



Buying a house is a big step. An expensive one. And often, a financial commitment for the rest of your life. But don't let this frighten you! Property offers the homeowner good physical and financial security. After all, what could be better than owning the roof over your head?

Buy Or Rent?

Well, you need more money to buy. Buying is also long-term, so you should only do it if you're not planning to move any time soon. The upside is that you'll own a house eventually. It's usually a good investment, you can use it as security for a loan and you can do whatever you like to it: build, paint, renovate. You also can't be forced out of your own home (unless Government is going to use it for a public purpose or in the public interest and then you must be paid for it!).

**The difference between buying and renting is money.
Many people feel that they don't have enough money
to buy a house, so they rent one. Beadvised, however, that buying
a house doesn't mean you have to pay the full price upfront.
You can get a home loan or state capital subsidy.**

To rent, you only need enough money to cover your monthly rental, pay a deposit (which is usually one month's rental) and activate lights and water. It's also a short-term option and although you'll have to sign a lease, it'll be for a limited period. The downside is that you'll never get to own a house, you'll be contributing towards someone else's investment and you're only paying to use the house – not to change or improve it. So if you don't stick to the conditions of your lease agreement – if you don't pay your rent on time, for example - the owner can evict you.

House-Hunting

JumpStart your house-hunting by checking out the newspapers; dealing with an estate agent who specialises (for a commission) in bringing buyers and sellers together; and looking for 'For Sale' signs in appealing areas.

Try to find the right home in the right area. Make sure it's close to work, schools and shops. Consider the crime rate and the security available. Stick to your price range; it doesn't help to find a dream home that's too rich for your pocket!

Rule1: Look for a plain home in a good area, rather than a fancy home in a shabby area.

Before making any decisions, verify that the house you like is a sound house. Explore the suburb, find out about future developments in the area and look at size, space, style, amenities and physical condition.

Get an expert (hopefully a friend, or friend of a friend) to inspect the house for you. Many houses look great on the outside thanks to painting and patching, but they've been badly built. Beware of damp and cracks in walls. Closely examine the roof. Get your expert to examine the electrical wiring.

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The seller of the house will need to provide you with an electrical compliance certificate before the house is transferred into your name.

If the house measures up, it's time to negotiate the price. To start with, you'll have to fill in an Offer To Purchase (OTP), a form that expresses your offer to purchase the house. Be sure to state clearly that your offer is subject to receiving finance. You'd hate to sign the offer, commit yourself to buying the property and then find you can't get the cash!

The estate agent will help you to complete the Offer and will conduct negotiations on your behalf. If the seller accepts your offer, it's time to apply for your home loan or state capital subsidy. You'll then have to pay your transfer fees (see below) and deal with all the relevant legal paperwork. And once the deeds office has transferred the house into your name, you're its legal owner. Congratulations! But first...

What Is A Home Loan?

A home loan or mortgage bond is a long-term loan for buying a house (see Apply for a Loan). Before granting you one, the bank examines your financial situation to see how much money it can safely loan you. You'll have to provide your most recent payslips, a letter from your boss, a list of your regular expenses and other debts, a list of your bank accounts and statements, and copies of your ID book and/or marriage certificate. This procedure is called a credit risk assessment and don't worry, banks do it to everyone!

If the bank is satisfied, it can offer you a home loan ranging from R100 000 to R400 000 for a firsttime buyer. Remember that the size of the home loan depends entirely on how much you earn. If your home loan is approved, the bank will give you a letter of grant to prove it, you'll have to sign certain legal documents, the house will be transferred into your name and the seller will be paid for the house you've purchased.

Be advised that some banks offer first-time buyers a 108% bond (which covers the full price of the house plus costs like transfer fees).

What are the costs involved?

- The bank will tell you how much you'll have to pay each month in the form of bond repayments. The size of your repayments will depend on the size of your bond, and if you put down a deposit, on the size of that deposit.
- Transaction costs (transfer fees) and legal costs are what you have to pay to have the house put into your name and the home loan registered. They are upfront once-off payments.
- Moving costs are what it will cost you to relocate your family, furniture and household possessions. Always remember to budget for these!

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- Every month, you'll have to make certain payments to maintain your house. These operation costs include rates and taxes, telephone, insurance and repairs and should always be included in your budget.
- To have lights and water connected in your new home, you may have to pay a lights and water deposit at the relevant municipal office. Phone (011) 375 5555 to locate your nearest City Power

Keep in mind that the bank can take your house away if you don't repay your home loan every month – and you won't get your past bond repayments back!

What Is A State Capital Subsidy?

It's money provided by Government to qualified applicants to help them buy or build a home of their own. The size of the subsidy (grant) depends on how much money the applicant earns each month, but it's not given directly to the applicant – instead, the payment is made to the seller or builder of the house.

You don't have to pay a fee when applying for a housing subsidy, but you do have to fill in an application form. The form can be collected from your provincial Housing Department or downloaded at <http://www.housing.gov.za/content/applications.htm>.

Complete the form, gather the necessary supporting documents (see below) and locate your provincial Housing Department by telephone (012 421 1408) or at <http://www.housing.gov.za/content/provincialgovernment.htm>.

Certified copies of these documents must accompany your application:

- your ID book;
- your marriage certificate and your spouse's ID book if applicable;
- your child's/children's birth certificate/s if applicable;
- your most recent payslip if you're employed and/or your spouse is employed;
- an agreement of sale; and
- a building contract and approved building plan.

And There Are Other Conditions ...

- You must be a permanent South African resident, over 21 years old
- It must be your first home
- You must be married or constantly living together with another person. But if you're single with children or other dependents, you can also apply.
- You may not have received any Government housing subsidies before
- Your total monthly income must be less than R3 500 (before tax)
- The maximum amount you can apply for is R15 000 – and this depends on your income
- You can apply once you've saved enough money for a deposit

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