



# JOINT GENERAL FIXED RATE MORTGAGE SCHEME

## INFORMATION & GUIDANCE NOTES

The government assistance programme was developed in 1996 in association with Standard Chartered Bank ("SCB") as reviewed from time to time. Its objective is to provide financial assistance for the construction of new houses, the purchase of existing properties and the extension to or major renovation of properties both in Stanley and Camp.

Under the Scheme, the Falkland Islands Government ("FIG") guarantees up to 20% or £22,800 of the SCB loan for Stanley properties and up to 50% or £57,000 for Camp properties.

### ELIGIBILITY

- Property to be financed must be the principal residence of the applicant(s).
- Residency Eligibility Criteria approved by Exco applicable to new loans approved after 19 June 2003:
  - a) Existing houses and new builds on subsidised FIG plots restricted to PRP or "Status" holders.
  - b) Non-PRP and non-Status holders are eligible under the scheme for **new builds** on unsubsidised plots only.
  - c) Joint applicants where at least one partner holds a PRP or Status are eligible under (a) above.
  - d) In the event of break up the non-status holder or non-PRP would not be able to take over the mortgage under this scheme. (Married couples should be aware that where one spouse attained status through marriage this status could be lost on divorce or legal separation). Nonetheless, exceptional cases may be referred to Executive Council for consideration.
- Notwithstanding the above all borrowers - individual or joint - must have rights to own land and property in the Falkland Islands.
- All borrowers must be at least eighteen years old.
- The scheme is restricted to a maximum borrowing from SCB of £114,000. Any amount required above this in order to purchase a property must be provided by the borrower(s) subject to the section below titled "Borrowing More Than the Scheme Limit".
- Applicants are restricted to one outstanding housing mortgage under the Scheme (or any prior housing assistance scheme) in the Falkland Islands. (Any/all other Scheme mortgages must be repaid prior to drawdown or repaid from the new mortgage under this scheme).
- Applicants must not have any debt (including rental) arrears with the government.

Failure to comply with **ALL** of the above will mean potential borrowers are ineligible under this scheme.

### Also note:

- The scheme applies to borrowers with a personal net worth (joint net worth in the case of joint borrowers) of up to £100,000. The amount that FIG will guarantee SCB is reduced by £1 for every £3 of net worth above £100,000 and this shortfall must be made up by the borrower by reducing the amount borrowed.
- Purchase to rent cannot be financed under the scheme. However, owners of properties financed under the scheme may be able to rent out the property to cover periods of **temporary** absence (such as training abroad etc.) Note: SCB and FIG will always reserve the right to call for any loan to be repaid if they have reasonable suspicions that the property in question is no longer treated as the primary residence.
- Moveable assets (e.g. portable cabins, containers, sheds etc) are excluded from the valuation amount.

### Trading Up

- Existing borrowers under the scheme (or any prior housing assistance scheme) may "trade up" to a bigger property as long as all the equity upon sale is invested into the new property if the new property is purchased within one year of the date of sale of the previous property. In these cases FIG may choose to replace the existing FIG loan with a guarantee such that the new loan will be arranged under the new scheme. If a new property is purchased more than one year after the previous property was sold, the borrower will be expected to reinvest a reasonable level of the equity (as determined by FIG) of the previous property into the new property.
- Owners of properties not currently financed under the scheme and wishing to buy (or build) a new property to be financed under the scheme may still qualify as long as a reasonable level of the equity (as determined by FIG) in the existing property being sold is invested into the new property.

House swaps if one or both of the properties are financed under the scheme will only be allowed by special approval from FIG.

## AMOUNT

A factor of:

1. The property valuation or purchase price
2. Ability to service (pay interest on and repay) the loan
3. Annual income

### 1) VALUATION

- The amount on which calculations are based is the lower of a formal valuation or the purchase price. For new builds in Stanley the valuation will usually (but not necessarily) be the total cost of the land, materials and labour. For new builds in Camp enquiries should be made to SCB and a post-build valuation will likely be required. Valuations are to be made by a valuer recognised by and acceptable to SCB and FIG. Valuations will only be accepted from certain valuers who may change from time to time. The names of the accepted valuers can be obtained by enquiry to SCB.

then:

- Borrower must contribute a minimum 5%
- SCB will finance up to 95% or £114,000. whichever is lower (subject to the guidance below on borrowing more than the scheme limit).

