

NOTICE 396 OF 2007**DEPARTMENT OF HOUSING****NATIONAL HOME BUILDERS REGISTRATION COUNCIL
GRADING SYSTEM**

The Department of Housing hereby publishes the draft National Home Builders Registration Council (NHBRC) Grading System for public information and comments.

Interested persons and institutions are invited to submit written comments on the draft Grading System on or before **4 MAY 2007** to the Deputy Director-General, Department of Housing, for the attention of-

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National Home Builders Registration Council
Home Builder Grading System

The National Home Builders Registration Council, acting in terms of Section 5(4) (h) of the Housing Consumer Protection Measures Act 95 of 1998, has drawn up the following Home Builder Grading System.

SCOPE

- The Housing Consumers Protection Measures Act (Act 95 of 1998) makes provision for the establishment of grading categories and criteria in respect of home builders with a view to encourage good building practice and discourage bad practice.
- Section 5(4) (h) of the Act provides that the Council may make rules, processes for the grading of home builders.
- This Grading System has been drawn up to assist the Council in grading Home Builders in respect of:
 - responsiveness to housing consumers' complaints
 - timeous enrolments of homes
 - compliance with the NHBRC Technical Requirements; and
 - high quality in building homes.
- All NHBRC Home Builders shall be graded in terms of this system.
- Changes to the Grading System will be made as the need arises.

CHAPTER ONE

DEFINITIONS

The purpose of this chapter is to define words to which a meaning is attached which expand on the dictionary meaning of the word.

Definitions

1. In this Grading System, unless the context otherwise indicates-

- (a) **"Business of a Home Builder"** means any business of a home builder as defined section 1 of Housing Consumer Protection Measures Act 95 of 1998.
- (b) **"Chief Executive Officer"** means the Chief Executive Officer appointed in terms of Section 6(1) of the Act.
- (c) **"Council"** means the National Home Builders Registration Council established in terms of Section 2 of the Act.
- (d) **"Grading System"** means the NHBRC Home Builder Grading System established in terms of Section 5(4) (h) of the Act.
- (e) **"Home Builder"** means a person who carries on the business of a home builder.
- (f) **"NHBRC"** means National Home Builders Registration Council as established by the Housing Consumers Protection Measures Act, 1998 (Act no. 95 of 1998).
- (g) **"The Act"** means the Housing Consumers Protection Measures Act, 1998 (Act No. 95 of 1998), including any regulation, the rules, the Home Building Manual and any circular prescribing any matter that a home- builder has to comply with in terms of the Act.

CHAPTER TWO

KEY PERFORMANCE INDICATORS

The purpose of this chapter is to outline the key performance indicators to be used in grading home builders.

In order to meet the scope and objective of Section 5(4) (h) of the Act the following key performance indicators shall be applied:

(a) Number of Conciliations (C)

This refers to the number of conciliations that have resulted in a legitimate claim by a housing consumer recorded per builder over a period of three years prior to the grading of the home builder, expressed as a percentage of the number of the home builder's enrolments.

(b) Number of Late Enrolments (LE)

This refers to the number of late enrolments recorded per builder over a period of three years prior to the grading of the home builder, expressed as a percentage of the number of the home builder's enrolments during that time period.

(c) Number of Non-Compliances (NC)

This refers to the number of non-compliances recorded per builder over a period of three years prior to the grading of the home builder, expressed as a percentage of the number of the home builder's enrolments during that time period.

(d) Building Quality Index for Houses (B)

This refers to an average score achieved by a home builder on the building quality index for houses built by the home builder during the year prior to the grading of a home builder, the highest possible building quality index being 100.

CHAPTER THREE

SCORE CALCULATIONS

Based on the Key Performance Indicators in Chapter 2, a performance score shall be calculated in accordance with the following formula:

$$\text{Score} = 24e^{-4C} + 24e^{-0.15LE} + 12e^{-NC} + 0.4B$$

where;

e = base of natural logarithm = 2.718282

C, LE, NC and B are Key Performance Indicators determined as in chapter 2, paragraphs (a), (b) (c) and (d) respectively. Each of the Key Performances Indicators carries a maximum score of 100.

The maximum possible aggregated performance score for a home builder is 100.

CHAPTER FOUR CONDITIONS FOR GRADING

In addition to the Key Performance Indicators set out in chapter 2, a home builder shall qualify to be graded as A, B, C, D or U subject to:

- (a) The home builder having completed a minimum number of houses; or
- (b) The total value of the enrolled property/properties is above a minimum value; and
- (c) The home builder must have been registered with the Council for a minimum period of time as determined by the Council from time to time.

CHAPTER FIVE GRADING CATEGORIES

5.1 Based on the outcome of calculations done in accordance with the Key Performance Indicators set out in Chapter 2 above and the additional criteria set out in Chapter 3 home builders shall be placed in one of the following categories:

- (a) Grade A: for home builders who score 90% or above;
- (b) Grade B: for home builders who score 75% or above, but less than 90%;
- (c) Grade C: for homebuilders who score 50% or above, but less than 75%;
- (d) Grade D: for homebuilders who score less than 50%;
- (e) Grade U: for home builders who have been registered for a time less than the period determined by the Council and have thus not built sufficient track record on which their performance can be judged.

5.2A home builder who qualifies to be in categories "A" or "B" but does not meet the additional criteria as stipulated in Chapter 4 above will automatically be awarded a "C" grade.

5.3A home builder who has not renewed annual membership with the Council at least once over a period of five years prior to the year of grading will automatically be awarded a "D" grade.

5.4A home builder who has failed to pay any other fees prescribed by Council will automatically be awarded a "D" grade.

5.5A home builder who does not provide customer service to housing consumers within the turn around times as published annually in the strategic corporate plan of Council will automatically be awarded a "D" grade.

CHAPTER SIX

RENEWALS AND APPEALS

6.1 The grade of the home builder will be reviewed by the Council annually at the anniversary of membership renewal.

6.2 Council shall establish an internal process in terms of which a home builder can appeal against grading allocated to the builder.

CHAPTER SEVEN

APPLICABLE FEES

In order to reward home builders who consistently meet the Key Performance Indicators and the additional criteria set out Chapter 4 above, home builders will be charged enrolment fees on the following differential sliding scale, based on their grading:

TABLE OF FEES

Selling Price	Grade A	Grade B	Grades C & U	Grade D
(i) less than R500,000	0.9% of selling price	1.2% of selling price	1.3% of selling price	1.5% of selling price
(ii) greater than or equal to R500,000 and less than R1,000,000	R4,500 + 0.69% of amount exceeding R500,000	R6,000 + 0.92% of amount exceeding R500,000	R6,500 + 1.0% of amount exceeding R500,000	R7,500 + 1.15% of amount exceeding R500,000
(iii) greater than or equal to R1,000,000 and less than R2,000,000	R7,950 + 0.60% of amount exceeding R1,000,000	R10,600 + 0.69% of amount exceeding R1,000,000	R11,500 + 0.75% of amount exceeding R1,000,000	R13,250 + 0.87% of amount exceeding R1,000,000
(iv) greater than or equal to R2,000,000 and less than R5,000,000	R13,950 + 0.40% of amount exceeding R2,000,000 up to R5,000,000	R17,500 + 0.46% of amount exceeding R2,000,000 up to R5,000,000	R19,000 + 0.5% of amount exceeding R2,000,000 up to R5,000,000	R21,950 + 0.58% of amount exceeding R2,000,000 up to R5,000,000
(v) greater than or equal to R5,000,000	R25,950	R31,300	R34,000	R39,350