BIZCOMMUNITY

Five things first-time home buyers should know

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Buying your own home can be a daunting prospect. Many of us have spent our lives renting, so when we decide to take the step up to owning property we often aren't quite as prepared as we should be. With this in mind, we sat down with Meyer de Waal, owner of My Bond Fitness and a property conveyancing attorney and also an exhibitor at the upcoming Property Buyer Show in April, to figure out exactly what a first-time home buyer should know before signing on the dotted line.

1. Become an expert

The first thing many of us do before we buy a new mobile phone, TV or even a pair of running shoes is we research. We look up the product online, compare specs and read countless reviews before finally making our decision. You would think most of us would do that on the biggest purchase of our lives – a house. The thing is, we don't.

Meyer suggests that not only should you research the housing market extensively, comparing properties in your desired locations, but also get a Comparative Markey Analysis (CMA) to compare the price you are being asked to pay with other prices in that neighbourhood. More often than not the estate agent involved will offer you a one-piece brochure with information on the property – don't be afraid to request more! Buying a house is a 20-year commitment and one that should not be entered into lightly! A good agent will assist with sales trends/comparison of apples with apples in the area using systems such as PropStats by the Institute of Estate Agents of South Africa (IEASA).

Lightstone, an exhibitor at the Property Buyer Show, provide buyers with a website where they are able to obtain a CMA on the property they are interested in. It is important to remember that property trends to fluctuate, so the CMA is just a guideline and not an accurate representation of the property market.

2. Check your credit score

The major stumbling block in most property sales is financing, with only 1 in 4 home loans being approved. What many of us do not realise is the importance our Credit Score plays in this decision. Your credit score will determine the rating the bank and other financial institutions give you after examining how you have handled credit in the past. If you have a "thin" profile and little or no debt, it generally means you have little information the bank can analyse and you may find it strange that the bank may request that you first open a store account to establish a credit profile and then come back to them

If you are in the market for a new home, there are many online sites where you can personally check your credit score, this will help you to work out how much you could qualify for. By knowing your credit score, you have the chance to improve it over time. This could potentially save you up to 30% on your bond payments. It is always important to be cognisant of your future purchases and how these can affect your credit score. For a quick and free online check – go to www.mybondfitness.co.za or the Credit Bureau online.

3. Size matters

After you have found out your credit score, you can check your affordability. This takes into account your income and expenses, working out the size of the loan you could potentially get from the bank. Knowing how much you could possibly borrow makes the entire process far simpler. *"Most agents will show a client several houses before they decide on the one they really like," Meyer explained. "After the potential owner has decided, the agent goes about running all the necessary checks, including their credit record and what they could possibly afford. By knowing exactly what you can afford before beginning your search you not only remove the risk of falling in love with a house you can't afford but also improves the chance your agent can find you one you will like in your price range."*

4. Budget before you buy

As simple as this may sound it can truly save you in the long run. When thinking of buying a home take an honest look at your finances. Replace your monthly rent with the potential bond repayments, as well as costs like house insurance, rates and taxes, levies and property maintenance. All these costs add up and could put a strain on your monthly income.

Budgeting for other costs like the bond registration fee and transfer costs can also spiral out of control. Use something like Avid Firefly, an application that works out the possible costs involved in the purchase of your home.

There are also plenty of personal budget apps out there, like Mobile2Budget, which make controlling your finances so much simpler. Try one out for a few months to see exactly where your money is being spent!

Establish if you can qualify for a subsidy from the Government as a fist time home buyer under the FLISP initiative.

5. Working hard for your money

Getting a home loan is a difficult business and can be made even more challenging depending on how you're employed. A full-time employee with a constant pay cheque is a far more attractive prospect for any lending agent than someone who is self-employed or commission-based.

If you are self-employed or work for commission contact a home loan consultant before you consider buying. There might be some serious red tape you need to get around and the last thing you want to do is lose out on your dream home because of delays with your bond approval.

For more advice from Meyer de Waal, and the other mentioned in the article, make sure you visit the Property Buyer Show taking place in Cape Town at the Cape Town International Convention Centre on 8 & 9 April 2017.

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