### 2) ABILITY TO SERVICE

The amount the borrower will pay each month must not exceed 50% of monthly eligible earnings. In general terms this is calculated as:

Total monthly income net of tax, RPC, compulsory contractual OPC and MST payments

*plus* other income and allowances (net of tax) such as:

- some part-time work might be considered (e.g. reserve police- or fire-officer) (Note, that "on call" allowances usually will not be included unless they are guaranteed payments).
- trust income or pension (e.g. service pension)
- Shift allowances or guaranteed overtime (like weekend working)
- Rental income
- Dividend income

*less* contracted payments such as:

- alimony or maintenance paid
- existing loan repayments
- existing HP agreements etc.
- any other payments the bank considers prudent to deduct (e.g. fire and life insurance).

Income that will not normally be considered as eligible include (but are not limited to):

- occasional or non-guaranteed overtime
- non-contractual or irregular payments
- child allowance or maintenance
- FIG assistance grants

Applicants may be required to show proof of salary. Non-salaried income such as sole traders should provide three tax assessments demonstrating an average annual - and therefore monthly - income.

Monthly payments that are usually ignored in the calculation include rents since these should no longer apply once the mortgage is taken out.

### 3) ANNUAL INCOME

- Four times the annual gross income (excluding overtime etc.) of the main income earner.
- *Plus* one times the annual gross income (before overtime etc.) of any second borrower and one times any additional gross income of the main income earner (e.g. casual or part time work).

## BORROWING MORE THAN THE SCHEME LIMIT

The maximum amount that can be borrowed under this joint scheme is £114,000. However, a separate application can be made (using the bank's standard personal loan form) at the same time for SCB to lend additional funds under the mortgage security and such applications will be treated on their relative merits. Nonetheless, the bank will not lend more than **75%** of any additional amount required. The 7% fixed rate of interest will NOT apply and any additional loan will be charged interest at a margin over Base Rate.

## TERM

Up to a maximum of 25 years or until the borrower's 70th birthday. In the case of joint borrower's the period to the older of the borrowers' 70th birthday will apply.

## INTEREST

SCB loan has a fixed interest rate over life of loan (currently 7%). Any increase in the SCB mortgage lending rate will be met by FIG as a subsidy under the programme. The borrower will pay a rate of 7% regardless of interest movements.

## FEE

A fee of 1.25%, maximum £500, of the bank's loan amount is payable when the facility letter is signed. There is no fee levied by FIG for its guarantee.

## DRAWDOWN

Usage of funds must be in the following order: borrowers' contribution then SCB loan with disbursement controlled by the bank. Except in the case of "build" mortgages (see below) the loan will be drawn down in one lump sum to the debit of a dedicated account.

## REPAYMENT

- Loan repayments begin at the end of the month of first drawdown regardless of whether the full amount of the loan is drawn. (Therefore, repayments on mortgage loans for construction of new property or extensions will start even before the full amount of the loan has been drawn).
- The borrower will repay by way of a fixed monthly payment over the life of the loan representing a capital repayment and interest. Unless otherwise arranged the repayments will be made by way of a standing order from a chosen account.
- Prepayments are allowed without penalty.

## SECURITY

- a) Full registered legal charge over land and buildings being financed covering the bank's loan.
- b) Legal assignment in the bank's standard form of the proceeds of a life policy over the life/lives of the borrower(s) where the amount assured is a minimum of the level of borrowing from the bank. **The policy must be in Sterling arranged with a UK-based life assurance company.**
- c) Evidence of fire insurance over the buildings for the full replacement cost with the bank's interest as mortgagee noted.
- d) In some cases additional security may be called for by SCB, FIG or both.

