

## Current climate ideal for first-time home buyers, those looking to upgrade

The current property climate affords home owners and first-time buyers a window of opportunity to upgrade and to get a foot in the market. The latest FNB Property Barometer clearly reveals that first-time investors have been taking advantage of the distinctly buyer's market and the willingness of banks to lend money, making up an estimated 22.7% of buyers in the first quarter of 2019, up from 17.6% during the same period last year.



Marius Tinny-Crook, provincial sales manager for ooba in the Western Cape, says that banks are not only eager to lend at the moment, they've also become more competitive by offering more accessible and more affordable loans and decreasing the average deposit requirements.

"A deposit has been a huge barrier to entry for many first-time home buyers and with a lower, and in some instances, 0% deposit required, this opens the way for many aspiring home owners to purchase their own home, without saving for months or even years for a hefty deposit."

He adds that ooba's home loan approval rate for buyers is currently the highest on record in nearly 12 years with the current approval rate on 100% applications being the highest in 10 years.

However, Tinny-Crook advises that it's essential to shop around to get the best interest rate, as banks are now inclined to sweeten the deal with a slightly reduced interest rate to secure business.

"Even a 0.25% lower interest rate means an almost R40,000 saving over 20 years on a R1m home loan - a saving that can be used for debt reduction, home improvements or travel.

"Bond originators like ooba work with the banks to get you the best deal on your home loan. The home buyer doesn't pay for the service of home loan comparison, the banks do."

## **Do your homework**

This is not the only homework that first-time buyers should do in order to keep costs down and avoid costly mistakes and delays, says Jill Lloyd, veteran agent for Lew Geffen Sotheby's International Realty in Cape Town's southern suburbs.

"I cannot emphasise enough how important it is that applicants, especially first-time buyers, take the time to do their homework.

"They should discuss the entire application and sale process and banks' lending requirements with a professional, including the different types of mortgage bonds available."

She adds that it's also critical to get a head start on the financial application before beginning the search for your dream home, and the best way to do this is by getting pre-approval from a lending institution, preferably before even beginning the search for a property.

"Pre-qualification has many advantages: it affords prospective homebuyers the peace of mind that their credit record is in good standing and it arms them with the knowledge of how much they can afford to spend and the type of bond deal they can expect from a bank."

She adds that getting a head start on the application process also means that the transaction can be more swiftly concluded once buyers have found the home they want.

"Although the initial gathering of documentation and information can take time, once the bank has received a fully completed application and confirmed that the homebuyer meets the criteria, approval is quick and should take no more than five days, provided the bank is able to promptly gain access to the value of the property."

## **Additional costs**

Lloyd cautions that buyers should not forget to factor in the additional costs of purchasing and financing their new home, with transfer costs, bond registration charges and the bank's fees being the primary expenses that should be factored into the budget.

"Transfer and bond registration costs are variable as they are linked to the purchase price of the property and the size of the registered bond amount, respectively.

"The bank's initiation fee, which is a once-off administrative fee, is prescribed by the National Credit Act and is currently R6037,50. Banks also charge every borrower a prescribed R69 monthly service fee once the bond is registered."

Lloyd concludes: "We should be encouraging the young people to get onto the property ladder whilst the prices are reasonable. It won't always be like this. Even if it means a group of people getting together to buy a property with a proper partnership agreement that could be drawn up by the transferring attorney – it's always a much better investment than paying rent."

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