

Advice for first time home buyers



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Buying a home for the first time can be somewhat daunting, which is why professional advice & market research is advisable before purchasing a property.

"It is advisable to consult a reputable and experienced agent in the area in which you are looking for a home. Find someone who knows the area well and has a good reputation and track record."

First of all establish the amount you will be able to afford to ensure the property is in your price range. You can do this using a [bond calculator](#). You should also include not only your monthly repayment but also monthly costs incurred as a homeowner, eg rates and insurance, or a monthly homeowner's levy if the property is in a residential development or estate. There is also the cost involved in transferring the property into your name. There are also transfer duty fees, bond costs, legal fees and the cost of moving to be considered, and these days a deposit is usually required.

Having a good credit rating is extremely important, particularly if you require a mortgage loan. The greater the cash portion or deposit you are able to provide on a purchase, the lower the risk for both the seller and the bank. And the lower the risk from the bank's perspective, the lower the interest rate offered to the bond applicant.

Generally, it is best to raise a 10-20 percent deposit and apply for an 80-90 percent bond, as 100 percent bonds are offered in limited instances. Often, the banks will respond to your application with an offer that may be lower than the bond requested. For example, a purchaser may request a R1 million bond, but the bank may only offer R800 000, in which case the buyer will have to raise the shortfall of R200 000. As a rule of thumb, affordability is based on 30 percent of gross monthly income and salaried employees are regarded as the lowest risk bond applicant category.

Any deposit paid, together with the portion of the purchase price paid by the bank (the amount of the bond, or mortgage) is paid to the conveyancing attorney, who then holds this in a trust account until the property has been transferred into the buyer's name. The seller then receives one payment for the full purchase price directly from the conveyancer. It is best to ask a bond originator to apply to all the banks in regard to a mortgage loan, and the banks will then compete to offer the best rate and best deal to the applicant. Each bank will do its own valuation on the property.

It is advisable to consult reputable and experienced [estate agents](#) in the area in which you are looking for a home. Find someone who knows the area well and has a good reputation and track record. A word of advice – the seller needs to settle all outstanding municipal rates in order for the transfer to be effected. The attorney will not be able to lodge the documents in the deeds office without a rates clearance certificate from the municipality. In addition to the seller's rates payment, the purchaser is also required to pay a pro rata portion of rates in advance, which will be added to the purchaser's pro forma invoice via the conveyancers.