



# The better guide to buying your first home

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**Buying your first home is super exciting, but also a little daunting. You'll find all the essential information for buying your first home in this guide. And if you need anything more, we're here to help. The keys could soon be in the palm of your hand!**

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# Preparing to buy a home

**Your first home is one of the biggest – and best – investments you can make. We hope this guide will make your journey from homebuyer to homeowner simpler and better!**



**Getting pre-approved for a bond lets you know what you can afford before buying a home. We look at your finances and issue you with a pre-approval certificate giving you an idea of what you could afford to spend on your home.**

## How does a pre-approval work?

- We verify your income and expenses to give you an accurate idea of the home loan you could apply for.
- We will also do a quick credit check, which will not affect your credit profile, but will give you a good idea of your credit score and whether you would be approved for a home loan.

## Why get pre-approved?

- 1. You can search for a home that is within your budget.**  
A pre-approval will give you the estimated amount you may qualify for, so you are able to look at properties within your price range.
- 2. It will make your offer stand out from the crowd.**  
A pre-approval indicates to the seller that you are a serious contender to buy their property.
- 3. You can plan for all the costs in advance.**  
You'll be able to calculate the costs associated with buying a property and accurately work out your budget, so you know exactly what you can afford.
- 4. You know where you stand with your credit record.**  
A quick credit check will give you an indication of your credit score and whether you require any help improving it.

## What documents do I need to get pre-approved?

The basic documents you will need to submit to get your pre-approval are:

- Copy of your ID
- Proof of income
- Three months' bank statements

Based on your personal circumstances, your BetterBond home loan consultant will advise you if anything else is required, for example if you're self-employed or applying with someone else for a loan.

## Do I need a pre-approval to get a bond?

No, you don't, but it will assist you in the process because all the paperwork will already be in place by the time you do your bond application. However, if you want to apply for a bond without a pre-approval, all you need, apart from the documents listed above, is a signed Offer to Purchase (OTP) and we will take it from there.

## I've been pre-approved... now what?

Once you've been pre-approved and you've found a place you love, you make an offer. Signing an Offer to Purchase (OTP) is one of the major steps when buying a home. The most important thing to remember about an OTP is that it is legally binding, **so be sure before you sign**. Double-check that all details are correct and clarify anything you are uncertain of so that you don't regret it later!





## Finding the perfect home

Ready to go out and find your first home? This is an exciting step, but also a little daunting. We've got the best tips to make sure you choose the best home possible.



## Top tips for finding the perfect home.

**Give yourself the best chance of finding a place you could happily call home by doing your homework and asking yourself some important questions.**

### When choosing an AREA, look at...

- ✓ **Appearance.** Are the homes and buildings, gardens and pavements in the area well maintained, are fences and gates neat and in good working order?
- ✓ **Atmosphere.** Is it the kind of area you like, for example, quiet vs busy and bustling?
- ✓ **Access.** Is it accessible in terms of roads, public transport, cycling paths, etc.?
- ✓ **Traffic.** Are there traffic-calming measures like speedbumps, pedestrian crossings and circles?
- ✓ **Proximity.** Are the places you need conveniently close, like shops and malls, health or sports clubs, salons, doctors, hospitals, schools and childcare?
- ✓ **Public areas.** Are public areas neat and clean, and free from litter?
- ✓ **Crime.** Is there visible crime control? For example, do security companies conduct vehicle, bicycle or foot patrols, are there CCTV cameras, a neighbourhood watch, etc.?



**Space.** How many bedrooms, bathrooms and parking bays do you need? Do you require an office or work area, outside space, balcony, patio, braai area, garden or pet-friendly place?



**Connectivity.** Is the property fibre-enabled or has wi-fi been installed, and what will it cost going forward?



**Renovations and repairs.** Would you have to spend time and money renovating or fixing things before you could move in or live comfortably?



**Maintenance.** Would you have time, money and the inclination to do what would be needed to maintain the property over time?



**Pets.** Are pets allowed in the complex/property?

### Estate agent or online?

Both, if you want the best results when finding your first home! The internet can show you availability, prices and pictures, but it cannot tell you what it's really like to live there, show you the physical space, tell you about the area, let you know why the owners are moving... expert knowledge can be invaluable. Make contact with estate agents who are familiar with the areas where you are looking to buy.

### When choosing a HOME, think about...

- ✓ **Type.** Do you want a freestanding house, a sectional title apartment, a unit in a brand-new development, a home on a lifestyle estate, etc.?
- ✓ **Lifestyle.** Does the property cater for your lifestyle? For example, can it accommodate working from home?
- ✓ **Security.** How safe and secure is the property and its surroundings?

