

# Homeownership for Millennials



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## **The Legal Process: a general overview**

- Pre-contractual matters
- The Purchase Contract
- Investigation of Title
- Closing Costs



## **Pre-contractual matters: *what you should know before signing your contract to purchase!***

Any document you sign before your contract, e.g., your Offer and Acceptance Letter, should be labelled “***subject to formal contract***” – as there are several pre-contractual matters you should attend to before taking on the legal obligation to purchase.

***Caveat Emptor*** – (Latin for “let the buyer beware!”) applies to property purchases. The buyer alone is responsible for checking the quality and suitability of the property before a purchase is made.



## ***Pre-contractual matters: what you should know before signing your contract to purchase!***

- The Vendor's only obligation is to prove that he owns the property and he has no obligation to disclose:
  - physical defects or conditions that should be obvious upon proper inspection,
  - obvious encroachments (neighbour's misplaced fence, overhanging roof or extended garden) or,
  - obvious easements (foot or vehicle track across property).
- **It is important to inspect the physical state and condition of the property and to point out items to be rectified or re-negotiate the sale price before signing the sale contract.**



## ***Pre-contractual matters: what you should know before signing your contract to purchase!***

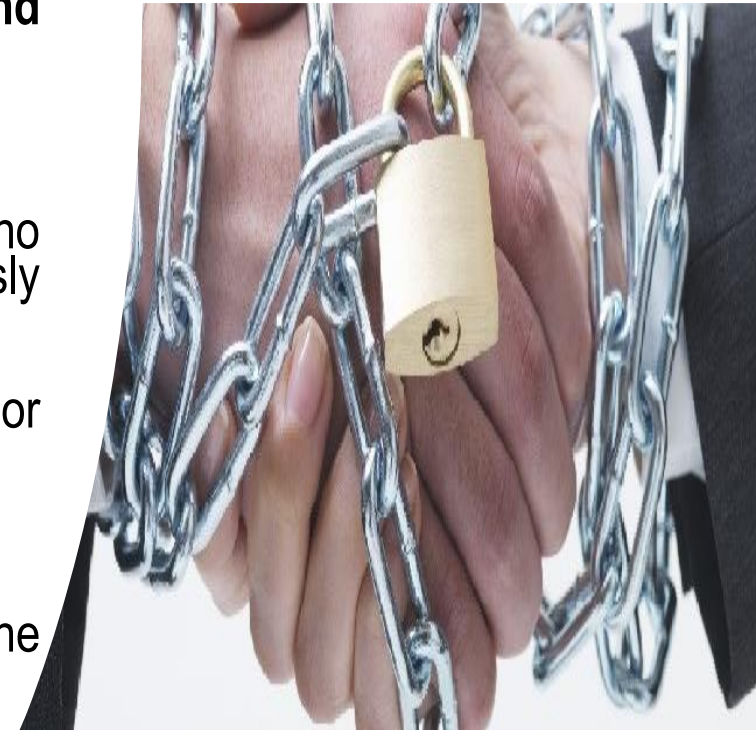
- Inspect and confirm inventory and fixtures/fittings.
- If purchasing within a Housing or Condominium Development, know what the covenants for use are.
- If land only, know what the building specs and covenants are.
- Risk will pass on contract – so it is important to ensure that adequate property insurance is in place from the date of signing the purchase contract.
- Ensure your financing is in order and, if borrowing, that the Bank has committed to lend before signing the purchase contract.



## The Purchase Contract: some essential clauses

**In order to be binding, the purchase contract must be signed and delivered/exchanged.**

- ✓ Deposit (usually 10% of purchase price) to be paid at exchange of contract.
- ✓ The property will be sold “as is” and in its present state and condition with no obligation on the part of the Vendor to put it in a better state unless expressly agreed between the parties.
- ✓ An adjustment to price may be made for material misdescription of property or latent defects which the Vendor was aware of but did not disclose.
- ✓ Vacant possession and good and marketable title should be given on closing.
- ✓ Risk passes with the property so the Vendor takes no obligation for losses after the signing of the contract.



## Investigation of Title

- Money well spent on lawyers!
- Your lawyer will draft and/or review all transfer documents, review the Vendor's title and conduct the necessary investigation to ensure that you get what you agreed to purchase.



“That’s where we add the fine print.”

## Closing Costs:

The costs associated with the purchase of your new home will include:

- Legal fees (for your lawyer) calculated on a prescribed scale
- Legal fees (for your bank's lawyer, if you are borrowing)
- Cost of title search and title investigation
- Cost of surveyor's boundary status report (if your bank requests)
- Land tax from completion date to March 31
- Apportioned homeowners' dues, if applicable
- Stamp duty on your mortgage (at .6% of the secured amount)
- Costs of recording mortgage and conveyance



**CONGRATS ON YOUR NEW HOME!**

