**Build Now Pay Later**

**(Assisted DIY Solutions to fund your dream House)**

**Types and Requirements**

**KEY TAKEAWAYS:**

* The main purpose of build now pay later is to provide construction financing to people who lack funds (Why avail of our personalized support)
* With the Build Now Pay Later scheme, you can acquire a property or a house without paying a huge amount upfront. (Our advantage compared to others)
* Pag-IBIG Financing is a popular financing option in the Philippines for purchasing property, offering competitive interest rates (Options Available)
* FREE consultancy and support for customized housing on special requirements (Avoid contract pitfalls - future uncertainties/events – you talk, we listen)

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# I. WANT TO BUILD A DREAM HOUSE, BUT DOESN’T HAVE ENOUGH CASH?

Fret not, because nowadays, it is possible for you to start building your dream home or project without worrying about your finances. Wondering how? Read on and you’ll find the best solution for your financial problem.

**Build Your Dream House Now, Then Pay Later**

As the title suggests, you can definitely make your dreams into reality free of financial worries about labor and material costs. And no, calm your heart, this is not a scam. In fact, there are a lot of legitimate financial intermediaries offering the same scheme.

**So, what is build now pay later, and how does it work?**

To simplify it, the build now pay later scheme is a loan program typically offered by banks and other financial institutions. It is tailored for lot owners who want to construct a house or project, but do not have enough monetary resources to fulfill it.

Some construction firms also offer this type of program, where they provide their clients with different options of financing methods with their bank partners.

With build now pay later, you can choose payment terms that suit your financial capacity less the worries about the continuous construction of your house or project.

*‘Build Now, Pay Later’ schemes are becoming increasingly popular in the Philippines as a means of making homeownership more accessible to Filipinos. These schemes typically involve a developer building a house or condo unit and allowing the buyer to pay for it in installments over a period of years, often with no down payment required.*

# II. Benefits and Drawbacks of Construct Now Pay Later

Of course, all schemes have their own pros and cons. Understanding these will help you make decisions better. To start, here are some of the benefits that you can have if you choose the build now pay later scheme:

***Easy access to homeownership:***

Build now pay later programs offer an opportunity for low-income families to own a home without having to save up for years

***Lower initial costs:***

Primarily, the build now pay later program of most banks and construction firms offer lower to zero downpayment – hence, fewer initial costs for the homebuyers

***Flexible payment terms:***

Since it is a loan program, you can choose among different payment terms that will suit best your financial capability. You can choose lower monthly payments but longer periods, or shorter periods but higher monthly payments.

***Keeping your life savings untouched:***

You no longer have to worry about using your life savings just to complete your home or project construction. Because of the flexible and affordable payment terms, you can start building your dream house or project while saving for your future.

***Potential for appreciation:***

The value of the property could appreciate over time, allowing the borrower to build equity in the home. This could result in a higher resale value

The advantages of theconstruct now pay later scheme may sound really appealing, but it is best to look at its drawbacks before deciding.

**HERE ARE A FEW DISADVANTAGES TO CONSIDER**

***Higher closing costs to pay:***

This scheme leads to higher closing costs since lenders use a percentage of a loan but consider the property’s value after completion of the project, rather than the current home equity

***Strict approval and eligibility requirements:***

More detailed documentation is required, and the process may take longer than you expect. Lenders also consider your credit score and require a minimum income level and employment stability – which is very challenging for most borrowers

***Delayed ownership:***

Homebuyers do not own the property until they have completed all payments, which can take years

***Risk of default:***

The longer payment terms and higher overall cost may increase the risk of default. Economic instability, such as job loss or recession, can make it difficult for borrowers to continue making payments. If the borrower fails to make payments, they could face eviction and lose their home

# III. Types of Build Now Pay Later Programs in The Philippines

## A. In-house Financing by Developers

Property developers offer in-house financing where they lend resources to the borrower for the construction of their house. Typically, this type of financing method is easier and has a faster process than other methods. However, **the company often requires a 10% to 30%** downpayment and proof of income.

With in-house financing, you can pay your amortization only in five years or less but with higher interest rates. This type of funding is usually associated with the pre-selling units of real estate companies.  
This financing option typically has higher interest rates, ranging from **14% to 18% per annum**, compared to other financing options. The loan tenor for In-House Financing can be **up to 25 years**.

One of the advantages of In-House Financing is that it can provide a convenient and accessible financing option for those who may not qualify for bank financing. Borrowers can apply for a loanable amount of **up to 80% of the property value**

## B. Pag-IBIG Fund Financing

Under Pag-IBIG Fund, only the members can avail of this type of financing, but with certain conditions such as **at least 24 months of latest contributions**. This financing option offers competitive interest rates, ranging from 5.75% to 9.88% per annum. The loan tenor for Pag-IBIG Financing can be **up to 30 years**.

**The Affordable Housing Loan program** ([1](file:///C:\Users\Admin\Desktop\Clients\Real%20Estate\Jimmy%20Famoso\Build-Now-Pay-Later-in-the-Philippines.docx#1)) program offers zero interest rates for housing loans up to Php450,000, making it an attractive option for those with low income or minimum wage earners. The monthly payments for the Affordable Housing Loan program are as low as Php2,445.30\*

One of the advantages of Pag-IBIG Financing is that it can be used to purchase property from a developer or any other seller.

Applicants have the option to request a loan amount of **up to 100% of the property’s appraised value.** However, it is important to note that the processing time for Pag-IBIG Financing can take up to two months, which may be longer compared to other financing options.