## CONSTRUCTION OR "BUILD" MORTGAGES

- Written quotations for building new properties will be required in lieu of a valuation. This quotation - and thereby the mortgage - should include the cost of land. On government-allocated plots the cost of the land should be settled upon or before completion of the watertight shell so that the mortgage can be perfected.
- Loans will be dispersed (drawn) against formal invoices for work.
- In the case of government-allocated plots a watertight shell must be completed in any specified time (usually within 24 months of the plot being allocated).
- Construction costs against which a loan can be made include:
  - a) The cost of the land.
  - b) Site preparation including servicing (electricity, water and sewerage).
  - c) Foundation construction
  - d) Materials (roofing, cladding, insulation etc.)
  - e) Plumbing and Electrical
  - f) Fitted kitchens, fitted bathrooms, heating systems
  - g) Fitted carpets, linoleum and other fitted floor coverings
  - h) Shipping/freight of materials
  - i) Labour (e.g. carpenters, plumbers, electricians, masons etc.)
  - j) Basic decoration
  - k) Basic landscaping to clean up site
  - l) Other essential costs to meet planning and building regulations (e.g. paved footpath from the road to the house)
  - m) Permanent unattached garages and outbuildings.

Specifically excluded: curtains and blinds, electrical appliances (unless integrated), furniture, sheds, fencing etc.

## EXTENSIONS & RENOVATIONS

Extensions and renovations to properties may be financed under this scheme in two ways:

- Cost of extension to be financed in the same way as a "build" mortgage. Security will cover all the property, both existing and the new extension.
- The borrowers may seek to finance an existing mortgage loan (either under the scheme or not) *and* the cost of the extension by way of a new mortgage loan under the scheme. All usual conditions will apply and the application will be treated as a mixture of a "trading up" and "build" mortgage.

Note: Extensions must be attached to the original property. Construction of temporary outbuildings may not be financed under the scheme.

## REPAYMENT CALCULATOR

The following table gives an idea of how much (in £) monthly loan repayments and interest will total under the 7% fixed rate based on the amount and term of the loan. At the time of any application the bank will be able to confirm any monthly payments based on the actual amount and term applied for.

Loan Amount/Term	10 years	15 years	20 years	25 years (maximum)
£10,000	116.11	89.88	77.53	70.68
£15,000	174.16	134.82	116.29	106.02
£20,000	232.22	179.77	155.06	141.36
£25,000	290.27	224.71	193.82	176.69
£30,000	348.33	269.65	232.59	212.03
£35,000	406.38	314.59	271.35	247.37
£40,000	464.43	359.53	310.12	282.71
£45,000	522.49	404.47	348.88	318.05
£50,000	580.54	449.41	387.65	353.39
£55,000	638.60	494.36	426.41	388.73
£60,000	696.65	539.30	465.18	424.07
£65,000	754.71	584.24	503.94	459.41
£70,000	812.76	629.18	542.71	494.75
£75,000	870.81	674.12	581.47	530.08
£80,000	928.87	719.06	620.24	565.42
£85,000	986.87	764.00	659.00	600.76
£90,000	1,044.98	808.95	697.77	636.10
£95,000	1,103.03	853.89	736.53	671.44
£100,000	1,161.08	898.83	775.30	706.78
£105,000	1,219.14	943.77	814.06	742.12
£110,000	1,277.19	988.71	852.83	777.46
£114,000	1,323.64	1,024.66	883.84	805.73

## HOW TO APPLY & TIMING CONSIDERATIONS

- 1) Complete the standard four-page mortgage application available upon request at the bank.
- 2) Attach the cost estimates for any new build.
- 3) Attach evidence of monthly income.
- 4) Attach any other information deemed relevant to support the application.
- 5) Allow two to three weeks for the application to be processed.
- 6) If approved a letter will be sent by the bank to be accepted by the borrower as directed.
- 7) Meanwhile, borrowers should make enquiries in respect of legal work ("conveyancing") and both life and fire insurance.

## IMPORTANT NOTICE

**This guidance applies to all full applications received from March, 2019. Nothing in this document should be construed as a commitment by Standard Chartered Bank or the Falkland Islands Government to make a loan and/or guarantee available to anyone even if an individual or individuals feel that they qualify for such a loan as described in this document. Standard Chartered Bank and the Falkland Islands Government both reserve their individual rights not to make the loan or provide the guarantee at their own discretion and without having to justify their decision(s) to any party.**