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1. Acknowledgements

This Booklet is the second of its kind produced by the Eastern Caribbean Home Mortgage Bank (ECHMB). It was produced to make the process of getting a mortgage loan to buy or build your home a little easier and less confusing.

This Booklet highlights the presentations made by the Resource Persons at the “**Home Ownership Day**” Event held in Grenada in July 2002. It builds on the success of the first edition of the Booklet - “**Guide to Home Ownership**”, and highlights some of the specific features of the mortgage industry in Grenada.

ECHMB wishes to acknowledge the contribution made by the following persons to the successful launching of “**Home Ownership Day**” in Grenada.

Dr. The Hon. Keith Claudius Mitchell -
Prime Minister of Grenada,
Carriacou, and Petite Martinique

Mrs. Florence Williams -
Manager, Credit,
Grenada Co-operative
Bank Ltd.

Mr. Victor Williams - Williams Architectural Firm,
Basseterre, St Kitts

Mr. Cecil Frederick - Ag. Head of Physical
Planning Unit, Grenada

Mr. George Prime - Attorney at Law, Grenada

Mr. Kenneth Moore - Quantity Surveyor, Ministry of Works, Communications and Public Utilities, Grenada

Dr. Robin Osborne - Engineer and Lecturer, University of the West Indies (UWI), St. Augustine Campus, Trinidad

The 4th "Home Ownership Day" was held at the Grenada Trade Center, Morne Rouge, St. George's, Grenada on July 15, 2002.

While the contents of this Booklet are based on the proceedings in Grenada, it will have appeal for residents of the member countries of the Eastern Caribbean Currency Union (ECCU). Home ownership is often characterized as a dream that most families aspire to. For a family, a house is a tangible asset, which offers protection and security. When customers become better informed on mortgage finance, and other basic concepts in home ownership, finance and construction, they are able to make better personal financial decisions.

"Home Ownership Day" Event provides a unique Forum for all stakeholders in the housing industry namely prospective homeowners, architect/planners, building contractors, financial institutions, insurance companies, and suppliers of building materials, to meet and discuss issues related to the process of homeownership.

ECHMB acknowledges the involvement of all the prospective homeowners, the Media (the Grenadian Voice, the Grenada Today, Government Information Services (GIS), Grenada Broadcasting Network (GBN Radio and Television), in making the Event a successful one. The service of Mr. Jason Inanga is also acknowledged for transcribing the Video on “Home Ownership Day”

Special thanks are due to the following institutions for their tangible support in launching “Home Ownership Day” Event in Grenada: -

- Grenada Co-operative Bank Ltd;
- National Commercial Bank of Grenada Ltd;
- RBTT Bank Grenada Limited;
- Physical Planning Unit, Grenada;
- Grenada Trade Centre;
- Apex Services for Video Production;

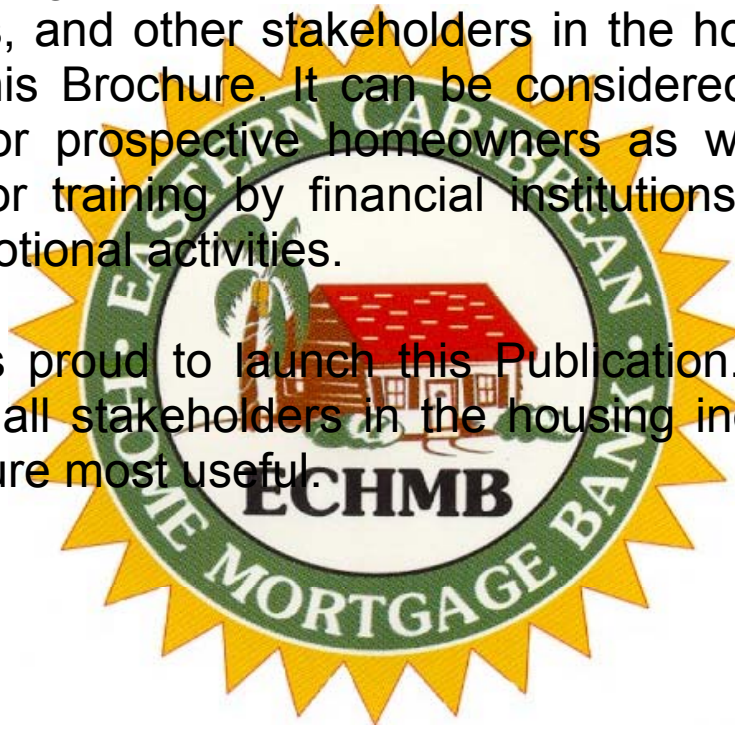
Your home is a valuable investment. Buying or building a home is a very serious commitment. It is a lifetime commitment. The home is where children are raised, where homework is done, where meals are prepared, where minds are developed and major family decisions are taken.

Careful planning and budgeting are essential in order to guard against financial problems that could arise from time to time. To ensure that everything runs smoothly and to avoid major pitfalls in owning your home, it is absolutely necessary that you should plan to deal with unexpected

situations such as foreclosure, loss of income, and natural disasters.

It is envisaged that prospective homeowners, financial institutions, and other stakeholders in the housing industry will use this Brochure. It can be considered as reference material for prospective homeowners as well as training material for training by financial institutions or for use in their promotional activities.

ECHMB is proud to launch this Publication. We sincerely hope that all stakeholders in the housing industry will find the Brochure most useful.



ECHMB
June 2003

2. “Home Ownership Day” Seminar


“Home Ownership Day” is an important feature in the calendar of events of the Eastern Caribbean Home Mortgage Bank (ECHMB).

In the past four (4) years, ECHMB has hosted a one-day Seminar, aimed at assisting potential homeowners in making the correct decisions and helping them to get a better understanding of the services provided by practitioners in the mortgage industry, especially lending institutions and building contractors.

By helping people to understand the basic requirements and responsibilities of homeownership, ECHMB is fulfilling an important role in helping to educate families and individuals in all aspects of home building and buying process.

Traditionally, the mortgage business has been viewed mainly as a lending business. But a mortgage loan is really the outcome of a sophisticated process by which funding is provided for the specific process of building or buying one’s own home. The process involves an interface between borrowers and other service providers, such as lending institutions, engineers, building contractors, architect/planners, insurance agents, furniture manufacturers, government agencies and lawyers.

The objectives of the Seminar are to advise prospective homeowners on how: -

- 
- to get best results from the services provided by institutions involved in the business;
 - to keep costs of building construction to the minimum and obtain a comfortable living environment;
 - to avoid credit practices that are non-competitive;
 - to enable prospective homeowners to protect themselves against unmanageable debt burden.

“Home Ownership Day” is designed as a customer-friendly Event. It enables mortgage lenders and building contractors to work together, in seeking new ways to make housing construction and mortgages more affordable and easy to understand, for the benefit of home buyers.

The underlying principles are to demonstrate the importance of:

- Establishing a good credit history;
- Focusing on sound financial principles, such as accounting, saving and paying bills on time;
- Understanding what is involved in making the down-payment;
- Helping borrowers to know what they can afford in relation to the size of the mortgage loan;
- Managing on-going expenses, especially for insurance and maintenance;
- Considering the design and options for building materials;

- Understanding the need for Title and other ownership documents;
- Demonstrating the maintenance procedures necessary to enhance the value of the house;
- Highlighting the importance of Property Valuation.

Growth of Housing in Grenada

The Housing Sector in Grenada has made significant progress. There is evidence on the ground to indicate that the rate of home ownership has been increasing.

In recent years the government has purchased estates at Dunferblin, Bousejour, Corinth, Palmiste, St. Marks, Plains, Grand Anse and made available lands in Carriacou. The aim is to facilitate the construction of low-income houses for its citizens.

Some private developers have also been engaged in subdividing their lands for sale to interested persons for building homes.

There is also physical evidence of housing construction programmes, funded by credit unions, insurance companies and commercial banks. Some lending institutions have purchased lands with the aim of subdividing and selling to their members or customers to build their homes.

Public policy measures have also been taken to facilitate growth of the housing sector. In 1996 Government made adjustments to the Income Tax Regime including raising the ceiling on taxable income from a minimum of EC\$10,000 to EC\$60,000 and applying a thirty (30) per

cent Income Tax on income above that level. The changes in the Income Tax Regime have made more disposable income available to individuals and families, thus allowing many middle and low-income persons to own their homes. Over the past five years financial institutions in Grenada have witnessed an increase in the number of mortgage applications received and processed.

