners. This immediately adds large legal fees to the existing levy debt. If unresolved, the Body Corporate legal action could lead to the unit owner losing their home. The provision of the loan stabilises the Body Corporate cash flow and enables it to offer their levy debtors TIME to repay their debt WITHOUT legal action or costs. The debtor rehabilitation opportunity is often the difference between the unit owners keeping or losing their home.



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## 4. PROJECT FUNDING

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The Body Corporate has the legislative duty to take care of the common property. STS offers project funding to Bodies Corporate for maintenance related projects, upgrades and renovations, where unit owners do not necessarily have the upfront funds to pay contractors and suppliers. The Body Corporate is then able to raise a special levy, payable by the unit owners in their PQ share, over a period of time.

The STS project funding offering thus ensures that Bodies Corporate can go ahead with the urgent and required maintenance related projects, which may have otherwise eroded property values due to neglect or delay. This would also reduce the costs of the overall maintenance if the problem had been left and ultimately became worse, costing significantly more to resolve.

STS offers significant flexibility to Bodies Corporate interested in the project funding offering, as we work with our clients in designing the funding package that best suits the client's requirements.