### Holding out for a unicorn? Don't!

Looking for a place that's 100% perfect could see you pass up strong contenders in favour of finding something better. Being unwilling to compromise on perfection could limit or sabotage your search. It will take longer to find a home, and possibly lead to overpaying for a property. Keep an open mind about what is on the market and be willing to do the homework when it comes to doing a thorough search and viewing different places.

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## Making an offer

**You've found the house that's right for you, you've done a pre-approval so you know it fits within your budget and you're ready to take the plunge! So what's next?**

Now you need to consider exactly what you want your opening offer to be. While no-one wants to overpay for their house, your offer should also be enough for a seller to accept, and be competitive with other offers that may be coming in.



**The most important thing to know about an Offer to Purchase (OTP) is that it is legally binding, so don't offer what you cannot commit to. Once you and the seller have signed, you are both bound by it. An OTP constitutes a Deed of Sale so there could be financial penalties if you pull out.**

**When putting together an OTP for your first home, keep in mind:**

- Is the price fair?**  
The purchase price should be in line with similar properties in the area. If it's higher, you could have room to negotiate. Do a bit of online research and look at property listings portals to see what is on the market in the same area with the same features. You can also ask an estate agent for information about sales in the area.
- Why are they selling?**  
If it's an urgent sale, the owner might be open to negotiation.
- How long has the place been on the market?**  
The longer a property remains unsold, the more negotiable a seller may be. At least, in theory!
- Anything major that needs fixing?**  
Have the property inspected by a home inspector before you get too attached, especially if you're worried about hidden defects. The seller is legally obligated to disclose them, but might not even know they are there.
- Are you paying a deposit?**  
If so, make sure it's refundable if the deal falls through. The OTP should stipulate that it will be held in an interest-bearing trust account until the property transfers to your name. Use an attorney bank account for your deposit – do not pay money into someone's personal bank account, and verify the banking details with the attorney directly (verbally – not via email that could be hacked) before you transfer any funds.



**Before you sign the Offer to Purchase, check all the details.**

Read through the fine print and make sure you understand all the clauses in the OTP before you sign. Ask your estate agent or attorney if you're unsure about anything – rather clarify now than have regrets later. Some of the most important things to look out for, are:

1. Your details and the seller's details must be correct
2. The description of the property must match the Title Deed.
3. The purchase price must be what you agreed to.
4. The occupation date can either be on transfer of the property to your name, or earlier, in which case occupational rent will be charged. The amount you will pay for occupational rent should be stipulated.
5. Make sure you know upfront what is going and what is staying. Fixtures are things that are permanently attached to the property (e.g. ceiling fans) and loose items are not (e.g. appliances).
6. A full list of defects should be included.
7. Any suspensive conditions (things that could suspend the rights and obligations set out in the OTP until those conditions are met) should be clearly stipulated. If they are not met within a certain timeframe, the contract becomes null and void. The most common suspensive conditions are the approval of the buyer's bond and the sale of the buyer's current home.







## How to determine a fair offer that's within your budget.

First-time homebuyers often wonder how much less than the asking price the seller would consider, or from where to start negotiating.

- It's very seldom that you would offer the full purchase price, but do not submit an offer that is so low that it offends the seller and causes the deal to fall through.
- There are various online resources that will give you an indication of the average market difference between a seller's asking price and the final sale price. Do your research as this will give you an idea of where to start your negotiations so that both you and the seller end up satisfied with the offer.
- If you're not sure where the sweet spot is, ask a real estate agent who knows the area well.

## The best negotiators are willing to walk

If the negotiating part of buying your first home makes you uncomfortable, don't feel alone! But don't shy away from it either – it's your future on the line.

- When you negotiate, decide before the time what you are willing to accept and where you would be prepared to compromise.
- You will be in a position of power if you can take the emotion out of it. Be as objective as you can and do not take things personally.
- Do not get hung up on a property before it is yours. Then you can calmly work toward getting the best deal and walk away just as calmly if it does not work out.





## Getting a bond

**You've negotiated successfully and your offer has been accepted. Congratulations!**

Buying property is a big commitment and the typical bond runs for 20 years, so make sure you get the best deal on your home loan. You wouldn't buy a car without shopping around, or book a plane ticket without comparing airlines, would you? So, why not shop around for your bond? Using BetterBond doesn't cost you a cent and could save you hundreds of thousands in interest over your loan term.