Data collected from the Physical Planning Unit in Grenada shows that the number of Building Permits granted has been increasing, reflecting an increase in the demand for homes.

In the Budget for the year ending December 2002, the Government of Grenada gave an undertaking to improve access to housing opportunities for low and middle-income families. Government will be providing incentives to homeowners to refinance existing mortgages. It has also reduced by fifty (50) per cent the rate of stamp duty payable on refinanced mortgages for businesses and the owner-occupied residence of private homeowners. These measures are intended to ensure that homeowners are better positioned to take advantage of falling lending rates.

With regard to building materials that are produced locally, Government has advised residents to discontinue the traditional practice of using beach sand for construction of homes and instead to use land-based sand.

The disadvantages of using beach sand in construction are:-

- It contributes to the rapid decay of the concrete;

- The salt component of the beach sand can also cause severe decomposition to steel used in the construction, if oxygen gets into the concrete;
- It contributes to beach and soil erosion;
- It is more expensive than land-based sand.

The advantages of using land-based sand for construction are: -

- It does not contribute to depletion of the coastal resources;
- The land-based sand is heavier and more structural when used in construction.



3. Getting Started on Your Credit and Managing Your Mortgage Obligation

What is Credit?

According to the Consumer Credit Act of 1994, credit covers a loan or any other advance or accommodation given by an individual or financial institution. By giving credit the lender is displaying trust that the person will pay for the facilities given or for the money borrowed.

What is Credit Rating?

Credit rating is an opinion on the creditworthiness of a person. When a lending institution is considering a loan application by a borrower, there are some key questions or some essential information that will be used to assess his/her creditworthiness. The following are some questions that are generally asked: -

- Can you pay?
- Where do you work?
- How long have you been employed?
- How stable is your job?
- Does your income include variables such as overtime or bonus?
- How much do you owe and how much is the repayment obligation?
- Do you have lots of debts?
- Do you make payment on time?
- Do you have a lot of credit enquiries?
- Do you have equity to protect?

- Are you highly indebted?
- Do you have cash reserves?

If the lender is satisfied with the answers given by a borrower to the questions stated above, a credit relationship might be established.

How can You Establish your Creditworthiness?

Creditworthiness can be achieved by building your equity. This can be achieved by: -

- Developing positive saving habits by putting aside a specific sum of money in an account at a financial institution monthly, or from time to time. It is advisable that at least 10 per cent of one's income should be saved.
- Accumulate cash in Whole Life Insurance or other forms of Annuity Insurance as an investment or as saving or equity.
- Investing in stocks and bonds that can be easily converted to cash. These instruments contribute to diversifying your assets. Purchasing shares and stocks in a company can also result in positive returns. However, shares are more risky than purchasing bonds, but the returns could be higher.
- Acquiring or purchasing of land. Try to acquire land before approaching a lender. The ownership of land engenders a favorable response by lenders. Land is also an asset that can appreciate quickly.

There are other forms of investments by which one can build equity including: -

- Fixed Deposits;
- Treasury Bills;
- Debentures;
- Government Bonds;
- Savings Plan tied to future investment;
- Retirement Plans

The ability of an individual to generate savings is a measure of discipline. It is a commitment and it is a sign of thrift. It means that you have managed your resources very well.

What you Should Know or Investigate?

The following are some activities that prospective borrowers should undertake: -

- Find out what are the requirements of lending institutions. These vary from institution to institution, therefore it is important to shop around for the best alternative.
- Find out what are the policies of the lending institution. Every organization is governed by a set of rules, policies, and guidelines.
- Try to establish whether the policies of financial institutions are likely to change in the near future and the effect on one's ability to repay the loan obligation.
- Visit the lending institution to discuss with its lending officers.
- Obtain brochures, pamphlets, and other reading materials. Study the literature to ensure that you

understand the obligation that you are getting into the commitment and what will be required of you.

Definition of a Mortgage

A mortgage arises when a person leases his land as a security for loans. The financial institution or individual that lends money and takes land as security has therefore created a mortgage.

There is generally a mistaken impression that a mortgage only refers to a loan for the purpose of buying or building a house. This is too narrow a definition. Mortgage refers, not to the purpose of the loan, but to the security that is offered. For example, if someone takes a loan to send a child to study and offers Title as security, then he/she has given you a mortgage. Also if someone takes a loan to go on vacation and gives you a Title as security for this loan, then a mortgage has arisen.

Mortgagee

The lender or the financial institution who accepts your Title as security and provides the funding is referred to as the Mortgagee.

Mortgagor

The individual who borrows the money and who creates the mortgage by offering his land Title as security is called the Mortgagor.

Maturity Life of a Mortgage

A mortgage loan is usually amortized over an agreed period, sometimes as long as thirty years, and generally covers a fixed repayment amount. If you can manage a shorter period, by making higher monthly payments, then you will realize savings on interest and payout the mortgage much sooner.

Traditionally, the terms on mortgages have varied. Currently on the market there are mortgages of thirty years, twenty years, and ten years.

Elements of a Mortgage Loan

The mortgage payments are made up of: -

- Interest, which is the cost of borrowing the money;
- Principal, which is the amount of money borrowed.

In the early years of the mortgage loan, a greater part of the monthly payment is applied towards the interest payments, while a smaller amount is applied towards the principal repayments. In the latter years, the reverse situation takes place; a greater portion of the repayment is applied towards the principal and a smaller amount is applied towards the interest.

What is the Downpayment and Why is it Required?

Most institutions will require a minimum downpayment, which is generally estimated at about 10 per cent of the overall mortgage loan. Sometimes, it is as low as 5 per cent. Some institutions may vary that requirement from time to time. The financial institution requires customers to

take some risk by making a contribution in the form of a downpayment. It helps develop discipline in persons to repay their mortgage and to safeguard their asset. There are institutions that may give 100% of the loan, where special conditions are applicable.

Repayment Options

Mortgage payment can be made using the following options:

-

- monthly payments;
- weekly payments;
- bi-weekly payments

A borrower should decide on a payment option that best suits his/her financial situation.

Ways of Saving on Interest Payments

The possibility of paying one's mortgage bi-weekly or monthly is an option that should be discussed with the lender. If someone pays fortnightly or bi-weekly, he/she would realise savings on interest as compared with paying monthly.

There are other ways in which homeowners can save on the interest as follows: -

- Taking advantage of prepayment opportunities;
- Shortening the repayment term; i.e. the amortization period from thirty (30) years to twenty-five (25), twenty (20), Fifteen (15), or ten (10) years, if you can afford. This will result in savings on interest payment. You

should find out if it is possible to advance your mortgage payments? And by how much?

- Some financial institutions will allow Borrowers to reduce the principal debt at any rate.

Mortgage Commitment

A mortgage Loan is a commitment for someone's entire working life. He/she must be prepared financially to undertake these commitments.

Other Matters Related to Mortgage Loan

A mortgage debt obligation covers not only the repayment of the loan. It includes other factors such as:-

- Peril or fire insurance;
- Property tax.

These three elements cover the mortgage debt obligation. Accordingly, in managing one's mortgage obligation due account should be taken in planning effectively for these elements.

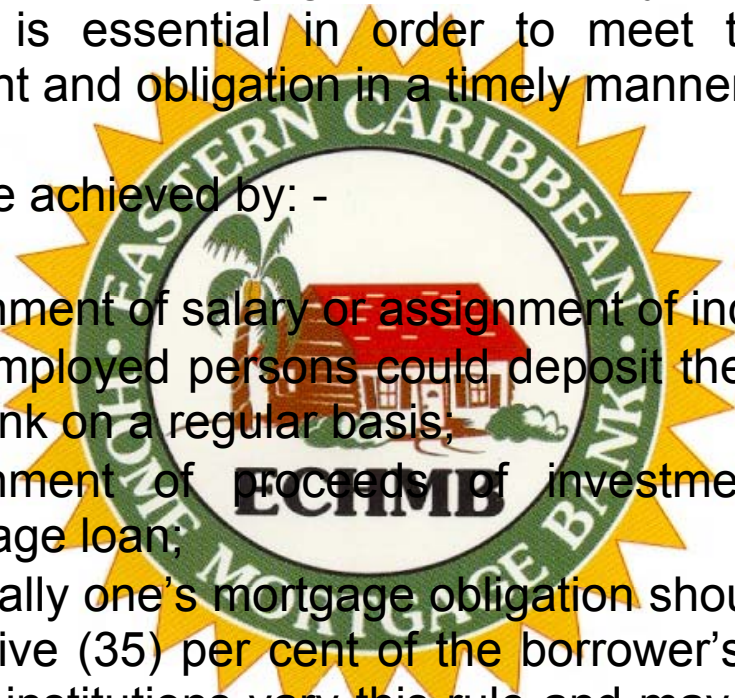
Some institutions have a built in premium system to take care of the total mortgage commitment or obligation. In effect customers are charged a rate or premium that covers all three: - the monthly mortgage repayment, the insurance coverage and the property tax.

