
Leeds

Building Society

Residential Mortgage Lending Guide

Gibraltar



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Section 1 – Introduction

1.1 Summary of Lending Conditions

The Gibraltar Residential Lending Policy covers areas of lending acceptable to the Society. Underwriters have the discretion to request any additional information where doubt exists with an application. Senior mandate holders may use their discretion to underwrite cases outside of the normal lending criteria providing the case is recorded as outside of criteria and full notes documenting the rationale for the decision is recorded on the system.

Lending Area	Maximum Loan to Value	Summary of Lending Conditions
Prime	90%	Prime lending is defined as lending where no current or previous adverse has been reported.
Purchase of a share of a property	85% of the borrower's share.	The purchase of a share of a property will be considered where: <ul style="list-style-type: none"> The other share sits with the Gibraltar Government; The lease must allow an adequate mortgage protection clause that protects the Society from any losses that may be suffered should the property be taken into possession, or achieved by way of a suitable Deed of Postponement/Priority. The lease must allow for the Society in the event of possession to take full vacant possession.
Right to Buy	85%	The discounted purchase price will be the maximum loan. Submitted with the application will be: <ul style="list-style-type: none"> 'Right-To-Buy' documents, showing details of the discounted price and confirming the eligibility of the applicants. A landlord's reference or suitable alternative evidence of rent payments. Applications up to 100% of the discounted purchase price.
Re-mortgages	90%	Cases up to 90% LTV can include up to £1000 for costs that are included in the LTV calculation.
Capital Raising	90%	Re-mortgage applications and homeowner loans which include a property related capital raising element (e.g., home improvements, purchase of additional land etc.) may be considered up to a maximum of 90% LTV.
	75%	Re-mortgage applications and homeowner loans which include a non-property related capital raising element (e.g., debt consolidation, holiday etc.) may be considered up to a maximum of 75% LTV. Capital raising for business purposes is not permitted..

1.2 Originating Source

Mortgage Applications are originated from the Society's Branch Network and can be received from the customer:

- Directly.
OR
- Via Mortgage Introducers.

1.3 Quality of Business

The quality of business from originating sources is monitored by reference to the quarterly Arrears Characteristics Reports. The Head of Internal Audit reviews this and any concerns reported to the Executive Directors.

Risk separately monitors outside of criteria lending and feedback is provided to the Underwriters.

1.4 Interviews

Mortgage interviews are:

Arranged for mortgage applicants dealing directly with the Society's Gibraltar Branch. Compulsory to qualify for certain product types, from time to time.

1.5 Code of Mortgage Lending

The Society complies with the Code of Mortgage Lending and adopts this as best practice in Gibraltar, where this is appropriate. The following levels of advice are given:

Level	Advice Given
One	The customer makes his own choice without advice.
Two	The advisor presents the products available but offers no advice to the customer.
Three	The advisor provides the recommendation on the most appropriate product after assessing the customer's needs.

The level of advice given is stipulated on the mortgage offer.

1.6 Processing of New Applications, Underwriting & Post Completion administration

Processing of New Applications is undertaken within the Gibraltar Office. Underwriting is undertaken by the UK Head Office.

Post Completion administration is undertaken by the UK Head Office with support from Gibraltar (i.e. printing and posting of post completion documents to avoid postal delays). The original file is scanned to Mstore and the paperwork destroyed in Gibraltar.

1.7 Target Borrowers

Applicants must be EU nationals. Exceptions should be considered by a Senior Mandate Holder on a case by case basis for consideration of individual circumstances (e.g. a non-EU national working in Gibraltar and married to an EU national would be acceptable).

Section 2 - Employed Status

2.1 Acceptable Types of Employment

Permanent full or part-time employment.

- Fixed Term Contract (refer to 'Fixed Term' section below).
- More than 1 job - each job is acceptable under its' own merit.
- Have been in employment continuously for the last 6 months, irrespective of the nature of this employment.
- Have had no more than 2 different employers in the last 6 months.
- Provided applicant in full time employment, probationary period does not need to have been completed.

