



A GUIDE FOR THE FIRST TIME HOME PURCHASER

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Buying a house is recognized as a crowning achievement, one for which most Jamaicans strive. The joy of home ownership can be somewhat dulled by the pitfalls that beset the unprepared purchaser. The truth is purchasing a house is one of the most significant investments you will ever make in life. It would not be prudent to approach it as you would shopping for groceries or a handbag at the mall. It is important to have a plan and to properly inform yourself of the requirements before making the actual purchase. Below are the steps to follow in effectively purchasing a house.

1. Evaluate your financial position- Do a budget noting your income, expenses and savings. By doing this you will be able to determine what you can afford. You are required to pay a deposit and further payment which is normally 15% the value of the property. This money that has to be paid out of pocket as most Mortgage Companies will not be in a position to forward same to you. Therefore, if you are planning to purchase a house valued at \$10,000,000, you have to find an initial payment of \$1,500,000.00. Additional costs should be taken into consideration when evaluating your expenses. The purchaser is usually required to pay half the cost for drafting the Agreement for Sale. This normally ranges from a low of \$20,000.00 and goes up depending on the value of the property and the complexity of the agreement. There are also closing costs. These include Stamp Duty and Registration fees. Currently the rates are 4.5% and 1% of the value of the property and are normally shared equally between the vendor and purchaser. Finally, you have your Attorney's fees which range from 2-3% the selling price. This means you will need approximately an additional 7% the selling price to cover your expenses. In the example used above at \$10,000,000.00, you would need \$700,000.00
2. Visit Mortgage Company- There are several institutions that provide mortgage facilities. Some that readily come to mind are Victoria Mutual Building Society, Jamaica National Building Society, First Caribbean Building Society and the National Housing Trust (NHT). It is recommended that you visit all or most of them to determine the one that best fits your needs. Also of note is joint financing mortgage programs between building societies and the National Housing Trust allows a greater amount, than the maximum \$3,500,000 offered by the NHT, to be borrowed and the total loan repaid through the Building Society. Make sure you make all inquiries and get the requisite documentation for the loan application. After you have decided on the institution, pre-qualify yourself so that as soon as you have found a property your loan can be quickly processed. This serves the dual function of making you aware of how much you qualify to borrow.

3. Begin Search for property- Having determined the amount of money you have to spend you will be in a better position to know what kind of house you can afford. You can now begin the search for the property. Analyze the market by obtaining information from Real Estate websites, making inquiries of knowledgeable persons or by looking at the classifieds to see what is available. You can now determine what a particular property in a particular area is worth. Never rush to a decision and in the event that you find a house that that you really love, you should look at others in different areas.
4. Visit the Property- Once you have identified the property you should inspect before you buy. Buying a house is often compared to buying a car and if you are not an expert then it would be wise to take along someone who is competent in that area. That person would be able to alert you to any irregularities in the construction of the building. Examine the neighborhood of the home you are considering. Make sure there are no imminent plans for commercial construction or other non-conforming adverse development that might compromise the value of the area and property. Once you have identified the house you contact the agent or the owner if the asset is being sold by owner.
5. Contact your Attorney- Please note that the Attorney acting for the vendor is seeking to get what is best for his client. Your own Attorney will provide you various benefits such as verifying property taxes, disclosing what is right and wrong with the property, and helping you to negotiate price and terms-all in keeping with your interest. Get a copy of the land sale agreement and then have your attorney review the contract and make whatever changes are needed.
6. Once your lawyer is comfortable with the contract you will be required to sign and make a payment of 15% of the agreed sale price to help account for taxes that will be levied on the sale.
7. Re-visit Mortgage Company- You go to the Mortgage Company to conduct your interview. The following documents are required by most companies-
 - Signed Agreement For Sale
 - Property Tax Certificate
 - Photocopy of Certificate of Title
 - Valuation Report from an approved Valuation Company
 - Income Verification letter (last 2 months pay slips)
 - If self employed- statement of income confirmation from an auditor
 - Proof of Age
 - Surveyors Identification Report
8. Return to your Attorney- Once you qualify for the mortgage, a commitment letter is sent to the vendor's Attorney and copied to your Attorney. Your Attorney will contact you for you to attend his office with the closing costs to sign the instrument of transfer.

Once you have followed the steps outlined above, the experience of buying a home will be less frustrating.

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