Since Peril Insurance and Property Taxes are usually paid annually, it is advisable that homeowners should make adequate provisions for these obligations by saving monthly.

Budgeting for Your Mortgage Commitment

A mortgage commitment should be treated seriously and responsibly. A mortgage is a primary debt obligation. Budgeting is essential in order to meet that mortgage commitment and obligation in a timely manner.

This can be achieved by: -

- 
- Assignment of salary or assignment of income;
 - Self-employed persons could deposit their income into the bank on a regular basis;
 - Assignment of proceeds of investments to repay mortgage loan;
 - Generally one's mortgage obligation should not exceed thirty-five (35) per cent of the borrower's total income. Some institutions vary this rule and may go as high as 40 percent of someone's income. The standard is thirty-five (35) per cent of total income.

Prioritizing

It is essential that prospective homeowners learn to prioritize based on needs, and not on wants. Mortgage repayment is a primary obligation and must be given top priority.

Consequences of Poor Management

A major consequence of poor management is that you can lose your home.

The main issues that financial institutions consider in the event of default on a mortgage loan are as follows: -

- Does the borrower have other assets?
- Is the property easily saleable?
- Does the borrower have sufficient net worth?
- Can the borrower assets be seized?
- Can his/her wages be garnished?

Unless a borrower exercises due care and attention in managing the obligation, he/she can lose everything that he/she has saved. Consequently the borrower

- Would have bad credit rating;
- Would lose his/her assets;
- Would lose his/her home;
- Would lose all of his/her savings;
- Would lose the equity that he/she built through hard work.

If you plan and manage carefully, your investment will remain intact. Your home, which provides security for your family, your future, will be protected.

4. Planning Your Residential Home

Owning a home is the single biggest investment that is generally made during one's lifetime. Proper planning of one's residential home will ensure that he/she is able to complete his/her home from the proceeds of the loan and thereby avoid the many pitfalls of an incomplete building. The latter situation should be avoided. It is important to plan. It is also important to select a good team of professionals to build your home. You will need the service(s) of the following: -

- a good architect;
- a good financier;
- a good implementer.

You should plan the project properly and stay within your financial boundary.

You have to avoid short-circuiting the process of house construction. Quite often, the prospective homeowner wants to rush from one stage to another stage. This approach is likely to create problems.

Details of the Planning Session with the Architect

The planning session with the architect is the most critical. It includes the following activities: -

- Design development;
- Budget development;
- Construction documents;
- Tendering process;

- Contract negotiation;
- Project implementation.

Requirements of Land for Building a Home

Land is the first basic requirement when embarking on building a house. But before you buy land, it is important that you know what kind of land you are getting. Based on the configuration of the land you have, it could impact on your entire project.

The following factors must be taken into consideration when you are buying land since they could impact on cost of building: -

- The price and size of the land;
- The configuration of the land - whether it is a triangular, square or rectangular piece of land;
- The location of the land and topography. Is it flat or sloping, is the land in a low or high-income area? Is it in a new area or an area that is fairly advanced with potential for growth.
- The covenants governing the land; what you are allowed to do and what you are not allowed to do;
- Flood risk and other factors;
- Is the water table very high or not?
- The immediate surroundings, will influence the value of land; You may not want to build a half a million dollars home in an area where the buildings may be valued at a hundred and fifty thousand; Market value is critical;
- Physical features, whether you have huge rocks, whether there are trees that you are going to use to shade your property, etc.;

- How near is the land to community services – schools, work, church, hospitals and health centres, recreation grounds; and access to transportation, telephone, electricity, etc.

What are the Characteristics of a Good Architect?

If you intend to build a home, it is important that you begin speaking with an architect. The following are some of the criterias in selecting a good architect: -

- A good track record;
- Professional approach;
- Affordable;
- Approachable;
- Accurate and critical;
- Timely in finishing jobs;
- Familiarity with the Building Code;
- Familiarity with the banking requirements.

Scope of Work

The Scope of Work reflects all that you plan to do in the project. It provides details on the structure of the building as follows: -

- Whether it is a single storey or two (2) storey building;
- Whether it is a building with three bedrooms or five bedrooms.

All of that information can be put together to give preliminary estimates.

Preliminary Estimates/ Budget

The preliminary estimates are important. This is not the cost of construction. It includes: -

- The project feasibility;
- The requirements of the financial institutions with respect to fees, e.g. the bank charges, legal fees;
- The actual building construction cost;
- The topographic plan;
- Surveying;
- Electricity connection;
- Telephone connection;
- Site works;
- Insurance;
- Valuation fees;
- Contingency fund.



For instance, if the prospective homeowner has a projected Budget of EC\$300,000.00, the architect has to take account of the values assumed at different stages and the different costs. Whatever is left will be the construction cost. The architect has to shape the remaining amounts to fit the proposed design.

Design Development Stage

The Design Development Stage is critical. The architect needs to get information to conceptualize the project based on the configuration of rooms and their size. It is important for the homeowner to discuss with the architect other issues, including the type of finishing. The floor finish could have painted, concrete, vinyl, ceramic, porcelain, marble or

slate. The prospective homeowner must provide the architect with information on the following: -

- Wall conditions;
- Roof;
- Doors;
- Windows;
- Electrical;

The Architect has to help the client to conceptualise what he wants. The working session is intended to determine the project feasibility. The architect has to pull together all the information from the client and to represent the concept of the house in draft form.

What is the Topographic Plan?

The topographic plan shows the actual slope of the land including the levels. You should not embark on building a house without it. If you do not have the topographic plan there is the possibility that, you may go on the site to build, and you strike a level for a basement and you did not budget for it. These are the kind of problems that could arise in the absence of a topographic plan.

Cost of Site Works

Site works could include cisterns, major excavation, and retaining walls. These are very expensive. Therefore, adequate allowance has to be made in the project budget for all these items.

In Grenada, site works would include quite a lot of preparation to build and to bring the building out of the

ground. Most times concrete columns are used for supporting the upper floor of the building.

What is Phasing?

Phasing covers the definition of the right sizing of the design to fit your budget. Phase one (1) may include: -

- The development of the basement as a shell, while completing the upper floor;
- It may include what is called substantial completion where the tiles are not in place, or the painting is not finished but the building is habitable.

Stages of the Plan

The stages of the Project Plan are as follows: -

- Design concept;
- Draft drawing stage;
- Layout;
- Scheduling of the project;
- Design development;
- Tendering process;
- Securing the funds;
- Actual construction;
- Practically completed stage;
- Retention period.

Bigger projects may also involve preparation of Bill of Quantities.

Stages of Construction

The project may be divided into clearly identifiable stages such as: -

- Site preparation,
- Foundation,
- Electrical,
- Plumbing,
- Floor slab,
- Walls parts up to ring beam,
- Roof,
- Plastering,
- Windows,
- Doors.



Approval for a Building Plan

The Building Board or Land Development Control Authority takes between two (2) weeks to two (2) months to approve a building plan.

Sometimes, additional information is required to enable the Board to respond. Failure to follow up on a timely basis may lead to unnecessary delays in the approval process.

The Tendering Process

It is also important to have at least three contractors tendering for the project. This will allow comparison to be made. However, the cheaper contractor is not always the best.

It is absolutely critical to get a comprehensive set of documents from the architect. These are useful when you

go out to tender, you need to give the contractor as much information as possible. In the absence of information, the contractor is subject to make assumptions. You do not wish to allow too many loopholes, which can lead to problems during and after construction.