2.2 Income Verification

Income will be confirmed by receipt of the following documents:

- Last 3 months' wage slips.
- Last 1 month's bank statements showing salary credits
- Last P60/P7 or equivalent (optional requirement subject to underwriter's decision).

Providing that:

- Originals are obtained and certified as being true copies by the branch.
- The payslips must show a clear amount of income, which must tie up with the cumulative amount on the most recent pay slip.
- Any additional earnings (e.g. overtime) will only be used if they are clearly differentiated and supported by the cumulative figure.
- An employer's reference will be requested if there is any doubt over any aspect of the employment. Particular care should be taken in cases where the applicants are related to their employer.

2.3 Employers' References

Where an employer's reference is obtained, replies must be:

In response to the Society's written request.

Validated by the employer's company stamp.

Addressed to the Society, confirming the following details:

- Job title.
- Length of service.
- Basic annual income.
- Overtime.
- Bonus commission.
- Permanency of employment.
- Whether applicant is under notice of termination or redundancy.
- Any adverse features affecting employment.
- Address held for applicant.

2.5 Fixed Term Contracts

Applicants who are employed on short-term contracts can be considered under the following criteria:

A satisfactory employer's reference is received; confirming there is no reason to suspect the contract will not be renewed.

A satisfactory previous employer's reference is required, where the applicant has changed employment within the last 12 months.

As an alternative to an employment reference, last 3 months payslips and most recent bank statement are acceptable.

Historical evidence of continuity of employment contracts over last 3 years.

Temporary ('non-fixed') contracts are not acceptable.

New references/income confirmation will be required after 6 months from the date of evidence if the advance has not been completed.

Section 3 - Self Employed Status

3.1 Important Note

Three years' accounts or a fully completed Accountant's Certificate, prepared by a qualified Accountant, must be provided and, if considered necessary by the Underwriter, proof of the continuing existence of the business.

The requirements in this section apply to the self-employed, sub-contractors and company directors with more than 33% shareholding.

Sole Trader/ Partnerships Gross income will consist of net profit (or a share of net profit for a partnership)

Applicants must have been self-employed for a minimum period of 2 years at the date of application and be UK nationals or EU nationals with business based in the UK or Gibraltar. UK/Gibraltar accounts or tax assessments to be available.

Take particular care when considering applications where future earnings are difficult to assess (e.g.: entertainers, musicians, professional sportsmen etc).

The following evidence is not an exhaustive list and where it is not available, the underwriter may accept other evidence.

If considered necessary by the Underwriter, proof of the continuing existence of the business may be required from the Accountant.

All accounts must be prepared and certified by a professionally qualified Accountant who is a member of one of the following bodies:

- Institute of Chartered Accountants.
- Association of Chartered Certified Accountants.
- Chartered Institute of Management Accountants.
- Chartered Institute of Public Finance Accountants.
- Association of Authorised Public Accountants.
- Institute of Chartered Secretaries & Administrators.
- Plus any agreed by Management at its discretion.

3.2 Income Multiplier

The income multiplier will be applied to the average of the last three years' net profit figure after tax, or other income provided, only if a steady progression in turnover and profit is reflected.

3.3 Three Years' Accounts Not Available

If 3 years' accounts are not available due to the length of trading, then the average of 2 years' net profit figure after tax, plus a satisfactory projection or Accountants Certificate showing this information may be acceptable. In such cases, 100% of the projection will be taken into account, provided the accounts reflect an improving position.

3.4 LTV Does Not Exceed 80%

Cases where the LTV does not exceed 80% and only 1 full year's accounts are available may be considered. The average of the 1 years' net profit figure after tax and up to 100% of a satisfactory projection may be acceptable, providing the accounts reflect an improving position.

Section 4 - Income From Other Sources

4.1 Pensions - Acceptable Evidence

Where applicants request a mortgage term which takes them beyond normal retirement age, proof of pension income will be required to substantiate the loan.

Exception:

Proof of pension income will not be required where the applicant has more than 5 years to work until normal retirement age.

Example:

Applicant is aged 50 and has 15 years to work until normal retirement age.
A term of 25 years has been requested.
Proof of pension will not be required.

