

BUYER'S GUIDE

I feel for those buyers who made some serious mistakes in buying a house only to find out later that they really can't afford to pay the future monthly dues and has to give it up. It can be a very stressful experience and can be expensive mistake, too. It doesn't have to happen to you.

If you are clueless about home financing, as many home buyers are, here are some tips that you can use to help you determine how much you can afford to finance your home purchase.

Real Estate Financing Terms

There are basically three (3) ways of financing a real estate purchase, namely: **a) spot cash, b) deferred cash payment, c) long term financing**. A resale house or property from an individual seller (as opposed to a developer) is usually to be paid in Spot Cash. On the other hand, real estate for sale from developers, can be availed in longer terms.

Each type of financing scheme has its own advantages and disadvantages. To determine which one is appropriate to you, it is best to start looking at your own budget and financial capabilities. Some financial institutions (banks, credit unions, money lenders, etc) will require income documents from your and/or your co-borrower to determine which one applies to you.

Listed below are the characteristics of each type of payment scheme.

Philippine Citizenship Issues and Land Ownership

Under the Law of the Philippines, **former Filipinos or those who are natural-born Filipinos but lost their citizenships are still entitled to own real estate properties in the Philippines** subject to a few limitations. If you are a former Filipino, the following will be a helpful guide:

1. Land must be used for residential or business purposes only.
2. Land acquisition may be through sale, donation, tax sale, foreclosure, or execution sale.
3. If the land is for **residential purpose**, a maximum of 1,000 sq meters of urban land or one (1) hectare of rural land is allowed.
4. If the land is for **business purpose**, a maximum of 5,000 sq meters of urban land or three (3) hectares of rural land is allowed.
5. A maximum of two (2) lots not exceeding the maximum limit in total combined area is allowed. Lots must be located in different cities or municipalities.
6. Either rural or urban lots, but not both, can be acquired
7. Either one or both spouses may avail of this privilege, but the above limits must be observed.

Holders of Dual Citizenships are allowed full rights of possession of real estate in the Philippines.

NEW HOUSE VERSUS OLD HOUSE

Given two houses — with almost the same price and equally good looking — one is new while the other is old, which one would you buy?

Well, there is really no right or wrong answer for that question, but your response will most like reflect your priorities and standards. Each has its own advantages and disadvantages over the other. To help you decide which is a better fit for you, consider the following points:

Advantages of New Homes

For many first time buyers, the choice of home is easy: get a new home that fits the budget. One of the advantages of new homes is that they tend to have fashionable designs and trendy colors. They also look clean and may have modern furnitures and appliances that go with it. Plus, you can be very, very sure that no one has live there before.

Disadvantages of New Homes

Many new homes made of poor materials especially if you get one that is made for “mass-production”. Home builders would want to keep a reasonable profit by saving on the cost of materials used in the construction of the house. Always keep this in mind and make room for a few modifications to make should you decide to get a new house.

Many buyers who came from the provinces are usually surprised at the size of lots and floor areas of the houses in the city. In the olden times, regular houses in the provinces have 600 sqm to 1,000 sqm lot area. That could be worth a mansion if you have that in the city! Well, congratulations and welcome to the city! In the future, you can expect that newer homes will shrink in size or increase in price, but usually it is both.

Advantages of Old Homes

An old home that is well maintained is a piece treasure. The wooden floors are usually very shiny and made of hard wood that are hard-to-find these days. The antique furnitures and decors are all around the place. The flowers in the garden are colorful. It is very nice to live there.

Disadvantages Of Old Homes

Buying an old home presents a big challenge even to the most experienced of real estate buyers. You have to be very careful where and what to inspect. There could be house defects that are difficult to detect. The outdated wiring system could potentially dissolve the house in fire. The century-old plumbing system — it could be rusty now. Is the ancestral home located in a residential zone or industrial zone along with the factories? Maybe it was built before the Zoning Law of the city was created.

Things to consider before buying a house.

1. Check your income and employment of business status. How long are you in your current work? Are you sure your working visa will be extended? Is your employer happy about your performance and will renew your contract for a longer term? How is your business performing over the past two years? Does your cash flow show a healthy figure?

2. If you are paying spot cash, do you have enough savings?

3. If you are paying in installments or planning to avail a mortgage, you can use the formula below to determine how much you can safely spend for your home on a monthly basis. Take note that it is the formula currently by a number of financial institutions in the Philippines to determine the amount of loan granted you.

$$M = (I - D) / 3$$

Where:

M = monthly payment you can afford

I = your monthly income, plus that of your co-borrower

D = monthly payment for any long term debt such as car loan

Example:

Your monthly income, I = PhP 250,000

Your monthly amortization for you brand new car, D = PhP 54,000

The monthly payment you can afford is:

$$\begin{aligned} M &= (I - D) / 3 \\ &= (250,000 - 54,000) / 3 \\ M &= 65,333.33 <----- \text{ This amount} \end{aligned}$$

What does it mean for your home financing? A lot, according to the banks and the developer from whom you will avail of the in-house financing for your home purchase.

A lower value of M means that the bank will refuse to finance your ambition of having a luxurious house, because you are a risky borrower already. Remember that banks would rather not grant you a loan than foreclose your property. It also means that they might have to extend your loan term to 15 years instead of 5 years as you initially wanted it to be. But that has to depend also on other factors such as your employment or business status.