The contract document should give instructions that would indicate to contractors whether they are bidding based on full labor and materials, or providing all labor, services, scaffolding, plant, and equipment.

The architect must be knowledgeable to advise the homeowner how to offer this package to the contractor.

Selecting a Contractor

There are some very good contractors, and there are some contractors who are less competent.

The client needs to know what he/she is looking for when selecting a contractor. You have to invite him or her to tender. The following are some of the characteristics of a good contractor: -

- Good management skills,
- Adequate scheduling of every stage of the project,
- Honest,
- Affordable,
- Approachable,
- Good track record,
- Timeliness in his/her delivery of work,
- Experience in this type of project.

The Contract Agreement

The Contract Agreement is generally signed between the Client and the Contractor. Among other things, the Contract Agreement must state:

- Who the parties are;
- What the contractor is doing;
- How much it is going to cost.

It is also strongly recommend that the Tender Form be placed inside of the Contract, to enable the client to determine the value of work done against every stage of the project. For example, if the Site Preparation is costing \$50,000, you will know that you are required to pay the contractor \$50,000 when the Site Preparation is finished. Avoid giving contractors money in advance at all times. Instead pay the contractor the funds in direct proportion to the stages of completion of work.

The Contract has to make provisions for minor changes. For example, the contractor may have to build an additional wall, approximately ten feet high, and charges say \$30 per linear foot of wall. The client should know all these unit rates, so that whenever he/she asks the contractor to do something additional, he/she knows what the rates associated with the changes should be.

The Contract Agreement must only be signed when approval for the funding is given by the financial institution.

Project Mobilisation

The contractor is expected to mobilise and start the project as soon as the Contract Agreement is signed.

Sometimes, contractors ask for money upfront. This is called mobilization and the amount required varies. It is not mandatory that the client should provide the contractor with money upfront. A good contractor should be able to approach a financial institution and obtain an overdraft to commence the project. Sometimes the client may give contractors funds for mobilisation. If it is a labour only contract, they might get only 5 percent. If it is labor and material, they might get 10 percent. But this is an interest free loan to jump-start the project.

During the course of construction of the project, that loan should be deducted from fees payable to the contractor.

It is essential that the contractor has insurance. Insurance is important because it provides protection in the event of death and other eventualities. It is also necessary for the client to have insurance, since the bank will require it for the project.

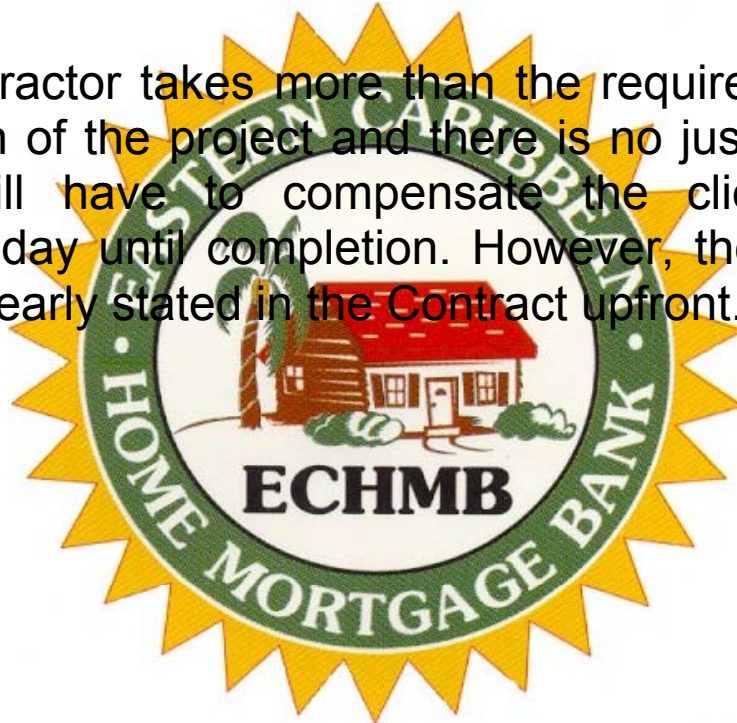
Project Supervision

It is useful to have a Project Supervisor while construction is being carried out. If you cannot have a Project Supervisor, then you need somebody who is experienced, who could visit the site from time to time to assist with reviewing the project. In the Contract Agreement with the contractor, you must state what are the responsibilities of

the Project Supervisor. You need to use words like - “to bring the project to full completion of the scope of work”.

Liquidated Damages

If the contractor takes more than the required time for the completion of the project and there is no justification for it, he/she will have to compensate the client for every additional day until completion. However, these conditions must be clearly stated in the Contract upfront.



5. OECS Building Code and Guidelines

The islands, which comprise the Organization of Eastern Caribbean States (OECS), are subject to frequent destructive hurricanes. In some islands, there is also the additional hazard of earthquakes. Volcanic eruptions are also hazards in at least two (2) of the islands.

Also many houses especially those owned or occupied by the poor, are sited in gullies or in flood plains and are especially vulnerable to floods caused by high rainfall resulting from tropical depressions and hurricanes.

The Governments of the OECS recognize that the damage caused by these extreme natural events affect the poor to a significant extent. Accordingly, they have placed emphasis on the development of building standards, which will prevent or mitigate the damage caused by natural hazards.

The Governments of the OECS have received assistance from the United Nations Development Programme through the UNCHS, UNDP project for programmes in support of the human settlements. A specific requirement of each OECS country is to develop new Building Code and Guidelines. The OECS Building Code and Guidelines are based on the Caribbean Uniform Building Code.

It is recognized that a large proportion of informal housing assets in most countries requires upgrading or improvement. There is the perception that Building Code and Guidelines may result in a higher cost of building, especially for those persons who cannot afford the cost required to construct or upgrade a house to a minimum acceptable standard. Governments have placed emphasis

on encouraging homeowners and occupiers to improve their houses to a minimum standard of safety and structural integrity. Technical advice has been offered to such persons who may be applying for permission to construct a new home or renovate an existing one.

It is generally accepted that the cost of upgrading a house to a minimum acceptable standard in most cases may be very small, when compared with the cost of reconstructing the building that has been damaged by the hurricane, flood or earthquake.

Governments have also placed high priority on training of staff of the Building Inspectorate. This is necessary to ensure that the minimum standards stated in the OECS Building Code and Guidelines are maintained. The Building Inspectors are expected to ensure compliance with the minimum standards and also to assist homeowners where possible in understanding the requirements of the Building Code and Guidelines.

The Building Code is not expected to provide all the answers for the problems faced by builders. However, it is considered that the OECS Building Codes and Guidelines are responsive to the environmental concerns of the countries in accordance with the accepted building practices in the region.

The Building Code is required to serve the following functions:

- It provides administrative and enforcement requirements related to the building practices and use of acceptable materials and building systems;
- It provides for approval of any system of material, which may demonstrate to be proven to be resistant to natural hazards.

Accordingly, new building systems, which may be more efficient than the ones in current use, can be accepted without endangering the integrity of the buildings or the lives of the occupants.

Grenada Building Code

The Grenada Building Code was launched in October 2000 and it was first run on a trial basis. It was envisaged that residents would need time to adjust and therefore provisions were made for voluntary compliance. That time has now expired.

Grenada is not immune to the destructive forces of natural and man-made hazards. Given the topography of the country, developments have been streamlined at steep slopes and coastal areas in which landslides and floods have occasionally affected buildings.

The Grenada Building Code makes provisions for the following: -

- Administration - some definitions, general requirements;

- Materials and Construction Standard, that is accepted as well as those standards not accepted throughout the region;
- Public Health and Safety;
- Precaution to be taken during building construction, including water supply, sewage and waste disposal, plumbing;
- Solid waste disposal;
- Required distance that a septic tank should be from a neighbors property; how close it should be to one's property; what is the best type of sewer system to be used; when to use a different type of sewer system;
- Electrical and mechanical installation,
- The question of loads, how do you design for a 125 m.p.h wind, how do you design for a category four (4), category one (1) hurricane;
- Excavation and the foundation;
- Timber construction - type of materials, type of roof connection, how do you use bracing in timber construction, the type of floors to be used and how to use the different types of timber to get maximum results;
- Concrete masonry building - how do you connect your foundation, how do you tie your foundation, how do you tie your roof;
- Steel structure;
- Small buildings.