Verification of income should be in one of the following forms of evidence:

- State Pension – Pension Warrant Book
- Company Pension – statement from Administrators
- Personal Pension – statement from Insurance Company

In addition to the above 6-month's personal bank statements will be required.

Where the above evidence is not available, the underwriter may use his/her discretion to obtain other suitable forms of pension income verification.

4.2 Rental (Investment) – Rules

The use of rental income can be added to those income types that are used for assessing the applicant's ability to support the loan.

We can use 100% of rental income, providing that one of the following evidence is used:

Last 3 consecutive year's accounts

Or

Last 3 year's tax assessments

Or

Last 12 month's bank statements

Section 5 - Definition of Income

5.1 Primary Income

Primary income is defined as basic salary, plus the following:

- Large town allowance.
- Rent allowance.
- Mortgage subsidy (100%).

5.2 Other Income

Other income is defined as:

- Commission.
- Bonus. *
- Overtime. *
- Shift Allowances.
- Working Family Tax Credit
- Rental Income**.
- Car Allowance.
- Maintenance.

When income is largely made up of bonus/commission or has a high overtime content, the maximum amount of other income to consider is no more than 100% of basic salary. Other income is also taken into account as follows:

Income Type	Amount	Condition
Overtime/Bonus/Shift Allowance	100%	If guaranteed.
	50% *	If regular.
Commission	50%	If regular/guaranteed.
Working Family Tax Credit***	50%	
Mortgage Subsidy/Rent Allowance**	100%	If guaranteed.
London/Large Town Allowance	100% (up to)	
Car Allowance	100% (up to)	
Maintenance	50%	If confirmed.

* Senior Mandate Holders have discretion to utilise up to 100% of bonus and overtime payments where there is evidence that these payments are clearly sustainable. In utilising this discretion, consideration will be given to the LTV, loan type and occupation of the applicant.

** The use of Rental Income can be added to those income types that are used for assessing the applicant's ability to support the loan.

We can use up to 100% of rental or investment income, providing we can obtain proof of payment for a 12 month period. The proof of payment can be obtained from a qualified accountant, Property Management Company or through Bank statements.

*** Benefits in respect of childcare costs are not to be included within allowable income.

The income multipliers are as follows:

Loan To Value	Loan Amount	Single (Up to)	Joint (Up to)
95% max	Up to £300,000	3.75 x	3.0 x or 3.75 main plus 1 x second
90% max	Up to £400,000	4.0 x	3.25 x or 4.0 x main plus 1 x second
85% max	Up to £500,000	4.25 x	3.5 x or 4.25 x main plus 1 x second
80% max	Up to £750,000	4.5 x	3.75 x or 4.5 x main plus 1 x second
75% max	Up to £750,000	4.5 x	3.75 x or 4.5 x main plus 1 x second
50% max	Up to £750,000	4.5 x	3.75 x or 4.5 x main plus 1 x second

Note: Where the borrower is purchasing a share of a Government property, the income multiple must be calculated using the borrowers share, rather than the property value.

5.3 Applicant Has Second Job

If the applicant(s) has a second job, income from that source can only be considered if:

The job has been held for at least 6 months.
 Employment can be established as permanent.

To establish the risk, full details of both jobs must be submitted as follows:

- Income.
- Length of employment.
- Nature of employment.
- Number of hours worked per week.

5.4 Number Of Applicants

Single or joint applications are considered to be the norm and multiple applicants are not usually acceptable. However, where a close family relationship exists which is likely to stand the test of time, 4 applicants can be considered.

Section 6 - Credit & Other Commitments

6.1 Introduction

Where there is an existing mortgage on another property, the full mortgage balance of the other mortgage will be used when assessing affordability.

When calculating the amount which the applicant can afford to borrow, existing financial commitments (eg: other loans, HP agreements, maintenance payments, liability for leasehold payments) will be taken into account.

The annual payments due on such commitments must be deducted from gross income before the multiplier is applied, as in the 'Example' below.

For outstanding credit card balances over £1,000 a minimum monthly payment of 3% is applied.

