

# DO YOU WANT TO BUY A HOUSE?



## Things to watch out for

**Make sure you know everything you need to know about buying or building your own home. In the first of a series of articles on Buying a House, SPEAK looks at what it costs to buy a house and housing bonds**

The first question to ask yourself is whether you can afford to buy a house. Buying a house is very expensive. If you can afford it, here are some things that you will need to know:

- ❑ If you get a loan (mortgage bond) from a building society or bank, monthly repayments have to be made. The payments include repayment of the loan plus interest;
- ❑ You also have to pay an extra amount of money for bond registration and administration costs, stamp duty, inspection fees and insurance;
- ❑ Once you move into your house you have to pay rates and taxes, electricity, water and rubbish removal;
- ❑ If you buy a house which has already been built, you have to get a lawyer to draw up a transfer agreement. You will have to pay the lawyer for doing this and for the transfer fees.

### How Bonds Work

Most financial institutions are prepared to lend you 90% of the cost of the house. You then agree to repay the bond every month. This is similar to a credit agreement and works as follows:

- ❑ If, for example, you obtain a bond for R25 000 to be repaid over a period of 20 years, at the present interest rate of 20%, your monthly repayments will be R416,66. Your repayments should not be more than a quarter of your wages, so in this case you must earn not less than R1 666,66 (after deductions) per month;
- ❑ After twenty years you would have paid an amount of R99 999,99 to the financial institution. The extra R74 999,99 is the interest that you have paid to the financial institution;
- ❑ If you have to borrow the remaining 10%, remember that this money has also been lent to you and has to be repaid;

### Buying a house is a big step

There are many things to consider, such as:

- ❑ Financial institutions take both the husband and wife's income into account. Think about how the family will cope if the husband or wife becomes unemployed or dies;
- ❑ If you do not keep up your payments the financial institution that lent you the money will repossess your home. In order to do this they will issue a summons against you;
- ❑ Interest rates do not stay the same. If they increase, the monthly repayments will become higher;

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- ❑ Always be honest with yourself and the financial institution about what you can afford. Rather start off with a small house, additions can be made when extra money is available;
- ❑ If you are having financial problems and cannot afford to pay the monthly re-payments, speak to the financial institution. It is better to sell the house than to have it repossessed. It will be sold

at public auction if repossessed. You will get more money for your house through a private sale. Make sure the price you ask for covers the cost of the bond, or you will have to pay the outstanding balance.

### What is a Subsidy?

A subsidy is a certain amount of money paid by the government or an employer with the aim of reducing the burden of the cost to the homeowner. Subsidies differ from company to company. More about subsidies:

- ❑ The government has a First-time Home Ownership Subsidy which can be applied for by any South African who is in permanent employment and if the house, together with the land, does not cost more than R65 000. The government pays one third of the interest of your instalment for the first seven years. You only qualify for this subsidy if you do not receive a housing allowance or subsidy anywhere else;
- ❑ If you are employed by the government, you may qualify for a government subsidy.

### Beware of Credit Brokers and Financial Consultants.

**For the best advice as to whether you qualify for a loan and for assistance in applying for a loan, consult one of the financial institutions, eg Banks or Building Societies.**

In the next issue of SPEAK we will deal with Building Contractors.

*Information from the  
Housing Brochure of  
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**A Sangoma laughs out loud at holding an artificial (not real) penis. The penises were used to show Sangomas how to put on a condom. Sangoma's have been asked to speak to their clients about AIDS and how to use condoms. Another Sangoma, looking on, shares the moment**



**Rolling on a condom. Here a Sangoma wipes an artificial penis with a cloth - to make sure it is clean. Other Sangomas, amused by the sight, look on**