Home-buying in the unforgiving 2020 - it's good news if you have your affairs in order

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They say every cloud has a silver lining and many of us are desperate to discover that glistening edge in 2020 - a year that, thanks to the Covid-19 pandemic, has been unlike anything we could have predicted at our December-31st celebrations.

Looking on the bright side, the coronavirus may have taken a lot from us, but it's also given us a record-low interest rate. In fact, at 7%, the interest rate is the lowest it's been in some 50 years, which means it is now possible for more people, who may otherwise have had to keep renting, to afford to purchase their own property.

"It feels almost counterintuitive to recommend purchasing property at a time when economic uncertainty is rife, but the reality is that making savvy financial decisions is about taking advantage of favourable borrowing conditions," Aimee Miller, sales and marketing manager at rent-to-own company, Teljoy believes. She adds that if you do your homework and approach the process with care and consideration, expecting to own your own property can be the most normal expectation to have this year.

But in order to turn expectations into reality there are a couple of things around purchasing property that should be accepted as a normal part of the journey to home ownership.

1. Crunch the numbers

A lower interest rate doesn't automatically mean you can suddenly afford property. It's still up to the individual to take a close look at their income and expenses, consider not just the monthly repayment but also the other costs associated with owning property, including rates and taxes, levies, maintenance and more.

Also bear in mind that the interest rate is subject to fluctuations - both up and down - and even a half percent change can have a significant impact on affordability. The key thing is to take a long-term view and build a level of contingency into your planning and budget to ensure that you can manage an increase in the interest rate. In the event of the interest rate going down, it's always a good idea to maintain the payments you were comfortable with at the higher rate as this will ultimately help you pay the debt off faster, Miller shares.

"Too often we take a head-in-the-sand approach to our finances, where we don't really know what's what in our bank accounts. Budgeting needs to be a normal part of your monthly planning. Only when you know what's going on in your bank balances, can you make smarter decisions that will keep you out of high-interest debt and spending recklessly on the things that, though you need them, can be financed through an alternative model such as rent-to-own," Miller advises.

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Aimee Miller, Teljoy sales and marketing manager

2. Credit checks

A favourable credit record is central to your financial health (and ultimate wealth) because it gives lenders a view of your ability to pay loans, credit cards and consumer debt, which determines your access to the credit in the first place.

"A sound credit score is important if you want to purchase a property, apply for a credit card or even take out a personal loan, which is why knowing your credit score should be a normal part of managing your personal finances," Miller points out.

Various agencies, including TransUnion, Compuscan and Direct Axis, offer free online tools for helping you determine your credit score. Similarly, agencies like Clearscore and Lucid offer free monthly credit reports, which is a valuable resource to help you stay on top of your affairs.

3. Manage your expectations (and your finances)

The purchase of the property is step number (very important) one but after that there's the part of turning the house into a home, which requires furniture, appliances, technology, electronics and more. "There are certain basic furnishings we all need in our homes, the cost of which can really add up in the end. Rather than purchasing the much-needed kettle, washing machine or dining table on high-interest credit or through a costly hire-purchase installment plan, you may want to consider rent-to-own where there is more flexibility and less risk," Miller explains.

She adds that it is also a case of managing and normalising expectations around what we really need to feel comfortable with at home. While a R2,000 designer kettle may be what you want in your new kitchen, the reality is that a R200 one does exactly the same job - it boils water.

4. Work with experts

Property is a big, complex purchase so you want to ensure you get the best deal at the best rate, which is why it's a good idea to consider working with a bond originator, such as BetterBond, that sources bond quotes on your behalf at no cost to you, the buyer. "The role of the bond originator is to apply to multiple banks on your behalf to ensure you get the bond most suited to your needs at the best interest rate. BetterBond is paid a fee by the banks, which means there is no cost for the consumer in using a bond originator, just potential savings, as our goal is to ensure we get you the best bond at the lowest cost," Franki Robinson, marketing manager at BetterBond, explains.

5. Explore, explore, explore

"Location, location, location" is the well-known mantra of both property professionals and seasoned investors. The logic goes that the location in which the property is situated is more important than the condition of the property because much can be done to upgrade the building but little can be done to improve the area. Just as you would shop around for a TV or a microwave to ensure you get the best quality at the best price, it's a good idea to explore the area you're looking to buy in. "Spend some time walking around, visit the shops and parks, try to get in touch with people who already live there to help you get a sense of the area before committing to a very long-term bond," Miller advises. Google Maps is also great for this, if you prefer to explore from the socially-distanced vantage point of your phone. The app allows you to do far more than find your way around, it also highlights and links to places of interest in the area.