Example

Mr Smith earns a basic salary of £20,000 but has a personal loan of £6,000 requiring monthly payments of £50.00 and pays maintenance of £75.00 a month. The assessable income is as follows:

Basic Salary	£20,000
Less	
12 x £50.00	£600
12 x £75.00	£900
Assessable Income	£18,500

6.2 Commitment Due To Expire

Where a commitment is due to expire within 12 months from the date of the application, it will not usually be deducted from gross income, **unless** it is significant in terms of overall income.

The test of significance will normally be an annual commitment representing more than 10% of the annual gross salary.

6.3 Credit Reference Agency (*UK Residents only*)

The Society uses a credit reference agency (**Equifax Europe**) to conduct a credit search, which covers all addresses for a minimum of a 3 year period (where appropriate). **A credit search can only be carried out where the applicants are UK residents or have had a previous UK residential address in the last 6 years.**

6.4 Voter's Roll (*UK Residents only*)

If the applicant is not registered on the voter's roll, an explanation will be required and satisfactory evidence must be produced showing the applicant actually resided at the stated address (**eg**: provision of utility bills or council tax correspondence).

6.5 Credit History

Any adverse credit information will mean the application will be declined (**eg**: County Court Judgements, bankruptcy, adverse lenders/tenancy reference, etc.) unless the adverse feature is allowable within lending criteria.

For example, consideration can be given to applications where the following circumstances apply:

- One CCJ registered more than 2 years ago, where the amount is less than £500 and the debt was satisfied within 12 months of being registered.
- Where the applicant is an existing borrower with the Society with a good payment record, the limit for consideration is 2 CCJs for not more than £500 in total, registered more than 2 years ago, where the debt was satisfied within 12 months.

Section 7 - Proof of Payment

7.1 Satisfactory Conduct

The credit bureau data is utilised for UK addresses only to confirm the satisfactory payment of existing loans. However, where this data is not available, confirmation must be obtained from existing and previous lenders that loans have been conducted satisfactorily over a 1 year period.

Satisfactory evidence of payment history, showing the previous 12 months' payments, is also acceptable in the form of bank or lender's statements.

The last annual mortgage statement will be accepted as proof of mortgage payment if the year end statement date is within 6 months of the date of the mortgage application.

No verification is required for private rental payments, but 12 months' proof of payment of a company rental is required from the letting agency.

This is subject to a clean credit history over the last 3 years, otherwise 24 months' proof of mortgage or rental payment will be required.

7.2 Other Financial Commitments

In certain cases, proof of payment may also be requested, (**eg**: where other financial commitments appear to compromise the ability to repay the proposed mortgage).

7.3 First Time Buyers

Credit bureau data will be utilised as proof of payment for a 6-month period for existing personal loans, where the monthly payment exceeds £100.

Section 8 - Guarantors

ALL CASES WILL BE APPROVED BY A SENIOR MANDATE HOLDER:

GUARANTORS ARE SUBJECT TO ALL LENDING CRITERIA AND ALL CASES WILL BE APPROVED BY A SENIOR MANDATE HOLDER:

- Guarantors should be of substantial means to ensure that if they are called upon, there will be no questions of their ability to meet the commitment. The Guarantor's own income (less existing credit commitments) must be sufficient to support the **full mortgage amount** requested, plus any outstanding mortgage balance the guarantor may already have, and must be covered by income and multipliers.
- The applicant is expected to be able to afford the mortgage payment on his / her own within a reasonable period (e.g. 5 years)
- The proposal must be forwarded as a Decision in Principal to the Underwriting Team for preliminary approval before a full application is submitted.
- The applicant and the Guarantor must usually have good family ties (e.g. parent and child).
- The Guarantor is not party to the mortgage but the DEED of Guarantee is retained with the Deeds.
- The Guarantor must be advised to take Independent Legal Advice.

Other forms of Additional Security that may be taken by the Society to support a mortgage are listed below:

- Lien on investment/bank account.
- Lien on Life Policies.
- Second Charge on Guarantors Property.
- Surety on investment monies placed with the Society.
- Surety by deposit of Title Deeds of unencumbered property.

