



VARIABLE INTEREST RATE MORTGAGE SCHEME

INFORMATION & GUIDANCE NOTES

ELIGIBILITY

- 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.

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

Also note:

- Moveable assets (e.g. portable cabins, containers, sheds etc.) are excluded from the valuation amount.

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 and 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 who may change from time to time. Valuations must have been conducted within 6 months of the application date. SCB will instruct the valuer in all instances.

then:

- For properties outside of Stanley SCB will finance up to 80% of the valuation.
- For properties in Stanley SCB will finance up to 80% of the valuation.

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 assurance).

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).

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 variable interest rate of 4% over the Base Rate over the life of loan.

FEES

- An arrangement fee of 1% of the bank's loan amount is payable when the facility letter is signed.
- A prepayment fee of 2% of the amount prepaid (subject to a minimum of £25.00) is payable on the date of any prepayment.

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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 on the last working day of the month of 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 the principal by way of a fixed monthly payment over the life of the loan. Interest will be charged on a day count basis and unless otherwise arranged, the payments of principal and interest will be made by way of a standing order from a chosen account.
- Subject to the payment of the prepayment fee (referred to above), prepayments are allowed at any time.

SECURITY

- Full registered legal charge over land and buildings being financed covering the bank's loan.
- Legal assignment in the bank's standard form of the proceeds of a level term life assurance policy on 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.**
- Evidence of fire insurance over the buildings for the full replacement cost with the bank's interest as mortgagee noted.
- In some cases, additional security may be called for by the Bank.

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
- a) Labour (e.g. carpenters, plumbers, electricians, masons etc.)
- b) Basic decoration
- c) Basic landscaping to clean up site
- d) Other essential costs to meet planning and building regulations (e.g. paved footpath from the road to the house)
- e) Permanent unattached garages and outbuildings.
Specifically excluded: curtains and blinds, electrical appliances (unless integrated), furniture, and sheds.
etc.

EXTENSIONS & RENOVATIONS

- Extensions and renovations to properties may be financed 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. 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.

HOW TO APPLY & TIMING CONSIDERATIONS

- 1) Complete the standard four-page mortgage application available upon request at the bank.
- 2) Attach the valuation by an acceptable valuer or 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 three weeks for the application to be processed.
- 6) If approved letters 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 21 September 2020. Nothing in this document should be construed as a commitment by Standard Chartered Bank to make a loan 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 reserve their rights not to make the loan at their own discretion and without having to justify their decision(s) to any party.

Mortgage Guidance Notes, issued 21 September 2020

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