



ECFH

East Caribbean Financial Holding Company Limited

Financially Speaking

We continue our focus on mortgages this week. We present another term that is key to understanding what is involved in securing a mortgage. This week's term is: **Encumbrance**

An **encumbrance** is a claim against a property by another party. **Encumbrance** usually impacts the transferability of the property and can restrict its free use until the **encumbrance** is removed. The most common instances of an **encumbrance** occur in real estate such as an outstanding mortgage or unpaid property taxes.

What does this mean for you?

It is important when purchasing a property that one ensures that no other party has any titles or rights over that property. Financial institutions usually place **encumbrances** also called liens when they finance the purchase of properties. This ensures that the present owner receives the permission of the financial institution before trying to sell. Where an **encumbrance** exists there may be issues if, after purchase you decide to resell that property. A typical example that most parents face would be securing a student loan for their children. To secure the loan an **encumbrance** is placed on their property.