Section 9 - Loan to Value

9.1 Overview

The Society will consider loans up to 75% of the purchase price or valuation (whichever is lower) on the security of the property alone.

The advance may be increased up to a maximum of **90% of purchase price or valuation** (whichever is the lower), provided a suitable **additional security** is arranged (see Section 11 'Additional Security').

These arrangements apply to both purchases and remortgages.

9.2 Re-mortgage Up To 90% LTV

Cases up to 90% LTV can include up to £1000 for costs. Please note, the element included for costs **must** be added to the loan and the resultant value **must not** take the LTV figure over 90%.

9.3 Already Owned Properties

Properties which are already owned, but where there is no existing charge on the property, can be remortgaged, provided the loan exceeds £25,000.

9.4 Capital Raising

Re-mortgage applications loans which include a property related capital raising element (e.g., home improvements, purchase of additional land etc.) may be considered up to a maximum of 90% LTV.

Re-mortgage applications which include a non-property related capital raising element (e.g., debt consolidation, holiday etc.) may be considered up to a maximum of 75% LTV.

Capital raising for business purposes is not permitted.

9.5 Capital Raising Approval

All cases where capital raising is over £25,000 **must** be approved as 'Out of Criteria'.

Section 10 - Society Maximums

Maximum Loan	£500,000.
Maximum/Minimum Valuation	Maximum - £800,000. Minimum - £40,000.
Maximum Term	40 years. This will usually be limited in accordance with the Valuer's recommendations or applicant's circumstances.
Minimum Term	5 years.
Minimum Age	18 years.
Maximum Age	85 years at the end of the mortgage term. This is subject to satisfactory evidence showing the applicant is able to service the loan after the normal retirement age.

Section 11 – Additional Security

11.1 Panel Insurers

Where the mortgage advance exceeds the normal LTV ratio (75%), additional security is obtained. This normally takes the form of a mortgage indemnity, provided by the panel insurer.

11.2 Mortgage Indemnity Fee

The fee charged is based on the gross percentage rate multiplied by the value of cover (**ie: total loan less basic loan**).

The gross percentage rate is dependent upon the LTV band applicable.

Where a request is received to add the fee, the resulting LTV **must** remain within the product criteria.

The minimum fee is £250 and it is described as a higher lending fee.

In some circumstances the Society may take a mortgage indemnity without passing the cost on to the borrower in the form of a fee.

11.3 Other Additional Security

Other forms of additional security may also be considered, **eg:**

The surrender value of a life assurance policy. The policy does not have to be on the life of the borrower, but must be assigned to the Society. The additional security will not be assessed on any amount greater than the actual surrender value.
A charge over an investment account with the Society.

LTV	Additional Security
Up to 75%	None required (as at present).
75% - 90%	None required.
90% - 95%	MIG with calculation of basic loan from 75%.

Section 12 - Early Repayment & Arrangement Fees

12.1 Arrangement Fees

Arrangement fees vary according to the product and can be added to the advance.

12.2 Early Repayment Terms

A standard early redemption administration charge applies to all cases with the exception of loans reaching maturity. The fee is quoted on the Tariff of Charges which is reviewed annually.

12.3 Early Repayment Charges (ERC's)

Early repayment charges are calculated by the Society's Treasury Team in conjunction with Marketing Department.

ERC's must represent a genuine pre-estimate of the Society's loss if a customer elects to redeem early.

The level of any ERC will depend upon the particular product concerned.

Section 13 - Solicitor

13.1 Society's Panel

The Society operates a panel of Solicitors. Provided the Solicitor chosen to act on behalf of the applicant is on the Society's panel, the Society will also instruct the Solicitor to act on its behalf.

13.2 Maintenance of Panel's Details

The Panel is maintained locally on the LEAP system and each Solicitor has been allocated a specific code.

13.3 Unacceptable Solicitor

If for any reason the Solicitor chosen is not acceptable to the Society, then the Society's own Solicitors will be instructed to act for the Society.

Section 14 - Property

14.1 Location

The property must be situated in Gibraltar.

