

6 Legal Documents You'll Encounter When Buying a Home in the Philippines

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Buying a home is a costly investment. As part of your protection and due diligence, it is important that you secure the right paperwork. The main reason for keeping these documents is for your future reference or in the event you need it for legal purposes.

These are six legal documents that you should have after going through the home buying process:

1. Offer to Purchase a.k.a. Letter of Intent

What is it? This is the initial document you as a home buyer submits to the seller to express your intent or interest to buy the property being offered. The Offer to Purchase contains detailed information about the conditions for the sale such as the date of offer, description of the property, the price you are offering to pay, the spot cash down payment you intend to pay, and other pertinent financing details.

The document also includes the name of the seller and the buyer, address of the property, financial clauses, and special requests for the seller to comply (e.g. asking the seller to sell the property with furniture at a certain price). You may want to ask for the help of a broker or an attorney when you're drafting the Offer to Purchase to ensure that each condition is in the best interest of both parties.

When should it be given? After you have decided on a specific property you want to purchase.

Important reminder: Make sure that the terms are clear (payment scheme, schedule of payment, etc.). Also, state if you'll be paying via bank financing.

2. Reservation Agreement a.k.a. Reservation Application

What is it? This document will ensure that the property you are planning to buy will be reserved and taken out of the market so that the seller can't sell it to another person. The Reservation Agreement should state the property's basic information and specifications such as the property's complete address, property type, floor area, preferred payment option (spot cash, in-house, bank financing), and terms of payment that has been agreed by both parties.

When you submit an offer, especially for a pre-selling property, you would need to provide an "earnest money" or what is often referred to in real estate ads as the reservation fee. This is to show that you are sincere about your offer to buy the property. It is a given that you keep receipts and secure photocopies when money's involved.

When should it be given? Before you pay the reservation fee

Important reminder: Know how long you can reserve the property. If you won't be able to pay the reservation fee on the agreed date, inform your agent or broker and submit a promissory note to avoid cancelling the agreement.

3. Contract to Sell

What is it? This is the document that pertains to the written agreement between you and the seller about your home purchase. It also details the sales provisions needed to be complied by both buyer and seller before full payment of the home. The Contract to Sell is only issued to homebuyers who have put up a downpayment for their homes and pay the rest of the balance via home financing.

The Contract to Sell forms the basis for the execution of the Deed of Absolute Sale when all the conditions are met with property. It is drafted by either the broker or the developer.

When should it be given? After the homebuyer has paid the initial down payment.

Important reminder: Make sure you've read through contract cancellation and default clauses carefully. Check the terms in the contract for provisions wherein the seller elects the right to increase the property price or change physical specifications of your property.

4. Letter of guarantee

What is it? This document is a written guarantee provided by your bank or financial institution to the developer to inform them that you have been approved to take out a loan to cover payment for the remaining balance of the property you have purchased. It contains the specific amount that the bank or financial institution will lend, when it will be released, etc.

When should it be given? This is provided when the home buyer gets approved by the bank for a home loan.

Important reminder: All the information in a Contract to Sell and Letter of Guarantee must have the same details, including the name of both parties (buyer and seller).

5. Deed of absolute sale

What is it? It is the final document filed with the Registry of Deeds for the transfer of ownership. This will be the basis for the issuance of the Certificate of Title for a house and lot or a Condominium Certificate Title for a condominium purchase to transfer the real estate property under the name of the new owner.

When should it be given? Once you have fully paid for your home, in this case, your mortgage.

Important reminder: Either the seller or the buyer can prepare this document, the important thing is that it has been executed before and notarized by a Notary Public.

6. Certificate title

What is it? Once a homebuyer has finalized the payment for his or her new property, the next document to secure is the certificate title. This is the final document that proves ownership of home has been successfully transferred to your name.

For those who've purchased a house and lot, you need to secure a Transfer Certificate Title. For condominium buyers, the document would be a Condominium of certificate title (CCT) since the TCT for condominiums is named after the developer of the building. The certificate title is obtained from the Registry of Deeds. Depending on your RDO, it takes three to six months for the title to be released.

When should it be given? After the complete payment of the real estate property and paperwork is done to transfer the title to the new owner's name.

Important reminder: The Certificate title should be issued in duplicate. One goes to the new homeowner, while the other should be kept by the Registry of Deeds. Make sure that the document is legit. Here's how you can detect if you're getting a fake title.

The Takeaway

As a smart home buyer, it is important that you practice due diligence. Make sure to keep a copy of all the papers you've received during and after the home buying process to protect your investment.

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