

Here are the minimum requirements to purchase property in SA

Thanks to favourable interest rates and heightened competition amongst the major banks, the homebuying trend is continuing in SA, according to the ooba Group. Its statistics reveal that first-time homebuyers are purchasing properties for 8.3% (R1,140,749) more than last year.



Rhys Dyer, CEO of ooba Group

Rhys Dyer, CEO of ooba Group, says that the dream of homeownership has now become a reality for many, and it's well reflected in the latest industry data. "Despite the recent increase in the prime lending rate – up to 7.75% - it's still significantly lower than it was pre-Covid-19."

"In the current climate, banks are more willing to grant home loans – especially to buyers with a sizeable deposit and a good credit score."

Dyer adds that property remains a good investment opportunity in South Africa. "Homebuyers are scooping up properties in sought-after areas and are even 'scaling up' in some cases to ensure a good return on investment."

"According to our data, the average bond size increased by 5.5% in Q4 of 2021."

Minimum salary requirement

Dyer says that a home loan should account for 30% of one's gross monthly income over a home loan period of 20 years. "The banks will analyse your total monthly expenditure so you will need to ensure that you apply for a home loan that you can afford to repay each month."

The average nominal take-home salary in South Africa currently sits at R15,542 per month. "However, the minimum salary requirements to receive a home loan vary per region," explains Dyer.

"According to Lightstone's Residential Property data, a minimum salary of R22,600 will be required to secure a home loan in the Western Cape. In Eastern Cape, a salary of R12,600 will be required while in Gauteng, a salary of R20,600 will put you in contention to receive a home loan. For those earning below this income bracket, a government-run incentive scheme commonly known as FLISP (Finance Linked Individual Subsidy Programme), is available for first-time homebuyers earning between R3,501 to R22,000."

"To give potential homebuyers a clearer idea, a bond of R1m would require a salary of R26,853 before deductions," says Dyer.



Interest rate likely to climb again following upcoming MPC meeting

11 Mar 2022



Other minimum requirements

Dyer highlights the following minimum requirements that all home loan applicants will need to meet to qualify for a bond. He

adds that using a bond originator will help to secure the best possible interest rate as the home loan applicant can compare the various offers received from all the major banks.

A good credit score: “Your credit score is one of the most important factors that a bank takes into consideration when deciding whether to approve your home loan. It measures your ability to repay your debt (on time) and is used to determine how much credit you can realistically afford to pay back,” says Dyer.

“A score of 670-plus is considered an excellent credit score but a minimum score of 610 will be considered. This shows how important it is to know your credit score and how much you can afford before finding your dream home. You can check your credit score every three months using our free online prequalification tool.”

A deposit: The banks’ willingness to approve zero-deposit home loans remains evident. “More than half (57%) of ooba’s home loan approvals in Q4 of 2021 were granted by banks without a deposit requirement.”

However, a deposit of around 10% (or more) shows a commitment to both the seller and the banks and can help to secure a better interest rate. “Saving for a deposit is one of the ways to improve your chances of acquiring your dream home.”

A prequalification: “Obtaining a prequalification certificate will save you a lot of time and heartache. It’s important to know what you can afford before shopping around,” explains Dyer.

Although a prequalification certificate is not a compulsory part of the home-buying process, it can certainly be of significant benefit. “This is valid for 90 days and can be easily accessed for free online.”

Budgeting: While acquiring a home loan is the most important part of the process, it doesn’t end there. “What follows is a series of legal procedures conducted by various attorneys that involve transferring the property to your name. You should allow three months for this process, which ultimately culminates in the property being transferred into your name,” he explains.

The fees paid to the attorneys involved could be counted among the “hidden costs” of buying a home. “This includes the cost of registering your bond, and the cost of transferring the property to your name, as well as the transfer duty (although this only applies to properties that cost more than R1,000,000).”

Dyer concludes by saying that the dream of homeownership is closer than one may think. “The homeownership landscape continues to shift and it’s an exciting place to be right now. If you’re still undecided, start by checking your credit score and receiving a prequalification to see how you fare.”

For more, visit: <https://www.bizcommunity.com>