Maintenance of the Grenada Building Code

It is important to maintain the Building Code for the purpose of promoting efficient and safe construction practice. The Minister Responsible for Planning has overall responsibility for administering the Building Code. He/she shall appoint a

Building Code Review Committee. The Committee takes into consideration how to construct buildings using new materials. In that regard, implementation of the Building Code requires qualified personnel to review the Code, to make sure that it is acceptable to the standards and norms of society.

The Building Code Review Committee consists of: -

- Grenada Bureau of Standards;
- Engineering Association;
- Physical Planning Unit.

Physical Planning Development Act 2002

The Physical Planning and Development Act 2002 was passed in Parliament in 2002.

The old Land Development Control Act of Grenada was very restrictive, because it focused mainly on Development Control and especially the enforcement of building construction. It did not address critical responsibilities of the Physical Planning Unit, which involves proper land zoning and preservation. The Act makes provision for: -

- The preparation of strategic plans such as the National Physical Development Plan,
- Environmental protection and conservation through planning and land use and areas or zones assigned for residential or commercial development,
- Conservation,
- Prime agricultural lands,
- Tourism activities,
- Marine activities.

It is expected that the Plan will be of benefit to the community, investors and policy makers.

Work on the National Physical Development Plan is now well advanced. After further consultation and refinement, the Plan will be submitted to Cabinet in the first quarter of the year 2003.

Objectives of the Physical Planning and Development Act

The objectives of Physical Planning and Development Act are: -

- To ensure that appropriate and sustainable use are made of all publicly and privately owned land in Grenada in the public interest;
- To maintain and improve the quality of the physical environment in Grenada;
- To provide for the distribution of land, and the provision of infrastructure and services in relation to those areas;
- To maintain and improve the standard of building constructions in order to ensure human health and safety;
- To protect and conserve the natural and cultural heritage of Grenada.

Application to Build

Persons wishing to construct a building or structure or wishing to carry out a development as defined in the Land Development Control Act or other Guidelines, shall comply with the requirement of such legislation. All buildings covered by the requirements of Section 1 to 17 of the Building Code and Guidelines shall be designed and constructed under the general supervision of a professional qualified architect or engineer licensed to practise in Grenada.

Some of the important issues related to an application to build are as follows: -

- Developments are to be carried out in accordance with approved plans that have been approved by the designated Authority;
- A developer may apply to the Authority for permission to amend the plans;
- The Head of the Physical Planning Unit may approve minor variations to approved plans which do not alter or affect the terms and conditions of the permission granted by the Authority in any material respect.

Consequences of Building Without an Approved Plan

A prospective homeowner must build in accordance with the plan approved by the designated Authority. The Authority will consider the development to be illegal, where changes are made to the plan without the consent of the competent Authority.

The following are examples where developers may be in breach of the Act governing developments and building construction: -

- The client should not increase the number of rooms in the house over and above what was approved.
- Increasing the number of rooms will have serious implication on the design of the septic tank, which was previously approved.
- Changes to the quantity and size of steel in the building could seriously compromise the structural integrity of the building.

Enforcement of Development Control

The Physical Planning Unit or Planning Board is the Agency responsible for enforcing the terms and conditions of any development of land.

A developer should not make any changes with respect to the approval granted under the Act by the competent Authority. The Authority may consider such changes illegal and the following courses of action may occur: -

- An Enforcement Notice outlining the breach will be served on the developer;
- The Authority has a four (4) years time frame in which it can take action against an illegal developer. The following are some of the things that the Authority may ask the developer to do:
 - Demolish the building,
 - Bring the land back to its original state,
 - Request the developer to supply plans for the existing building/structure.

Stop Notice

The Land Development Control Authority may serve a Stop Notice in respect to an illegal development of land, by prohibiting any person from carrying out or continuing any specific operation on the land. Generally the Authority may proceed in the following manner in the event that a developer is in breach of the Land Development Control Act:

-

- The Authority may issue a Stop Notice, which has immediate effect; or
- The Authority may also serve an Enforcement Notice. However, the Enforcement Notice expires after twenty-eight (28) days.

Enforcement Notice


An Enforcement Notice provides an opportunity for the developer to make amendments or corrections to the development. However, depending on the nature of the development, or how critical it is to the community, the Authority may issue a Stop Notice. Both Notices (Stop & Enforcement Notices) can be served simultaneously; it depends on the seriousness of the crime that is being committed or the offence that is being committed.

An Enforcement or Stop Notice can be served on: -

- The owner of the land,
- The contractor,
- The occupier of the land.

Building Inspectors

To ensure that the buildings are constructed in accordance with the plans approved by the Authority, Building Inspectors are expected to visit the Site in which the building is being constructed to carry out the following activities: -

- 
- To determine whether the contractor has maintained the correct set-backs or has violated the required set backs from property boundary,
 - To inspect the foundation before the pouring of the concrete commences,
 - To examine the structural frame and roof,
 - To examine the ring beams and how it is connected to the rafters,
 - To examine the plumbing, and the type of drainage,
 - To examine the electrical wiring,
 - To examine the mechanical installation,
 - To conduct special inspection in the cases of hazardous buildings,
 - To conduct the final inspection.

Certificate of Occupancy

A Certificate of Occupancy is issued by the Director of the Physical Planning Unit on the completion of the building, provided that the construction was done in accordance with the approved plans, based on the Building Code and Guidelines.

A new building shall not be occupied or changes made in occupancy or use of the building or part of the building until

after the Authority shall have issued a Certificate of Occupancy.

The Physical Planning Unit will also be working along with utility companies, insurance companies and financial institutions to ensure that services provided by those companies are done only when a Certificate of Occupancy is granted.

Inspectors are required to monitor every stage of the development to ensure the construction is done in accordance with the plan. The onus is placed on the owner to ensure that the inspectors are notified at every stage of development including: -

- Start of construction - when you are about to start construction, you need to give the Authority two (2) days notice that you are starting construction,
- Before pouring the concrete,
- Before installing the roof,

The Authority cannot certify the building unless it has been notified by the homeowner at approximately two days in advance.

Failure to notify the competent Authority during the different stages of construction of project or building may lead to unnecessary delays especially: -

- Getting final disbursement from the bank;
- Certification of construction by the engineer when concrete has already been poured;

The Authority may issue a Certificate of Occupancy stating the nature of the occupancy permitted. A Temporary Certificate of Occupancy may be issued for a portion of a building, which may safely be occupied prior to total completion of the building.



6. Legal Requirements of Mortgages

What is a Mortgage in the Legal Sense?

A mortgage is the disposition of interest in land or other property as security for a debt. If the Mortgagor defaults on payment, the Mortgagee can sell the property. In other words, the Mortgagee obtains priority over all other creditors.

Mortgage transactions can be one of the safest ways of lending money, because the property that is offered as security can be sold by the Mortgagee and the proceeds of sale applied in the repayment of the loan.

Mortgage vs Charge

There is a difference between a Mortgage and a Charge. The terms are used interchangeably, but that is not legally correct. Mortgage is a disposition of an interest in the land, while the Charge is not. The Charge only has an interest in the secured property. In other words, the Charge gives the Mortgagee certain rights in respect to possession and sale, over the property charged as security for the loan.

Legal Requirements for Mortgage - Grenada

The Laws of Grenada as it relates to mortgages are still very much ancient. Grenada still operates on a pre-1926 Modes of Conveyances. They are not necessarily outdated, but have not been modernized or amended or improved.

Modes of Creation

There are two types of modes of creation.

- Freehold;
- Leasehold.

