



Western Cape
Government
FOR YOU

Human Settlements

LOVE
YOUR HOME



LOVE YOUR HOME

What you need to know **BEFORE**
you're a new homeowner

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IN THIS BOOKLET



Your life circumstances may lead you to the decision to rent or buy a home. This decision requires you to carefully consider many factors such as affordability and the responsibilities of a homeowner. This booklet will provide you with information to consider when faced with this decision or planning to become a homeowner.

While paying for rates, municipal services, insurance and maintenance are but some of the additional costs that a future homeowner will need to consider, having a secure home has many advantages. Renting on the other hand does not offer the security of tenure, but is ideal when you move often, need to save or working toward becoming a homeowner. Read on to decide whether buying or renting may be the best option for you.

1. Decide whether to buy or rent a home

Both buying and renting have cost implications and have different advantages and disadvantages.

Buying often comes at a higher cost but offers security of tenure/residence. Renting will cost you less but offers no security of tenure/residence. Read on to decide whether buying or renting is the best option for you.

1.1 What will it cost?

Whether buying or renting, you will be liable for the following costs. Some costs are once-off and some are recurring.

COST OF BUYING



Bond/loan payments

These are monthly repayments to pay off the cost of your home.



Property rates

You pay for government services such as infrastructure, schools, health, safety etc.



Insurance

Covers you for major damage such as fire, natural disasters, burst geysers etc.



Utilities

Are your monthly payments for water, electricity, refuse removal etc.



Maintenance

To cover for internal and external repairs, painting, cleaning, etc.



Attorney's fees

Once-off payments for transferring the property onto your name.



Moving costs

Whether you rent a truck/bakkie or do-it-yourself, moving costs will depend on how many goods you have to move and how far it needs to be moved.

COST OF RENTING



Security deposit

Is paid upfront to cover repairs or failure to pay rent. Usually 1 to 2 months' rent value.



Monthly rental

To pay for monthly use of the property.



Utilities

To cover your use of water, electricity, refuse removal. Some of these may be paid by the landlord.



Moving costs

Whether you rent a truck/bakkie or do-it-yourself, moving costs will depend on how many goods you have to move and how far it needs to be moved.

1.2 Buying advantages and disadvantages

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• Security of residence/tenure You do not have to worry about moving should the property no longer be available to you.• Building equity/wealth over time Your individual net worth increases when you own a home or pay off a bond. You can use this equity to apply for a loan or second bond.• Tailor your home to your needs Owning gives you the freedom to tailor your home to your needs.• Sense of belonging/community Homeowners tend to stay in their homes longer than renters. You can therefore put down “roots” and become a part of the community.• Improve your credit rating Regular bond payments will improve your credit rating.	<ul style="list-style-type: none">• High upfront costs.• Responsibility for maintenance and repairs.• The value of your home could decrease due to economic factors.• To move/relocate You have to sell or rent out your property.

1.3 Renting advantages and disadvantages

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• No responsibility for maintenance and repairs This will be the landlord's responsibility.• Easier to move/relocate You can move easier to another city or province by giving notice to your landlord.• Some utilities may be included in your rental.• Potential to save towards buying a home	<ul style="list-style-type: none">• You are bound by the rules of your lease agreement.• You cannot make changes to the property without the landlord's permission.• Your rental is subject to annual increases.• No equity/wealth building.• No security of residence/tenure No guarantee your lease will be renewed.



2. What is a Title Deed?

- 2.1** A title deed is a legal document which **proves that you are the owner** of specific land and any structures (i.e. house or other) on that land. The title deed will provide all details of the property and structures situated on it.
- 2.2** When buying a property, you need to have sight of the seller's title deed to **ensure the land or property belongs to the seller** and/or to ensure the seller has authority to sell this property to you.
- 2.3** You therefore need a title deed document **when either buying or selling** any property or land.
- 2.4** The title deed is issued by the **Deeds Registry Office** of South Africa which keeps a list of all properties in the country.
- 2.5** **A title deed is not a letter** from a Councillor, Municipality or Developer. It is also not a letter from a previous owner and cannot be replaced by a signed affidavit at a police station.
- 2.6** A title deed is a very important document and should be kept in a safe place. Should you lose it, you will have to pay to apply for a duplicate document from the Deeds Office. It is a good idea to **make copies** in case the original is lost or damaged.
- 2.7** **You can make changes to a title deed** once it has been issued. For example, adding a spouse or child's name, or removing a deceased person's name. You will need to go to a conveyancing attorney and pay a fee to make changes to a title deed.



3. Municipal Rates and Water Accounts

The Municipality provides basic services to your home such as clean drinking water and refuse removal. To ensure you continue to receive these essential services, you are required to pay your rates, water and other services to your municipality.

If you can't pay your account, you need to go to the Municipality and make arrangements to pay your arrears. Failure to pay and make arrangements will result in these essential services being cut/stopped.

Should you struggle to pay your municipal accounts, you can apply for an Indigent Grant at your Municipality. Should you qualify for an Indigent Grant, your municipal accounts payment will be adjusted to a more affordable rate. All enquiries and applications should be done at your local Municipality in your area.

4. Insurance

You will need to protect your home from major damage with a homeowner's insurance policy. This insurance policy protects your home from the risk of structural damage, including fire damage, storm damage or a burst geyser. You should insure your house against theft, accidental damage, etc. through a reputable financial institution. Remember, you are now responsible for the upkeep of your house.



5. Wills

A Will is a written document that states what should happen with your valuables (e.g. your house, money, car) when you die. If you do not have a Will upon your death, the Master of the High Court will appoint someone to tie up your affairs. This may include selling your house and any valuables to settle any debts. Anyone can draw up your Will, but it should preferably be done by an attorney or bank. The Will must be signed by a Commissioner of Oaths to verify that it is in fact your Will which sets out your wishes to be carried out upon your death.

You, as the legal owner of the house, need to decide what must happen to your house after your death. For example, you may wish it to be sold and the monies distributed to family, friends or charities. Or you may wish to leave your home to a family member after your death.

You can either leave your home to one person or state that the house must be shared with others. It is best to include the correct names of the people or organisation that you wish to inherit your house.



6. Personal budget

As a homeowner, you will have financial obligations to pay for and to look after your home. It is important to budget and plan for your monthly expenses to ensure you are able to pay for and maintain a home. Here are some **tips on managing your personal budget:**

- Use a windfall, such as a bonus, to settle your debt.
- Avoid opening too many clothing and other accounts. Open only what you need and do not spend more than you earn.
- Avoid borrowing money from one person in order to repay another person.
- Buy only what you need, not necessarily what you want and only when you can afford it.
- Save, even if it is only a small amount.
- If you owe money, make arrangements to pay the debt - and keep your promises!
- Be careful in taking up micro loans, especially for things you do not really need. You will be paying a lot of interest.

Here is an example of a basic budget that you can use to adapt to your own circumstances:

INCOME		EXPENSES	
You	R2500	Rent/loan installment	R800
Spouse/friend	R1500	Electricity, water, service charges	R300
Other	R300	Insurance	R150
		Telephone	R200
		Maintenance	R200
		Other	R80
		School/creche	R250
		Entertainment/pocket money	R150
		Clothes	R300
		Food	R1000
		Medical expenses	R300
		Transport	R250
		Savings/stokvel	R100
		Burial society	R150
TOTAL	R4300	TOTAL	R4230
		BALANCE	R70



Western Cape Department of Human Settlements

Visit 27 Wale Street, Cape Town



Call the Help Desk

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