

## **VEHICLE FINANCING SCHEME OF THE UNIVERSITY OF STELLENBOSCH**

1. **Purpose of the scheme**

The aim of the scheme is to enable employees of the University to finance the purchase of a vehicle of their choice at a financial rate that is considerably lower than the lending rates normally available to individuals, by making use of the University's ability to negotiate relatively low interest rates.

2. **Who may participate in the scheme?**

All **permanent (full-time or part-time) employees** who are members of the US pension fund/(PGI) or retirement fund (USAF) and who are no longer on probation may apply for a loan, on the prescribed application form, in accordance with this scheme.

3. **How does the vehicle financing scheme work?**

A staff member who qualifies completes the prescribed application form, has it certified as true and then submits it with supporting documentation (copies of recent salary slips, ID and a copy of the most recent registration form) to the offices of the Vehicle Fleet, which will process the application within 48 working hours and, if applicable, will evaluate the vehicle. Once the application has been approved, the employee signs an Acknowledgement of Debt form and provides proof of insurance before payment can be arranged. Payment will be made as soon as the vehicle has been registered with the US as title holder and the employee as owner.

4. **What are the benefits of the scheme for the participant?**

- 4.1 The rate at which interest is paid by the participant **with respect to the University's capital input** compares favourably with that of commercial banks. The minimum interest rate, however, may never be lower than the official interest rate applicable to fringe benefits as determined from time to time by the Receiver of Revenue.

- 4.2 Extremely favourable tariffs for comprehensive short-term insurance are available via the University's insurance brokers.
- 4.3 As a fleet owner, the US can negotiate better discounts on the purchase price of new vehicles.

5. **Under what conditions and rules can one enter the scheme?**

- 5.1 The application must stem from a new transaction and is not intended to replace existing obligations in terms of a previous transaction;
- 5.2 The vehicle that is purchased must be used for private purposes;
- 5.3 The rate at which interest, which will be claimed from the participant's remuneration **in terms of the University's capital input**, will be adjusted will be in accordance with adjustments in the prevailing prime lending rate.
- 5.4 The amount of the loan is limited:
- 5.4.1 in that the monthly repayment instalment may not exceed **25%** of the employee's monthly pension-bearing remuneration;
  - 5.4.2 to at most **90% of the market/resale value (according to Mead & McGrouther Auto Dealer's Guide)** of the vehicle. This includes the costs of registering the vehicle, which are for the member's own account; and
  - 5.4.3 in that the employee must pay a deposit of at least 10% of the market value.
- 5.5 The full amount of the loan must be used for the purchase of a vehicle as approved by the University; payment is made directly to the seller upon submission of documentary proof in support of the purchase.
- 5.6 The loan must be redeemed by means of a **maximum** of sixty (60) equal monthly instalments. Any shorter period will be determined in intervals of 12 months. The instalments will be claimed monthly directly from the staff member's remuneration.
- 5.7 The final decision on a staff member's creditworthiness (and thus whether a loan will be granted to him/her) will rest with the Director: Commercial Services of the University, or any person delegated by him/her, and will be based on the information supplied on the prescribed application form, which form shall be signed by the applicant before a commissioner of oaths.

- 5.8 Until such time as the existing loan has been fully redeemed, no further loan or advance with respect to the redeemed portion of the existing loan will be granted.
- 5.9 Before the payment of the loan amount can be made, the employee must:
- 5.9.1 sign an Acknowledgement of Debt;  
(The cost of the revenue stamps to the value of 5 cents per R100 of the loan amount is for the account of the employee and is payable upon signing of the Acknowledgement of Debt.);
- 5.9.2 submit proof of insurance.
- 5.10 The employee undertakes to take out, at his/her own cost, comprehensive and **unrest** insurance on the vehicle and to maintain it until the loan has been fully redeemed.
- 5.11 The University levies a service fee equal to **1.25%** of the monthly interest and **amortisement payment**, vat exclusive, that is added to the instalment. The percentage of the service fee may be adjusted from time to time by the University.

## 6. **What requirements must the vehicle itself satisfy?**

- 6.1 Good used, but preferably **new, standard sedan cars**, station-wagons, microbuses and light delivery vehicles (bakkies) may be purchased. (Mass may not exceed 2 500 kg.)  
**Depending on the age of the vehicle, the US may demand a larger deposit and/or shorter repayment period. Specially constructed vehicles as well as vehicles with km distance higher than 250 000 km will not be financed.**
- 6.2 The University retains the right to refuse a loan on the basis of the condition of the vehicle concerned; **therefore all vehicles, except new vehicles as well as those with an acceptable guarantee, must be accompanied by an evaluation form from a recognised organisation such as the AA. Alternatively, such vehicle can be evaluated by the Vehicle Fleet.**

## 7. **Summary termination of participation in the scheme**

- 7.1 If it appears at any time after the loan amount has been paid out that the information supplied by the employee on his/her application form is **incorrect** or **incomplete** to the extent that the employee's creditworthiness could not be correctly assessed, or that the

information on the vehicle was incorrect, or if the employee **leaves** the University for any reason whatsoever, the outstanding capital and interest become payable immediately.

- 7.2 If any amount becomes payable and claimable, as in 7.1 above, or if the borrower fails to comply scrupulously with any stipulation in terms of the scheme, including failure to pay any instalment or any other amount owing on the appointed date, the University will be entitled to take possession of the vehicle and to keep it as security for the proper fulfilment of the borrower's obligations. In the light of this, the employee must undertake in writing (by signing the Acknowledgement of Debt as in 5.9.1 above) not to mortgage or alienate the said vehicle until such time as the loan amount and the interest on it have been paid in full. **In this regard the vehicle's original registration certificate will be held in the safekeeping of the University, as the title holder, until the loan has been fully redeemed.**

### 3. FINANCING SCHEME (MFS)

All permanent (**full-time or part-time employees**) who are members of the US pension fund/(PGI) or retirement fund (USAF) and who are no longer on probation may apply for a loan, on the prescribed application form, in accordance with this scheme.

The amount of the loan is limited to 90% of the market/resale value of the vehicle. The repayment instalment (including interest) is limited to 25% of the staff member's monthly *pension-bearing salary* and the loan is repayable over a maximum of sixty (60) equal monthly instalments.

Interest on the loan is levied monthly.

- 3.1 **POLICY AND PROCEDURES (see attached document)**
- 3.2 **CALCULATION OF PAYMENT (see attached document)**
- 3.3 **STANDARD FORMS (see attached document)**
- 3.4 **CONTACT US**

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