Freehold

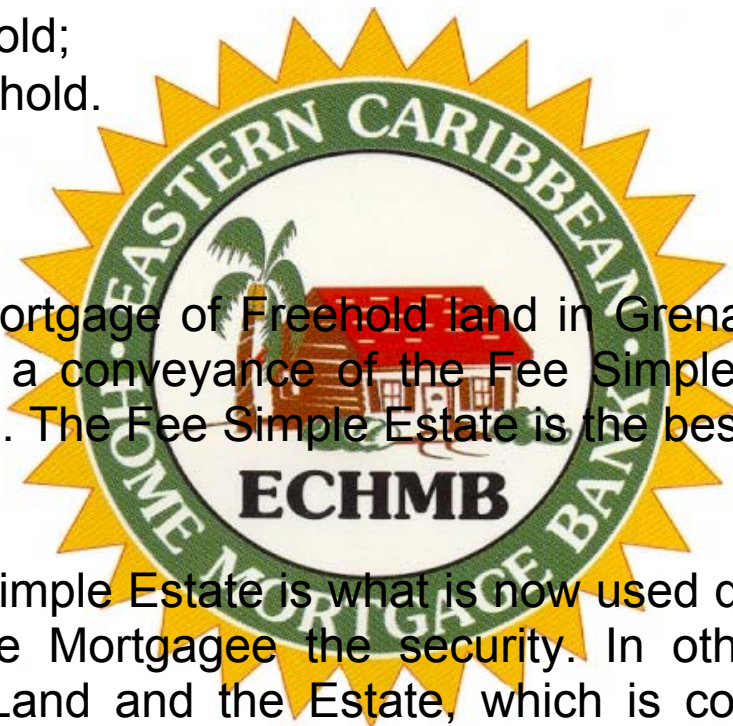
A Legal Mortgage of Freehold land in Grenada is effected by way of a conveyance of the Fee Simple Estate to the Mortgagee. The Fee Simple Estate is the best Title one can have.

The Fee Simple Estate is what is now used quite frequently to give the Mortgagee the security. In other words, the Freehold Land and the Estate, which is conveyed to the Mortgagee, is subject to a covenant for reconveyance on the redemption of the mortgage.

Leasehold

A Legal Mortgage of the Leasehold Land takes the form of an Assignment, and not the form of Conveyance. In other words, the Mortgagor is assigning to the Mortgagee the residue of the term of years remaining on the property.

The Reversion is the time that the Mortgagee is not there on the property. In other words, the Mortgagor would have by then discharged the mortgage in full. What can be assigned to the Mortgagee by way of Leasehold, is the term of years in the land, subject to the provision for re-assignment by the Mortgagee on the repayment of the loan.



The Legal Title of a property remains in the borrower's name. That is the Mortgagor is entitled to retain his full legal Title throughout. The owner of the land is the Mortgagor, not the Mortgagee. The Mortgagee merely takes a security interest by way of Charge or Lease over the land. The Mortgagee is entitled only to the return of his capital together with the appropriate interest thereon.

Equity of Redemption

Equity of redemption means paying back the loan. Once the loan is repaid the Mortgagee is under the obligation to reconvey that Legal Estate back to the Mortgagor.

For example, if the property has a Market Value of \$100,000, and the mortgage debt stands at \$60,000, then, the value of the Mortgagor's Equity of Redemption is \$40,000. The value of this equity will tend to increase due to the increase in land values as well as by reason of the gradual discharge of the mortgage debt.

How is a Mortgage Discharge?

The mortgage will be discharged when the Mortgagor repays the loan. The Mortgagee may sell the property or foreclose, but this exercise, will be pursued only if the Mortgagor defaults. The operation of the limitation statute can also discharge the mortgage.

What Protection does a Mortgagor has?

It is sometimes said that those who lend money are influenced by profit rather than by service to the community. There is the possibility that the lender of the money may abuse his superior bargaining power. Generally the lending institution has a greater economic capacity than the borrower and therefore is in a better bargaining position.

The borrowers of money tend to lack bargaining power and therefore the law tends to offer greater protection to the Mortgagor.

The legal protection tends to favour the Mortgagor than the Mortgagee. The protection is referred to as the rule against collateral advantage.

The Courts of Equity treat the mortgage instrument only as a security for the repayment of the principal, interest and cost. The Mortgagor is entitled to get back his property as free as he gave it on the repayment of the principal, interest and cost.

The rights of the Mortgagor under the Mortgage Act include:

- He/she must receive notice from the Mortgagee with regard to changes in the interest rate on the mortgage;
- Although the property may be mortgaged, this does not prevent him/her from selling the property. He/she may simply notify the mortgagee of his intentions;
- In the event of default he/she is given the right to pay the arrears of principal and interest and cost at any time, before the courts give judgement against him;

- If the property is sold, he/she is entitled to any surplus after the mortgagee retires the debt, along with legal fees and other expenses.

What Safeguards the Mortgagee have under the Conveyance and Law of Property?


The Mortgagor also may not postpone the date of redemption and should not default on the mortgage repayment. The Courts are very reluctant to grant relief for that kind of conduct.

There are certain essential safeguards and remedies, which are maintained on behalf of the Mortgagee on the security of real property. These safeguards are stated in the mortgage document in the form of a borrower's covenant. These safeguards include: -

- Covenant to provide marketable title - the borrower has to provide good title for the property (Fee Simple Estate);
- Covenant to provide for Fire and Peril Insurance – the borrower has to provide adequate security from all risk on the property until maturity of the loan;
- Covenant to maintain property against loss of Value – the borrower has the obligation to maintain the property in optimum conditions;
- Covenant to protect against sale by government for property taxes and assessments – the borrower has to pay all land and house taxes and all other taxes or assessments in respect to the property.


What Remedies does the Mortgagee have?

The law gives the Mortgagee a number of important rights and remedies in the event the Mortgagor defaults on his/her obligation. The following are some rights and remedies: -

- 
- The Mortgagee has the right to take possession of the mortgaged property and sell it without obtaining a court order. However, it is usual for the mortgagee to demand payment of the amounts owing;
 - The Mortgagee may seize any rent due to the mortgagor without a court receiver being appointed;
 - The Mortgagee may, like a landlord, exercise his right of distress of chattels and sale. In other words, the mortgagee may seize fixtures such as furnitures, equipment, motor vehicle of the Mortgagor and sell same;
 - The Mortgagee may sue for foreclosure in order to obtain title or ownership of the mortgaged property;
 - The Mortgagee may sue for payment on the basis of the Mortgagor's personal covenant to pay;
 - The Mortgagee may sue for possession of the mortgaged property in order to rent or sell it;
 - The Mortgagee can demand possession of the property from the Mortgagor.
 - The Mortgagee is entitled to make peaceable entry to the property without the need of obtaining any court order.

Exclusion of the Mortgagor's Rights to Possession

Although the Mortgagee may have an inherent right to take possession of a property, this action may be prohibited either by: -

- 
- The statutory right of restriction;
 - The mortgage terms which may reserve that right for the possession;
 - The express exclusion;
 - The implied inclusion;
 - The atonement clauses – whereby the Mortgagor acts as a tenant of the Mortgagee and the object here may make available to the Mortgagee additional possessory remedies open to the landlord.

The exercise of the Mortgagee's rights to possession is in the agreement between the Mortgagor and the Mortgagee. However, the right to possession is to be exercised by the Mortgagor in all cases, except those of actual default.

There are certain factors, which inhibits or prohibits the actual exercise and execution of the Mortgagee's rights. They are: -

- The Mortgagee will never seek possession, unless default has already occurred;
- The Mortgagee does not have a right to the remedy, but has an access to same;
- Possession is only sought as the preliminary action before the Mortgagee exercises the power of sale.

7. Property Valuation

What is Property?

Property can be described as something or anything with a value or cost, which is owned by an individual or a company. For example: vehicle, jewelry, clothes and real estate. Real estate is referred to as land, residential or commercial buildings.

What is Valuation?

Valuation is an inspection carried out on behalf of a mortgage lender to determine the amount and terms of a client's mortgage offer. Valuation is done to determine the true worth or value of a property.

Some of the persons who may be qualified to prepare valuations are: -

- Quantity surveyors,
- Building surveyors,
- Architects/planners,
- Building contractors,
- Land surveyors,
- Real estate agents.

The persons assigned to prepare property valuations must be objective and independent. There are fundamental and ethical requirements for professional valuers and without it, there is no confidence in the system of valuation. The independence of a valuer can be achieved by having no other connection with the property being valued, the circumstances under which it

is being valued, and any of the parties interested in the outcome of the valuation.

Conflict of interest can arise if the Valuers are not independent. There have been cases where valuers “cook the books”, if valuer colludes with the client, and vice versa.

A valuer can act in one of three capacities for a client, as follows:

- an internal valuer,
- an external valuer,
- an independent valuer.

Internal Valuer

An Internal Valuer is one who is either the director of the company, an employee, and who has no significant financial interest therein. In other words, an employee or director can carry out a valuation, provided that he has no personal financial interest in the outcome. A classical example is the Valuation Department in the Ministry of Finance, the Inland Revenue Section.