**Basic documents for approval:**

* Loan application form from Pag-IBIG
* Your valid Identification cards
* Proof of income (this can be your payslip or COE, or ITR)
* The vicinity map or sketch of your property
* Photocopy of Transfer Certificate of Title (TCT)

Pag-IBIG will also require the borrower to submit:

* Building plans of your home or project
* Specifications and Bill of Materials (should be signed by the Licensed Architect or Civil Engineer)
* Your Real Estate tax receipt
* Permits such as occupancy, electrical, and sanitary

Pag-IBIG Financing can be a viable option for those looking to purchase property in the Philippines, especially for those who prefer a longer loan tenor and a competitive interest rate.

## C. Bank Financing

Bank financing works almost the same as Pag-IBIG Fund financing and requires several documents and qualifications. The difference is that the bank or another private lending company offers the financing instead of the Pag-IBIG Fund, which is a government agency. Another difference is this method has higher interest rates but offers a shorter period of payment terms.

When it comes to the construction of your house or project, you can choose among the several options of bank financing that suit your needs. These are:

* Home Construction Loan
* Home Equity Loan
* Home Improvement Loan
* Personal Loan

**The main advantages of Bank Financing in the Philippines include:**

* Interest rates range from **5% to 12%** per annum.
* The loan tenor can be up to **25** years.
* Loanable amount can be up to **80%** of the property value.
* The loan can be used to purchase property from a developer or any other seller.
* Processing time is typically **up to 2 weeks**, making it a faster financing option compared to others
* The loan can be utilized to buy a property from either a developer or any other vendor

There are several banks in the Philippines where you can apply for bank financing of Build Now Pay Later. Some of these banks include:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank** | **Loan Terms** | **Interest Rates** | **Loanable Amounts** | **Processing Time** |
| BDO Unibank | 5-20 years | 5.50%-12% p.a. | Up to 80% of appraised value | Up to 10 banking days |
| Metrobank | 1-15 years | 5.75%-9.00% p.a. | Up to 70% of appraised value | Up to 30 days |
| Security Bank | 1-25 years | 5.50%-10.00% p.a. | Up to 80% of appraised value | Up to 30 days |
| China Bank | 1-20 years | 5.50%-11.00% p.a. | Up to 70% of appraised value | Up to 30 days |
| EastWest Bank | 1-25 years | 5.75%-10.00% p.a. | Up to 80% of appraised value | Up to 30 days |
| RCBC | 1-25 years | 5.50%-11.50% p.a. | Up to 80% of appraised value | Up to 30 days |

**Note: The information presented in the table is subject to change and borrowers are advised to contact their chosen bank directly for the most updated information.**

## D. Rent-to-own Financing

If the above methods do not fit your financial needs to own a home or property, then you can consider rent-to-own financing. Nowadays, this is the trendiest financing offered to homebuyers by real estate agents.

Rent-to-own is owner financed – that means the owner offers financing to the homebuyer by giving them the option to purchase the leased property within a certain agreed time.

***Buyer to rent a property for a specific period with an option to purchase the property at the end of the rental term.***

Under this financing arrangement, the buyer pays a monthly rental fee for the use of the property for a specific period, typically ranging from 2 to 5 years. **During this time, a portion of the rental fee is set aside as a down payment for the property**. At the end of the rental term, the buyer can choose to exercise their option to purchase the property using the accumulated down payment as part of the purchase price.

# IV. Factors to consider when choosing a Build Now Pay Later Program

When deciding to avail build now pay later scheme, you should research thoroughly and make comparisons of your chosen financial companies. Factors you should consider are:

1. Interest rates
2. The minimum loan amount and term
3. Payment terms
4. Eligibility requirements
5. Fees and charges
6. Credibility of the financing provider

**Interested in Build Now Pay Later? More Tips for Homebuyers Like You**

* Determine your budget.
* Compare the loan product features of different financing providers.
* Choose a credible and reputable property developer.
* Always read carefully the fine print, and make sure you understand fully the terms of the agreement.
* Seek professional advice to help you navigate the complex process of the build now pay later scheme.

# V. FAQ

* **How long does it take to get approved for a build now pay later scheme?**

Generally, it takes a few weeks or a month if all requirements are met

* **What happens if I miss a payment?**

Typically, you’ll incur penalties and other charges. The worst-case scenario is the foreclosure of the collateral attached to your loan.

* **What are the interest rates for the construct now pay later in the Philippines?**

Interest rates vary for each financial company. But do expect that the interest rates for the build now pay later programs are higher than the other types of loans.

# VI. Options- different strokes for different folks

Each person/family have different requirements and specifications though they have the same bottom line, however, in selecting your location must be in line with your overall Retirement Plan and Exit Plan. How do you see yourself at this stage. Exit plan for an employee to start his own business, or an OFW Exit plan, or a Professional Exit plan may differ and preparations have to be in place to be ready for this plan in the future. If you do not plan, you plan to fail.

## a. Employees (Salary Range)

**1. Retirement Plan**

**2. Exit Plan**

**3. Selecting a property**

## b. OFW

**1. Retirement Plan**

**2. Exit Plan**

**3. Selecting a property**

**4. Professionals**

## c. Business men/Professionals

**1. Retirement Plan**

**2. Exit Plan**

**3. Selecting a property**

## d. OFW / Seamen

**1. Retirement Plan**

**2. Exit Plan**

**3. Selecting a property**

# VII. Final Thoughts

The build now pay later scheme in the Philippines has become a popular way to construct your dream home or project. When deciding to avail of this scheme, always do your research first about the different financing companies and choose the one that will provide your financial needs. Make plans as well and ask a professional to better understand the entire process.

If you are too busy or problems accessing professional advice, call-us, we are here to help plot out your direction and plans.