**Let BetterBond take care of your bond application – we'll make it quicker and easier for you to get the best bond deal. Here's how it works:**

- 1. Submit your bond application.** You can upload your documents to our secure, paperless online system – no scanning or emailing required. We capture all your information for you – it couldn't be simpler. Or if you prefer having someone to talk you through the process, you can contact a BetterBond home loan consultant, who will assist you through every step of the bond application process. We then submit your application to multiple banks, including your own, on your behalf.
- 2. Bank offers.** We will come back to you with offers from the banks and you will be able to choose the one that best suits your needs.
- 3. Approval in principle.** After your application is assessed, most banks will provide you with an approval in principle, subject to the valuation of the property.
- 4. Property valuation.** The bank will assess the property to confirm the value in order to make their final decision on your bond application.
- 5. Home loan approval.** If your home loan is approved, you will receive a quotation stating the amount that has been approved, the interest rate you have agreed on, and the terms and conditions of your bond.
- 6. Formal grant and bond registration.** Once you have accepted and signed the quote, your home loan will be formally granted by the bank and the bond attorneys will be instructed to register your bond. The registration timeline is dependent on a number of factors. Your attorney will keep in contact with you throughout the process.
- 7. Insurance.** As a homeowner, you should be comprehensively insured. Our in-house insurance providers, BetterSure Financial Consultants, can assist you with your insurance requirements at competitive rates. You are welcome to discuss this with your BetterBond home loan consultant.

## 6 Reasons to use BetterBond

- 1** You stand a higher chance of bond approval.
- 2** You submit only one application and we'll do the rest.
- 3** We handle all the negotiations with the banks (including your own bank), on your behalf.
- 4** We fight hard to get you the best interest rate, which could save you hundreds of thousands over your bond term.
- 5** We bring back multiple bank quotes so you can choose the offer that works or you.
- 6** Our service is completely free.



# Who does what?

Here are a few of the important role players you will encounter on your way to buying your first home:

1. **Bond attorneys.** They register the bond and property in your name.
2. **Transferring attorneys.** They handle the transfer of the property from the seller's name to yours.
3. **Cancellation attorneys.** They handle the cancellation of the existing bond if the seller has a bond over the property. If you buy into a brand-new development, there is no prior owner, so no cancellation attorneys will be involved in the deal.
4. **Deeds Office.** They will register the property and bond in your name and issue the Title Deed. You will receive a copy of the Title Deed and the original will be held by the bank that grants your home loan.

5. **Municipality or local authority.** They will issue the Rates Clearance Certificate for the property.

6. **SARS.** They receive the transfer duty and will issue the Tax Clearance Certificate. (Since February 2020, there has been no transfer duty on properties of up to R1 million. Also see TRANSFER DUTY below and remember there is a difference between transfer duty and transfer costs.)

## What's the difference?

### Transfer duty vs Transfer costs

- o **Transfer DUTY** = property tax payable to SARS on properties costing more than R1 million.
- o **Transfer COSTS** = legal fees payable to the attorneys who transfer the property into your name.



# 4 What are the other costs associated with owning a home?

**Apart from your monthly bond repayments, there are other costs that come with owning a home. Be aware of the full cost of homeownership and budget accordingly. The main costs you will need to cover, include:**

1. **Transfer duty.** It is based on the value of the property and payable to SARS every time a property changes ownership. Since February 2020, there has been no transfer duty on properties up to R1 million, and if you buy for more than R1 million you pay no transfer duty on the first R1 million. If you're buying into a brand-new development, there's no transfer duty either, but VAT is included in the purchase price.
2. **Transfer costs.** Payable to the attorneys who transfer the property into your name. Calculated using a sliding scale that is based on the purchase price. Transfer duty and transfer costs are not the same, so the R1 million transfer duty exemption does not apply to transfer costs.
3. **Bond registration fees.** Payable to the bond attorneys who register your bond at the Deeds Office. Based on recommended tariffs, but could differ from one law firm to another, and depends on your home loan amount.
4. **Bond initiation fees.** Payable to the bank for processing your home loan application. You have the option to include it in your bond, or to pay it to the bond attorneys, along with your bond registration fees.

5. **Variable costs.** You will also need to pay for things like FICA fees, electronic instruction fees and postage or courier costs relating to the documents that form part of the sale. Use the BetterBond Bond and Transfer Cost Calculator to see what your total would be.

6. **Ongoing costs.** You can request an estimate of the running costs of the property from the seller or estate agent. As owner, your responsibilities would include municipal rates and taxes, utilities like water and electricity, and nowadays often fibre. In a sectional title property, there will be a levy for services like security and landscaping in common areas, and from time to time there could be a special levy, for example if the exterior of the building needs to be painted or repaired. These all add up so make sure you take them into account.



