

THINKING OF GETTING A MORTGAGE?

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The question may intimidate many of us, as a lot of people feel uncomfortable about getting a mortgage. Relax – it is not as difficult or as complex as you may think. Whether you are buying or building a new home, improving your existing home, or wish to lower your current mortgage payments, your banker will work out your ideal long-term financing solution.

Here are some useful tips for homeowners to consider before approaching a financial institution for mortgage finance.

Buying/Building A New Home

For most of us this may represent the single largest investment we may ever make, as such there are many factors that we need to consider.

Know how much you can comfortably afford. Here is a good rule to follow: your monthly mortgage repayment should be no more than 40% of your personal or combined household income. It would also be wise to visit with your banker before you go “house hunting” or before you finalise your house designs. Together you and your banker can quickly work out the price range that you can afford. It is also advisable to calculate in advance for mortgage related expenses such as government taxes and other closing fees.

Try to delay other major purchases. Making major purchases – like a new car or new furniture – prior to buying property can put added strain on your budget.

Location matters. Make sure the home you choose is in a location that meets your needs e.g. within access to schools, shopping, your place of work, transportation routes.

Think carefully about what you need and want in a home. Consider your current and future needs. Is your family growing? Will you need extra rooms?

Avoid judging the book by its cover. Even if the exterior looks attractive, make sure the home you choose is in “liveable” condition. It is wise to have it professionally inspected, and also to have a valuation done so that you know you are not paying more than the property is worth.

Check before... not after. This is especially important when buying land. Ensure that electricity, water and telephone services are available. If you are building, check your contractor's reputation. Ask for references and check them. Also try to ascertain how much preparation work needs to be done before construction begins. If you are buying a house, talk to the neighbourhood residents. They may well have good advice to offer.

Shop around for the best rates. This is perhaps the most important and often overlooked element of preparing to buy or build a home. A 1% difference in an interest rate can make a world of difference:

An EC\$130,000 home mortgage at a rate of 9.5% for 20 years can save you EC\$20,669, when compared to a rate of 10.5%.

It is in your best interest to check for the best rates.

Applying for your mortgage can be quick and easy. After considering the previous points, your next step is to visit your banker and talk with a representative who will show you how quick, easy and hassle free applying for your mortgage can be.

When applying for your mortgage, it will certainly save time if you have the following documents available:

1. Two forms of identification (e.g. driver's license and passport)
2. A letter from your employer
3. A property valuation
4. An agreement for sales (from the person from whom you are purchasing the property)
5. Construction estimates, approved construction plan and a legally binding, fixed price contract between you and your building contractor (if building or renovating property)

So there you have it. Armed with these tips, you can now make informed decisions about the type of mortgage that best suits your needs and pocket. Visit your banker today and leave with a mortgage tailored to your needs.

This article was submitted as part of the ECCU Financial and Economic Literacy Campaign coordinated by the Eastern Caribbean Central Bank. The author can be contacted at **FirstCaribbean International Bank**, (869) 466 2048 or via email johnathan.johannes@firstcaribbeanbank.com