

Tips for first time housebuyers

Without planning or guidance, buying a home can be a procedural nightmare

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BUYING a house will most likely be the biggest single investment in a person's life. But for first-time buyers, going about purchasing a home can be a procedural nightmare, especially without the proper planning or guidance.

The following are some simple tips for first-time buyers to consider before ploughing their money into their "dream home."

Weighing your options

The first thing to do is to determine what exactly you are looking for.

"Visit a few property showrooms and also attend a few launches to see what's available in the market. If you're a first-time buyer, you're probably looking for something below half-a-million ringgit," says VPC Alliance (Malaysia) Sdn Bhd director James Wong.

Also, determine if you're looking for landed property or an apartment.

"You need to weigh your options. An apartment comes with additional running costs, such as service charges - it's part of a communal thing," Wong points out.

"If you stay on landed property, the advantage is that there is no service charge. Furthermore, you may also have access to a garden of your own," he adds.

Malaysian Institute of Estate Agents president Nixon Paul concurs that there are certain advantages to owning landed property.

"Landed property would make a better buy as you have control over your own house.

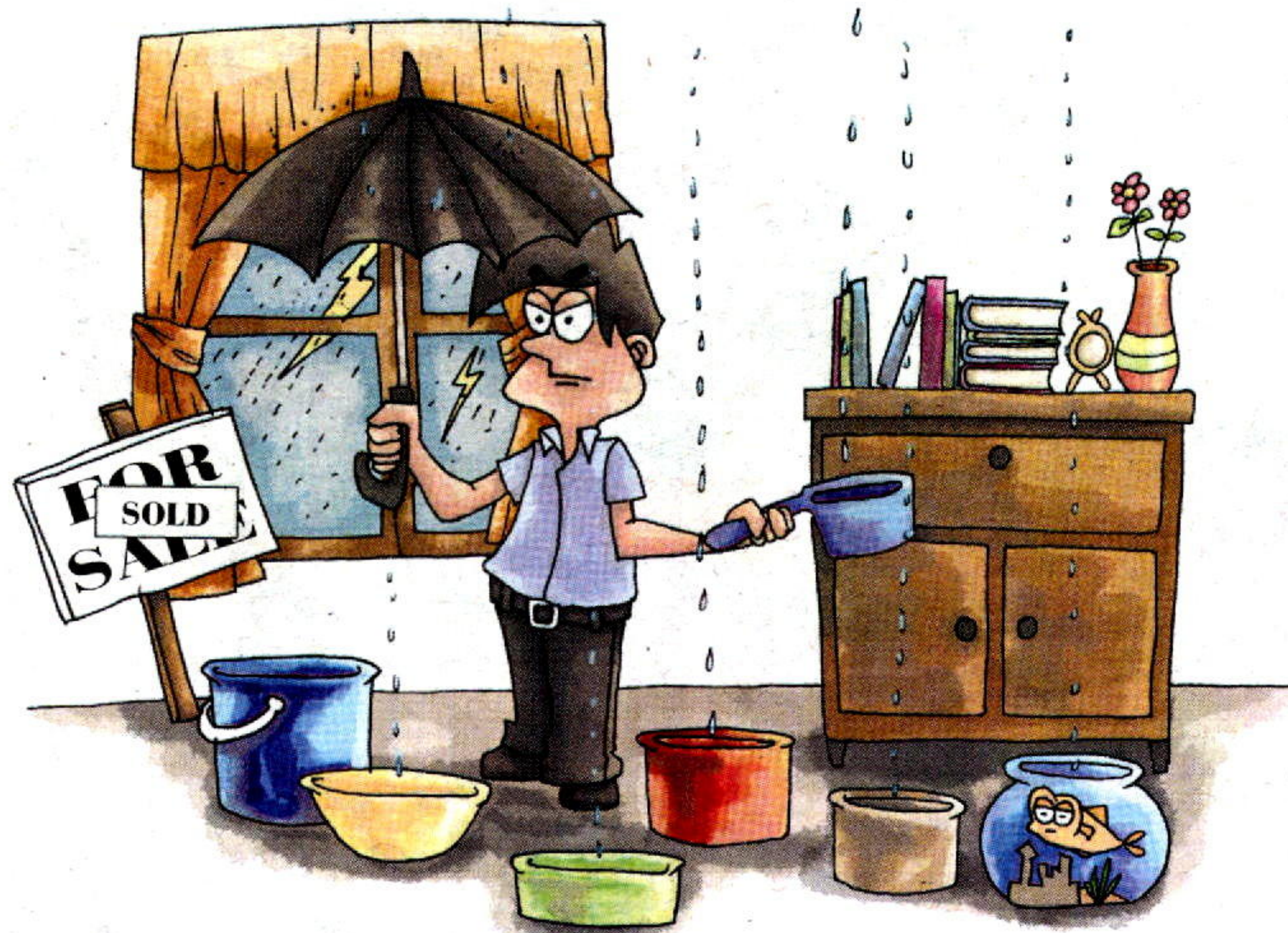
With an apartment, the biggest consideration is the management running it. If there is no effective management, it could really go downhill," he says.