## Is BetterBond's service really free?

**Yes! When we say our services don't cost you a cent – we mean it!**

By working with a bond originator like BetterBond, you signal to the banks that they are competing for your business. Banks are businesses just like any other and they want to increase the number of customers on their books. So, by offering you a competitive interest rate on your home loan, they can sign you up for a bond, which typically runs for 20 years.

It is not true that the banks charge higher interest rates to cover the costs – in fact, the opposite is true, as they charge lower rates because it is less work for them if your application comes via BetterBond. They pay us a once-off fee when your home loan is registered, but this cost is not passed onto you at any point in the process.



## Owning it

**Your first home is finally yours... time to own it!**

Buying your first home is a big deal – pat yourself on the back. You’ve taken a big step towards securing your financial future.

**When it comes to owning your first home, think of your responsibilities in terms of:**

- **Financial costs**, e.g. rates and taxes, insurance, etc.
- **Physical upkeep**, e.g. maintenance and repairs, renovations, etc.

**Here is some important information to help you make your way from homebuyer to homeowner.**

The paperwork is done, you have the keys, you are moving in and you are finally a homeowner! Now what?! Well, apart from your monthly home loan repayments, you will need to cover some other costs. Here's a brief breakdown of what they involve:

1. **Municipal rates and taxes** These are fees based on the size of your property and payable to your local authority or municipality, for services like refuse collection, the sewerage system, road maintenance, streetlights, street signs, etc.
2. **Levies** If you buy a sectional title property, like an apartment in an existing complex or a unit in a brand-new development, there will be a Body Corporate that oversees the complex. They will charge owners a levy, based on the size of individual units, for maintaining the common areas of the property with services like security and landscaping. From time to time there could also be a special levy, for example if the exterior of the building needs painting or repairs.
3. **Utilities** These include water and electricity, and nowadays often also internet services. Water and electricity charges will be based on usage and payable to your local authority or municipality. In most parts of South Africa, you can install prepaid meters that make it easier to monitor usage and manage spending.
4. **Internet services** depend on whether the area has been trenched for fibre and the property itself is fibre-enabled. Installation, activation and monthly connectivity charges can vary, so shop around for the best deals. Remember, there is usually a difference between the company that provides the infrastructure (the physical fibre, wiring or cables) and the

service provider (the connectivity and speed of connection) so make sure you know the full cost of both.

5. **Insurance** If you buy a freestanding house, then homeowners insurance covers your property against loss and damage, and is mandatory if you have a bond on the property. Homeowners insurance is buildings insurance and does not cover the contents of your home. To insure your personal possessions, you need to take out home contents insurance. In a sectional title property, the Body Corporate will be responsible for buildings insurance and your contribution will most likely be covered by your levy. However, it is a good idea to take out home contents insurance to protect your personal possessions.

If you have a home loan, the bank or financial institution that grants your bond will most likely also require you to take out loan protection or life cover to the value of your bond. This safeguards your loved ones by ensuring that the loan is taken care of if you pass away before the end of the loan term.



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**The importance of regular maintenance and repairs**

It feels good to be a homeowner for the first time. There are plenty of perks to owning your own place, but there are responsibilities too. Don't ignore regular maintenance and repairs. It will cost you more in the long run.

1. **Your home will last longer.** A well-maintained property will stand the test of time and require less frequent repairs or upgrades.
2. **Your home will be safer.** Ensure that everything from burglar bars to safety gates, and perimeter fences are always in good working order so that your home is as safe as possible.
3. **You'll save money.** By fixing small things regularly, you'll avoid large, costly repairs over time.
4. **You'll save the environment.** Well-maintained systems and appliances will use less energy, which is good news for the planet, plus your utility bills will come down.

5. **You'll be rid of pests.** Pest control is super important if you want to ensure the health and safety of your home. It could also play a role in resale value, so do not to ignore it.
6. **You'll avoid secondary damage.** By protecting your home from unforeseen damage, for example by maintaining the plumbing, you avoid having your beautiful wooden floors, or those expensive carpets damaged when a pipe bursts!
7. **You'll enjoy living there.** Good home maintenance improves the living experience and therefore quality of life for everyone in your home.
8. **You'll make money.** A well-maintained property is worth more overall, so if you look after it, the value of your asset will increase over time.

As you can see, it really pays to maintain your property – not only for financial reasons, but also for the enjoyment of everyone who lives, works or spends time there.

Now all that remains is for you to go and enjoy owning your first home!