14.2 Criteria

- Properties must be of good quality with ready saleability. They must have a life expectancy well beyond the term of the mortgage and if there is any doubt, the property is declined.
- Older properties must be modernised to provide basic standards, including provision of a shower or bath, inside W/C and kitchen.
- Properties must be used for domestic, residential owner occupation and be the intended or main residence of the applicants.
- In certain cases, properties of unusual construction may be considered, subject to the General Manager – Management Services confirming the property represents adequate security.
- Properties converted for multiple occupation are **not acceptable**.
- Ex-Government own properties are acceptable where no re-sale restrictions in the event of a property coming into possession exist.
- The purchase of a share of a Government property (Gibraltar Shared Ownership), will be considered up to 85% of the discounted purchase price. A maximum LTV of 85% is in place.
- New-build properties, without a kitchen, will be considered providing that the valuation is carried out based on the current condition.
- New build properties without a long-term new-build guarantee will be acceptable where the Government supports the development.

4.3 Release of Retention Policy

Following an inspection by a qualified valuer, a recommendation may be for works to be undertaken. Prior to the receipt of specialist reports or confirmation that works have been done, a retention may be recommended. Where the retention is low in comparison to the advance and we have sufficient equity, we will agree to waive retention in accordance with the matrix below.

Valuation of Property	Retention to be Waived	Max Loan to Valuation (LTV)
Less than £50,000	Up to £2,000	80%
Greater than £50,000	Up to £4,000	80%

4.4 New Properties

Architect's Certificates may be accepted, providing they are signed by a qualified:

Architect, who is a corporate member of the Royal Institute of British Architects.
Chartered Building Surveyor, who is a corporate member of the Royal Institution of Chartered Surveyors.

Evidence of appropriate current professional indemnity insurance will be required and **the certificate must be for the benefit of the borrowers**. The Architect must confirm that he has supervised the whole project.

4.5 Right to Buy

The discounted purchase price will be the maximum loan and additional lending is not allowable. Legal fees may be added up to a value of £500.

Right to Buy applications must be submitted with a the:

- Right to Buy documents, showing details of the discounted price and confirming the eligibility of the applicants;
- A landlords reference or suitable alternative evidence of rent payments.

Section 15 - Tenure

15.1 Overview

Freehold and leasehold properties are normally acceptable.

15.2 Leasehold Flats & Maisonnettes

Leasehold flats and maisonnettes are acceptable if they comply with the following criteria:

- At least 30 years unexpired lease remains at the end of the mortgage term.
- Variable ground rent increases are fixed by the lease at the outset and reviews (which must be reasonable) are at intervals of 21 years or more.
- Ground rent increases are tied to the market value of the property and the terms of the lease are acceptable.
- Ground rent reviews tied to the retail price index are unacceptable.
- Modern high quality conversions with a minimum floor area of 60sq metres are acceptable.
- Freehold flats, freehold maisonnettes and flying freeholds are not acceptable.

Note: ‘Virtual freehold’, i.e. with leases in excess of 500 years, are acceptable.

Section 17 - Repayment Types

17.1 Overview

The 3 repayment types are as follows:

- Capital and Interest.
- Endowment.
- Interest Only.

The mortgage statement will advise the customer on an annual basis of the type of mortgage repayment they have selected.

A combination of methods can be arranged to suit the applicant's specific requirements, as follows.

17.2 Capital & Interest

Monthly payments consist of capital and interest and repay the amount advanced with interest charged over the term of the mortgage.

Applicants are recommended to ensure appropriate life assurance cover is taken out (eg: mortgage protection insurance).

17.3 Endowment

A life assurance policy is arranged independently.

When the life assurance policy matures, the proceeds are designed to repay the loan and surplus is paid to the policyholder.

The Society does not insist on the Endowment Policies being assigned.

17.4 Interest Only

The Society only accepts two types of repayment strategies. One using an savings/investment vehicle and the other through the sale of property.

Where the repayment strategy is an investment/savings vehicle the max LTV is 75%. Any additional lending, above the 75% LTV maximum, can be advanced on a capital and interest basis up to 85%.