Location

With land getting increasingly scarce, more so within the Klang Valley area, affordability can be an issue. "With land getting more expensive, the chances of getting landed property below RM500,000 close to the city is slim," says Wong.

He adds that a person's distance from work should be a factor to consider when buying property.

"You need to determine what is the commuting time to and from work that you can tolerate everyday," he says.



Nixon however believes that it's still possible to find property below RM500,000 within the Klang Valley.

"They're available but you just need to look harder. You can find apartments within this price range in places like Kepong, Selayang and Puchong. You just have to go out further (from the city)," he says.

A viable option, says Wong, is to purchase property that will be located "not very far" from the proposed stations that will be built for the light rail transit (LRT) Ampang and Kelana Jaya line-extension and Mass Rapid Transit (MRT) projects.

"Once these lines are up, there will be improved connectivity within the Klang Valley."

He adds that property along the proposed lines won't necessarily be expensive.

"The lines also go through the outskirts of the city and it would be good to study where the stations will be. If you live within 10-minutes driving distance of the stations, it won't be a problem."

Wong says a mistake in the past was that there weren't sufficient parking facilities for the LRT lines.

"But I was informed that the future lines will also have parking facilities," says Wong.

Another way for new housebuyers to around

the issue of affordability is to try and apply for the My First Home Scheme.

Launched in March last year, the scheme allows young working adults obtain 100% financing from banking institutions to purchase their first home valued at a maximum of RM220,000 (for single applicants) or a maximum of RM400,000 (for joint applicants of husband and wife with household income below RM6,000 per month cumulatively).

Applications are made to participating banking institutions and upon approval, Cagamas - a national mortgage corporation - would provide a guarantee for the first 10% of the loan.

"It is a good move by the Government to promote home ownership," says Wong. However, he notes that properties launched under the scheme are not located within the city.

"There were launches in Negri Sembilan and the Puchong area. However, if your workplace is within 5km of these homes, then why not," he adds.

Inspect the property

If the property you're buying is physically present (such as secondary property), it's best to inspect it to ensure there are no shortcomings or flaws that will incur you additional

unwanted costs.

"A house might look beautiful in pictures or from the outside, but you never know for sure until you take a closer look at it yourself," says property investor Kamarul Ariff.

"It's best to inspect the house inside-out, floor to ceiling. Check to see if the walls and fixtures are in good condition, or if the house is infected with white ants, for instance. Bring along a friend who's a better judge of things like this, as it'll save you a lot of unnecessary cost in the future.

"Also, it doesn't hurt to inspect the property on a rainy day - a good way to find out if you've got leaks!"

Sorting out your finances

A major factor in the home-buying process is the issue of financing. Of course, one needs to have the financial resources first before going house-hunting.

Noteworthy is that effective January 1, Bank Negara has implemented its responsible lending guidelines, whereby loans are now approved based on net income compared with gross income previously.

The new guidelines are intended to help manage the household debt in Malaysia to reasonable levels.

"Currently, banks are tightening on housing loans and potential property buyers may not be able to secure up to 90% financing. Instead, they may only get between 70% and 80%. They now need to have as much as 20% cash or equity, unless it's a gift or a loan from your parents," says Wong.

But Nixon believes that securing a loan is not a problem, especially for young property buyers in spite of the new loan rules.

"From what we've been hearing, it's not the younger generation that's been having problems getting loans, but instead, the older generation.

"This is because the younger generation don't usually have debts - at most it might be a car loan. We find that it's the older generation, those with several ongoing loans or debt that have problems getting their loans approved under the new lending guidelines," he says.

Bank officer Razlan Hashim says potential property buyers should ensure that their monthly loan payment will not be a burden on their spending. "You need to ensure that the home you're buying is within your means," he says.