External Valuer

An External Valuer is person or persons assigned to carry out a valuation on behalf of a client, where that person(s) or his partners or his co-directors are not directors or employees of the client, who may have significant financial interest therein. And also where that client does not have a significant interest in the Valuers' Company.

An Independent Valuer

An independent valuer is the person or persons who could be an external valuer, who has no current or present foreseeable potential fee earning relationship between the subject property or properties apart from valuation fees.

Why are Property Valuations Carried Out?

Valuation of property supports a wide range of financial activities. It is important to make a distinction between valuations, which are produced essentially for the use of the client only, or valuations where others who are not part of the valuation process will be expected to use the information/valuation. These include: -

- Valuations, which are normally produced on the instructions of a single client, and are usually, driven by lenders such as banks, building societies, mortgage lenders. These are the people who are anxious to secure their loans on their property;
- Valuations which are done for incorporation in company accounts and for audit purposes. These valuations are normally commissioned by the directors or the managers, trustees of the company or a funding agency and are provided for the benefit of third parties, such as people who are interested like investors, policyholders and or shareholders;
- Valuation of property is also carried out by government to be able to collect Property Taxes from citizens;

- Valuations are also useful when it involves litigation. You may have divorce proceedings and properties need to be shared;
- Valuations are also useful in the case of insolvency;
- Valuations are also done for the purposes of insuring against a risk or peril.

Methods of Valuation

The following are some of the methods that are used to do valuations. They are as follows: -

- **Open Market Value** - This is the price that the market will bear for the property including the land. This is based on the market forces of demand and supply. Open Market Value is influenced by its location. For instance, a well maintained property, on a beach front, would be valued at a higher premium than a property away from the beach;
- **Replacement Cost Valuation** - This is the reinstatement cost which is often referred to as "Fire Insurance Valuation". It is the cost of rebuilding or replacing the existing property at current prices;
- Valuations done at cost;
- Valuation based on cost estimates for construction work;
- **Comparative Method of Valuation** - this method relies on what similar properties were valued at before or at a price, for which the property had been transacted recently;
- **The First Sale Value** - this is the price that the property would attract in the open market if the period allowed for marketing or advertising was

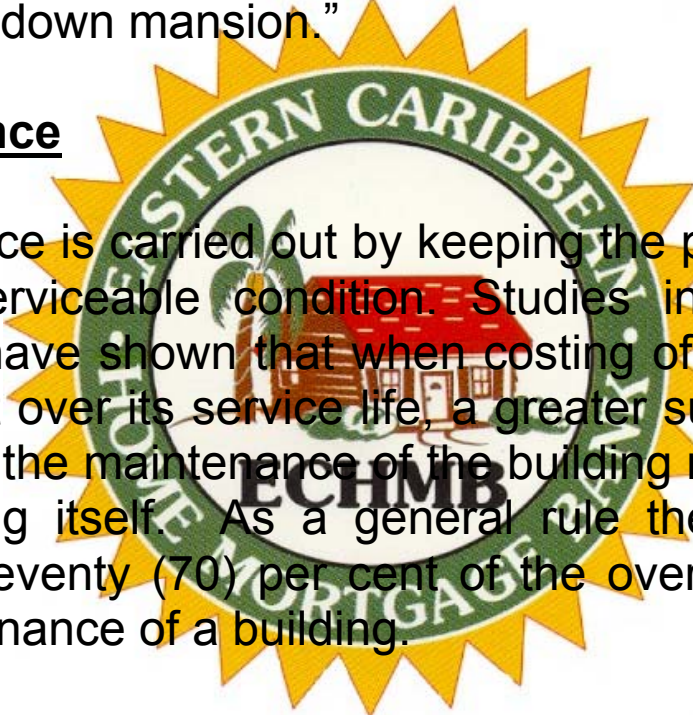
restricted. The secured lenders who may wish to know the value of that property in the event of insolvency generally use this method.



8. Post Construction Maintenance to Enhance the Value of Property

“A modest house in good condition is of better value than a run down mansion.”

Maintenance



Maintenance is carried out by keeping the property in its original serviceable condition. Studies in the United Kingdom have shown that when costing of a building is carried out over its service life, a greater sum of money is spent in the maintenance of the building rather than in the building itself. As a general rule the 30/70 split applies. Seventy (70) per cent of the overall cost is in the maintenance of a building.

It is very important to maintain the quality of construction and to pay much more attention to premature deterioration and breakdown of materials.

Studies were done on commercial buildings in Britain. The cost of paying the cleaners, buying uniforms, chemicals, vacation leave, time off, overtime, and so on over thirty (30) years; when accounted for and added up, the total cost was equivalent to the cost of putting down the building in the first place.

Maintenance activities of building involve: -

- Safety
- Healthy environment
- Cleanliness

- Equipment and accessories in good working condition
- The privacy - noise privacy as well as visual privacy

Some of the characteristics of a poorly maintained house include: -

- Leaking roof
- Leaking pipes
- Blocked drains
- Air conditioner not working
- Dirty environs
- Overgrown shrubs
- Fungi on the walls



Challenges Facing Maintenance of Property in the Caribbean

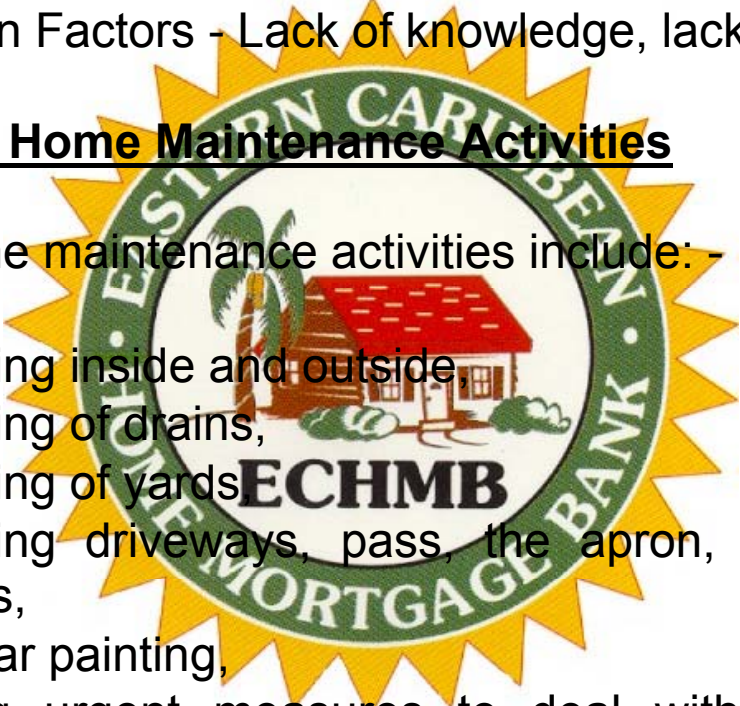
The following are some of the major challenges: -

- Too many inexperienced and unqualified contractors, resulting in poor workmanship;
- Poor choice of material specifications for different location with hazardous conditions;
- Poor design of buildings;
- Prevalent use of cheap and inferior materials;
- Termite problem in the furniture and wooden houses;
- Sea-Blast;
- Over exposure of certain material to sunshine;
- Excess humidity and darkness;
- Improper treatment of wood can cause rotting;

- Use of improper standards with respect to building materials and processes;
- Temperature - deterioration processes take place faster;
- Human Factors - Lack of knowledge, lack of skills.

Some key Home Maintenance Activities

Some home maintenance activities include: -

- 
- Cleaning inside and outside,
 - Cleaning of drains,
 - Cleaning of yards
 - Cleaning driveways, pass, the apron, rain water gutters,
 - Regular painting,
 - Taking urgent measures to deal with problems identified,
 - Maintenance of roofs - plugging of simple leaks,
 - Regular routine inspection is critical,
 - Control of vegetation, which is the lawns, the shrubbery,
 - Disposal of waste,
 - Control of pests and vermin,
 - Electrical maintenance.

How does one Design for Home Maintenance?

The house must be designed to be easily maintained.