Where the repayment strategy is the sale of property the max LTV is 50%.

Where an investment based vehicle is / will be in place, a basic check is required to be undertaken by the underwriter to confirm that the estimated maturity value of the repayment vehicle provided, is at least 100% of the loan amount. The underwriter is not required to comment on the suitability / appropriateness of the vehicle or the calculation of the estimated value provided by the applicant. Where, from this check, a shortfall is identified, the loan or shortfall element must be advanced on either a capital and interest basis, or the shortfall made up by means of increasing the deposit required (reducing the maximum LTV).

Examples of acceptable saving / investment repayment vehicles are listed below: (although please note that this list is not exhaustive):

- Endowment.
- Annuity lump sum.

- Investment lump sums.
- ISA.

Applicants are made aware in the offer of advance and on their annual statements to ensure that adequate arrangements are in place to repay the loan amount at the end of the mortgage term and that investment vehicles are not assigned to the Society.

In addition, the applicants will be required to complete a declaration as part of the offer documentation.

Monthly payments consist entirely of interest. .

Applicants are advised to take out life assurance (**i.e.**, level term assurance to ensure the mortgage is repaid in the event of death). Such policies are not assigned to the Society. The details of the repayment vehicle are obtained on the application form but are not verified by the underwriter.

Applicants are made aware in the offer of advance and on their annual statement that it is their responsibility to ensure that an adequate repayment method is in place. Applicants are free to select their own repayment vehicle, which is not assigned to the Society.

Section 18 - Second Properties

18.1 Applicant's Contribution

The applicant must always be required to contribute 5% of the purchase price from their own resources (**ie: the applicant must always have a personal stake in the property**). If this is not the case, the application cannot be considered.

Note: Right to Buy applications are excluded.

18.2 Second Properties

Applications where the applicant intends to retain a second property can be considered.

Applications of the nature can be considered, providing that the applicant can demonstrate an ability to support both mortgages. (Note: the full outstanding balance of the second property must be used when calculating affordability.)

18.3 Concessionary Purchase Price

The Society will accept a purchase price below the valuation where it can be clearly demonstrated that there is a bone fide reason for a concessionary purchase price to be given, e.g. sale within a family or discounted Right to Buy Local Authority purchase.

Section 19 - Dishonesty, Undue Influence & Convictions

19.1 Joint Mortgages

Caution must be exercised in relation to certain joint mortgage transactions where the purpose of the loan would seem to be significantly more beneficial to one party than to the other (**eg**: a remortgage raising capital to repay a partner's debts).

In such cases, both applicants should be interviewed to ensure:

- Each party is fully aware of the liabilities resulting from the loan.
- Either applicant has not been unduly influenced or made misrepresentations to the other, to obtain the advance.

If there are any doubts about the application in this respect, each applicant must be advised to seek **independent legal advice**.

19.2 Convictions

Cases will not be considered where the applicant has disclosed any convictions other than those which are spent under the Rehabilitation of Offenders Act 1974, or any pending prosecutions:

Relating to any aspect of dishonesty, such as theft, robbery, fraud or arson. Which may have a bearing on the borrower's future employment or the likely conduct of the mortgage account.

19.3 Residency

Applicants must:

- Be UK, Gibraltar or Spain tax payers.
- Have been in the UK, Gibraltar or Spain for 2 years, unless:
- They have been in service abroad with HM Forces.
OR
- They have been employed by a UK based or internationally known employer and are still with the same company.
AND
- Their family will be resident in the property.

19.4 Proof of Occupancy (Gibraltarians)

If proof of occupancy is not available at a current or previous address where the applicant has been resident for less than a 6 month-period, this requirement may be dispensed with at the discretion of the underwriters. This is provided that all other aspects of the application are satisfactory.

Proof of occupancy is not required for existing Society borrowers or where a satisfactory lender's reference is obtained, in conjunction with a re-mortgage transaction.

Examples of proof of occupancy is:

- National ID card;
- Bank, Building Society or credit card statements;
- Utility bills; and
- Inland Revenue Correspondence.