On the other hand, if the resulting value of M is very high, a lot of banks will come rushing to grant you the loan you always wanted! The agent might even suggest that you buy a bigger property.

TIP: As much as possible, always go for the lowest interest rate and the shortest payment term. It is cheaper in the long run — or make that short run.

TIP: Deferred Cash payment is usually short term and does not incur any interest. You may want to check with the developer / seller if this option is available.

TIPS TO FOREIGNERS IN BUYING A HOUSE

Foreigners move to the Philippines for various reasons just as Filipinos also move to other countries. Americans were married to Filipinas and learned to love the Philippines during their first visit to the country. The Koreans first wanted to learn English and eventually setup a thriving business. The Japanese chose to retire here after seeing a wonderful place that feels like small city in Japan — reminds them of home without being too far away from it.

Some move to save, others to spend. Some move to escape the heat back home, others to have more of it. Some move to be close to their families, others to be far away from them. Some move temporarily, others permanently.

Whatever your reasons for moving to the Philippines, wouldn't it be nice to learn something about the place you want to live in?

The following are some of the most valuable tips you will ever have.

1. Learn about the Filipino Culture

First of all, Filipinos are Asians. They have some of the traits, traditions, and cultures shared by other Asian countries like Malaysia, Thailand, Japan, China, and Indonesia. They have high respect for their elders and they care a lot for them. They can be so shy, they don't directly look at you in the eyes when you speak. They laugh when someone bumps his head while going for a jeepney ride.

Second, Western influences are also deeply woven into the fabric of the Philippine society. You will find names that sound like Spanish or Mexicans. That's the result of more three hundred (300) years of Spanish occupation in this part of the globe. The Spaniards brought their religion, among other things, to the Philippines. The Filipinos love the Americans, too. The Americans brought with them a system of education that became the basis of the one currently practiced in the country. The Filipinos love anything foreign. As a matter of fact, they love everything that is not made in the Philippines.

The Filipinos speak a number of dialects and languages, too. You could easily guess that the Biblical Tower of Babel was erected here and broken down into 7,000 islands that make up the archipelago. Both foreign languages and native dialects are spoken all over the country. The poor and the middle class are struggling to speak fluent English. The rich wants to experiment with Spanish and Chinese-flavored languages. The super-rich just wants to speak the plain Tagalog or [Bisaya](#) dialect.

This is just a small cross-section of the Filipino Culture. Learning more about the Filipino Culture is one of the best investments you will ever make if you don't want to experience Culture Shock when moving to the Philippines. If your spouse is a Filipino, you get a tip of the iceberg.

2. Get To Know the People

Filipinos are among the most hospitable people on the face of this planet. But of course there are some who are rude, too.

Do you want to setup a business in the Philippines? Did you know that most Filipinas are highly sensitive? You can't just shout at her and expect her to be back at work the next day.

Are the Filipinos friendly to Americans? You bet. And that makes it easy for you to mingle with them. Not only that, they can hardly distinguish the Americans from other Western races. They think if you are white, you must be an American.

If you can get along fairly well with your spouse or his/her friends and relatives, it would be easy for you to adjust with the rest of the Filipino people.

3. Learn to Speak a few native words

The Filipino Language (based on Tagalog) is the National Language of the Philippines. It is taught in schools and many Filipinos understand it and knows how to speak it. The [Cebuano](#) or [Bisaya](#) is also widely used especially in the areas of Visayas and Mindanao.

Knowing how to speak a few lines of these dialects is a plus factor in dealing with a Filipino. An American who can speak it becomes an instant celebrity.

One other thing about native language: A lot of foreigners are pissed-off when they join a group of Filipinos (perhaps in a party) only to realize that everyone is speaking in Greek. You have to understand that they are using a language they are most comfortable with just as a Japanese will use Nihongo most of the time. If you want to join the conversation, have an interpreter close by your side.

4. Know What It is That You Want in A Place

Do you have a clear picture of what it is that you really want in a place? Knowing that is crucial and will save you endless hours of search. Are you looking for a country living? Do you want easy access to the airport? Do you have kids who are going to school? Consider all things that you want and then search for the city or town that has them.

The Philippines is the same everywhere. Well, more or less.

Baguio — dubbed as the summer capital of the Philippines — is a cool place with an American ambiance. Davao was once called the Little Tokyo by the Japanese occupants. Manila is one of oldest city in the country and continues to be the center of commerce until these days. Cebu is a booming city known for its historical traces. And then there are smaller cities, towns, and provinces where all things bright and beautiful abound.

Fresh air and polluted air; serenity and noise; modern lifestyle and traditional living; wealth and poverty. The Philippines has it all. Chose which one you like and you will have it in the Philippines.

5. Familiarize Yourself with the Place You Want to Live In

One of the best ways you can be familiar with a place is by going there. Stay in hotel for a couple of days. Move around the city or town with your wife, Filipino friend, or fellow traveler. If you find a place that you like, rent an apartment for a couple of months and observe the place more. Check to see if that is really the place that you wanted to live.

6. Let The Philippines Be The Philippines

One of the nice things about being in a foreign land is that you begin to appreciate the good things you are doing back home. When you are here, you will find yourself comparing how things are done in your country versus how same things are done here. Wisdom consists in understanding the differences. Peace of mind starts with accepting **what is**.

Let the Philippines be the Philippines. Expect some things to be a little different than what you are used to. In fact, expect the unexpected.