

Yes, you can buy a home of your own

Buying a home for the first time is never easy, but it is usually quite possible for those who are determined to do so, says Richard Gray, CEO of Harcourts Real Estate.

“Most of the financial and economic factors that prospective buyers cite as major obstacles to home ownership can be overcome,” he says, “given enough time. The trick is to make a plan of action and not give up.”

For example, it could take some months to clean up your credit record if you have a history of late payments or any unresolved judgments for debt. However, if you are really serious about buying your own home, you will make a start right away by paying your bills on time, sorting out the judgments and getting them off your record, and not applying for any more credit or incurring any new debts.

Then once you have done this, Gray says, you should make a serious effort to pay off or significantly reduce any large existing debts such as a student loan, the outstanding balance on your car, your credit card or store card balance. “The banks say a good rule-of-thumb for those getting ready to apply for a home loan is to spend no more than about 35% of their gross monthly income on debt repayments, so that’s what you need to aim for.”

The third thing standing in the way of home ownership for many prospective buyers is the lack of a big enough deposit. At the moment, most lenders prefer first-time buyers to put down at least 10 to 12% of the home purchase price as a deposit - and are willing to give those who do a better interest rate on their loans, he says.

“So although 100% loans are sometimes available, it actually benefits buyers quite substantially to save up and pay as big a deposit as they can. Currently if you paid a 10% deposit on a R750 000 home, for example, and secured a rate reduction of just 0,5% as a result, your monthly bond repayment would reduce by about R900 a month and you would save more than R140 000 in interest over the life of the loan.”

What is more, says Gray, you have an altogether better chance of being approved for a loan if you can demonstrate that you have the financial discipline to save, “so if home ownership is a priority for you, it will be worth your while to cut back on spending wherever you can in order to get your deposit together, or maybe even to take a second job for a while”.

There are also easy ways around some other stumbling blocks that first-time buyers encounter, he says, such as rising home prices and rising interest rates. “When prices are rising, for example, one tactic is to spread your home search to cheaper areas that still offer you most of the amenities you want – and another is to consider smaller and less expensive homes that are still in your ideal location.

“And either of these options would also help you deal with rising interest rates, as would saving up a bigger deposit to start with, or paying more than the minimum instalment each month while rates are still low in order to give yourself some leeway when they do start to rise. As they say, where there’s a will, there’s always a way.”

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