

Q&A: How to Get the Best Housing Loan for Your Salary?

By Lamudi

When looking for a housing loan, one should also focus on how much their monthly income can accommodate.

With the dizzying selections of financial schemes out there, it is easy to feel overwhelmed in choosing the best housing loan, especially one that fits your monthly income. Some people are terrified of availing themselves of housing loans because they dread the prospect for having to pay for something for years or even decades.

However, if you familiarize yourself with the ins and outs of mortgage or housing loans, it should not be as daunting as it seems. As for the question of which housing loan is the best, there is no quick and straight answer. In looking for a housing loan, one should rather focus on how to get the best housing loan according to his or her income. With that question rephrased, Lamudi has created a guide to get a housing loan for your income.

Q: I Want to Get a Housing Loan, Where Do I Start?

The good news is you can with the right preparation and ample knowledge. Having a home will give you a sense of independence and peace of mind that would allow you to kick off paying those rents that are continually rising, and so a property would not only make for a good investment but also as source of fulfillment for you.

First, get your monthly income after taxes and take no more than 30 percent of it. If your monthly take-home pay is Php60,000, then your monthly installment for your housing loan should be no higher than Php20,000, otherwise you will find it very difficult to take care of other expenses.

Another useful rule to follow is to get your annual income (again after all taxes have been deducted) and multiply it by 2.5. The product will be the value of the property that person can afford. Using the above example, a person making Php60,000 a month is earning Php720,000 annually, which when multiplied with 2.5 equals to Php1.8 million. However, do keep in mind that these are just approximations and some people could better handle much larger monthly installments or property values than others.

After you are done computing how much you can afford, it is time to get pre-approved for a housing loan. With contracts and payment terms, the devil is in the details. Know the interest rates first so you know how much you would be paying for the next years. Also take note of the difference between adjustable-rate loans and fixed-rate ones. The former features interest rates that can change every so often, while the latter has rates that are fixed for a pre-determined number of years. One advantage of adjustable-rate loans is that they usually have lower interest rates, but that they may change depending on the prevailing rates set by the monetary authority. Fixed-rate loans, on the other hand, have higher interest rates, but there will not be any surprises along the way should the prevailing rates astronomically shoot up (for example, in the event of a financial crisis).

Q: What if I Am a Low-income Earner?

In the Philippines, government-run provident funds such as Pag-IBIG (or Housing Development Mutual Fund) and the Social Security System (SSS) cater directly, albeit not exclusively, to working-class Filipinos and overseas Filipino workers (OFW), provided that they meet certain qualifications and requirements.

Pag-IBIG is a savings program that offers home financing through contributions a member makes, which usually start at Php750/month. The maximum housing loan you can get from Pag-IBIG is Php6 million, while the lowest is Php100,000, which you can pay from 5 to 30 years with interest rates that

range from 4.5 to 11.5 percent.

SSS Housing Loans, on the other hand, are offered to OFWs who want to buy or finance the construction of their home. SSS members can borrow up to Php2 million while the interest rates differ according to the loan amount and ranges from 9 to 11 percent. Requirements are posted on these sites and differ according to the agreed-upon conditions and status of the borrower. Note that all of these conditions are subject to change.

Q: In a Nutshell, How Do You Nab a Good Housing Loan?

It is best to research and communicate with a mortgage broker if you feel the need to ask for professional advice. Explore your options when it comes to lenders, and it is useful to personally go to banks and consult with their loan officers. Further, watch out for interest rates, but you should not base your decision solely on them. Normally, the shorter the payment terms you agree to and the higher your down-payment, the lower the interest rates would be.

Source:

"Q&A: *How to Get the Best Housing Loan for Your Salary?*". Lamudi. Lamudi. 14 October 2015. Web. 3 February 2016.