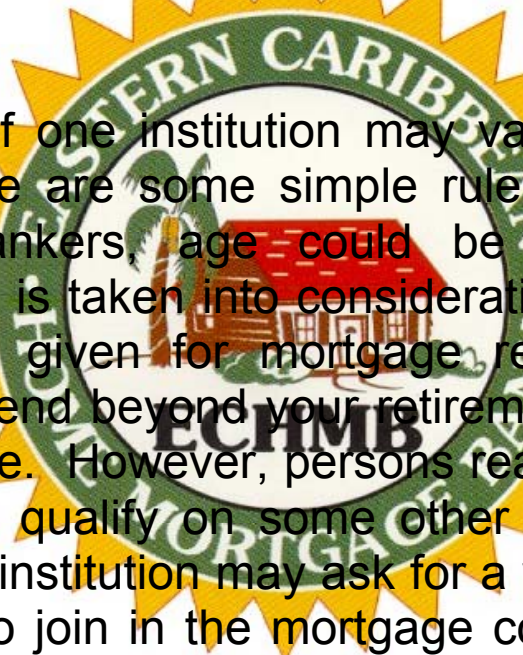
There have been buildings with plenty of glass, but nobody can clean the glass. The builders overlooked the need for chairs and rails to enable persons to clean

a building such as a multi story building. There are also problems associated with blockage of drains rendering them difficult to clean. Maintenance should be easy to be done, so they can be done on a regular basis. How does one design to reduce maintenance?

- 
- Choose materials that do not rust easily;
 - Choose materials that are not easily attacked by termites, rot, sunlight;
 - Ensure good workmanship and attention to details;
 - Choose good professional Team – Architects, Contractors, Draughtsman;
 - Ensure that the floor water around houses is drained away from the walls and foundations as much as possible. This will help to keep your foundations dry and strong and the area around the house less mossy;
 - Building should also be located away from the risk of flooding, land slides;
 - Building should be strong enough to resist reasonable levels of hurricane and earthquake forces.

9. Questions Asked and Concerns Raised at the Seminar in Grenada

Benefits of Taking Mortgages. Are there Privileges for Persons over 35 years of age or close to retirement?



The policies of one institution may vary from another. However, there are some simple rules on the matter. For many bankers, age could be an issue. The retirement age is taken into consideration when dealing with the term given for mortgage repayment and it should not extend beyond your retirement age. That is the general rule. However, persons reaching the age of 55 or 60 may qualify on some other basis. In some instances, the institution may ask for a younger member of the family to join in the mortgage commitment, or in the debt. But the usual rule is that the term should not go beyond retirement age.

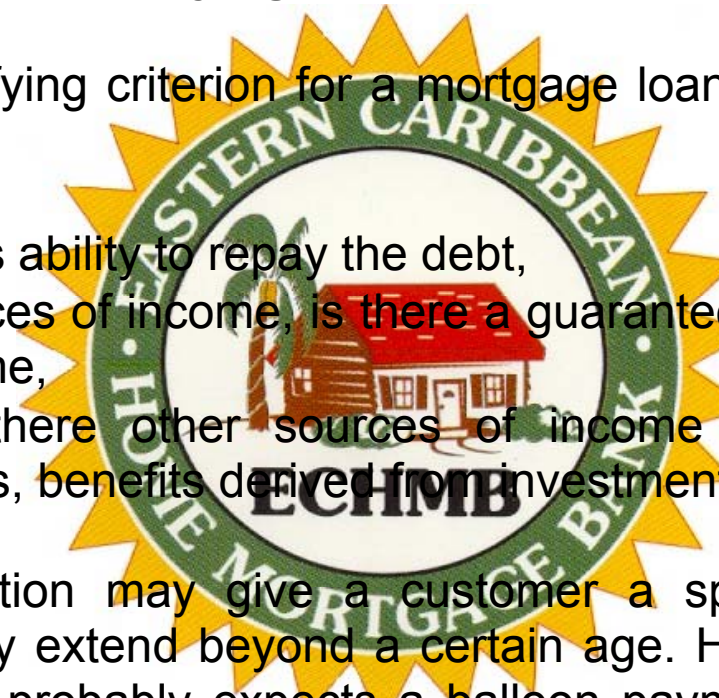
What is the Criteria for Locals and for Foreigners with respect to the Granting of Mortgages?

There are really no differences in the criteria used. However, it depends on the policy of the institution. The difference may be the equity contribution required. The lender would have to look at the term, the amount that the customer is requesting, and the age of the customer. The lender may request a higher equity contribution from those persons who are retired. For example, if you are speaking of Grenadians returning home, you are speaking of people who have retired or who have worked most of their lives outside Grenada. And these

individuals usually are expected to have higher equity contribution.

What is the Qualifying Criterion for a Mortgage Loan?

The qualifying criterion for a mortgage loan include the following:

- 
- One's ability to repay the debt,
 - Sources of income, is there a guaranteed source of income,
 - Are there other sources of income - overtime, bonus, benefits derived from investments.

An institution may give a customer a specific term, which may extend beyond a certain age. However, the institution probably expects a balloon payment derived from investments which the customer may have. It may be a home that the customer has which he/she intends to sell, and then use the proceeds to pay off the total debt obligation. It may be the customer's investments in any other form that would mature and on the maturity date and he/she would liquidate the debt.

Why Banks Advertise Someone's Property for sale in the Newspaper?

According to the Mortgage Agreement, the lender has the option of selling the house by Public Auction. If someone is selling by Public Auction, it is expected that he/she will notify the public in some form. The banks usually publish in the newspapers that the property is up for auction/sale at a particular place and time. It should be a Public Auction and therefore, the public must be

notified that this activity is taking place at a specific time and place by a specific medium. The newspapers are generally used for that purpose.

What is the Market Value of the Property?

The Market Value of the property is the Sale Price of the property, and that too depends on market conditions. If someone manages a mortgage obligation carefully, at the end of the maturity period of the loan, he/she should not owe the bank a significant amount of money over that of the value of his/her assets.

Generally, if a property is to be sold by the financial institution, the lender will set a reserve price at which the lender expects to obtain/receive in the open market. An individual may perceive his/her property to be worth a certain amount, but the prospective buyer may not see that value or may not be prepared to pay that value.

However, the best way to determine the market value of a property is through an Auction Sale, where bidders will determine the price they are willing to pay taking into consideration all the necessary factors such as: -

- Location of the property,
- Physical condition of the property,
- Value of similar property sold in the vicinity,
- Age and design of the property.

For instance, if a property is located on a beach front and is adequately maintained, it will be valued differently to a similar size house located close to an industrial or landfill site. A poorly maintained mansion may be valued less than a smaller and well-kept house.

Why Should Someone Buy Whole Life Insurance When Contracting a Mortgage Loan?

Whole Life Insurance should be taken in all cases to protect your family in the event of death of the principal wage earner, in order that spouse or children do not have the burden of repaying the mortgage loan. The proceeds from Whole Life Insurance can be applied against the Mortgage Debt. We would encourage prospective homeowners to seek some form of life coverage for mortgage debt, in the event of death, during the life of the loan.

Is it important to budget for the maintenance of your home?

It is essential and important to budget or one must make allowance for maintenance. Meeting maintenance cost to ensure that you retain the value of your investment in the property is critical. Financial institutions should encourage their clients to do so. Homeowners should put aside funds for doing regular maintenance including painting, mowing of lawns, fumigating of homes etc.

Why do contractors take a downpayment upfront?

It is totally unwise to provide contractors with payment upfront. Contractors need to be able to approach a financial institution for a loan, which he/she could use as mobilisation or start-up funds. The homeowner is not obligated to provide funds for mobilisation. However, in the event that the client chooses to provide a down payment, it should range between 5 – 10 per cent of the

project cost. If it is a labour only contract, then five (5%) will surface. If it is a labour and materials contract then 10% will be necessary. In some countries, it is the contractor who has to show that he has the financial capability to start the project.

Where can Someone Purchase the Building Code and Guidelines?

The Building Code and Guidelines are available at the Physical Planning Unit. In Grenada the cost of the Building Code is EC\$100.00, while the Guidelines cost EC\$50.00.

The Building Code was designed for professionals namely architects/planners, building contractors, draughtsman, quantity surveyors, etc. The technical nature of the Building Code and Guidelines makes it difficult for lay persons to fully understand. However, the above named professionals are adequately trained to assist the lay persons in understanding the requirements.



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