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Introduction

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 rational for the decision is recorded on the system.

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

- Directly.
- OR
- Via Mortgage Introducers

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.

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:

<table>
<thead>
<tr>
<th>Level</th>
<th>Advice Given</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>The customer makes his own choice without advice.</td>
</tr>
<tr>
<td>Two</td>
<td>The advisor presents the products available but offers no advice to the customer.</td>
</tr>
<tr>
<td>Three</td>
<td>The advisor provides the recommendation on the most appropriate product after assessing the customer's needs.</td>
</tr>
</tbody>
</table>

- The level of advice given is stipulated on the mortgage offer.
- The decision to lend will be based on the borrowers’ ability to repay;
- The rationale for any decision to lend (particularly where this falls outside the Society’s lending criteria) will be retained against the system based mortgage application.
## High Level Lending Criteria

<table>
<thead>
<tr>
<th>Lending Area</th>
<th>Maximum Loan to Value</th>
<th>Summary of Lending Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower’s credit quality</td>
<td>90%</td>
<td>Prime lending is defined as lending where no current or previous adverse has been reported.</td>
</tr>
</tbody>
</table>
| Right to Buy                       | 90% of the discounted purchase price | The discounted purchase price will be the maximum loan. Submitted with the application will be:  
• ‘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. |
| 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:  
• 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.  
• Capital and Interest repayment only  
The lease must allow for the Society in the event of possession to take full vacant possession. |
| Re-mortgages                       | 90%                   | Cases up to 90% LTV can include up to £1000 for costs that are included in the LTV calculation.                                                                                                                                     |
| Interest Only                      | 50%                   | Savings / Investment repayment strategy.                                                                                                                                                                                                 |
|                                     | 50%                   | Sale of Property repayment strategy.                                                                                                                                                                                                 |
|                                     |                       | Not available when lending into retirement                                                                                                                                                                                                 |
| Capital Raising                    | 90%                   | Re-mortgage applications and homeowner loans which are for 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. |
A summary of the Society's minimum and maximum criteria is given below:

**Society Maximums**

<table>
<thead>
<tr>
<th>Maximum/Minimum</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum Loan</strong></td>
<td>£500,000</td>
</tr>
</tbody>
</table>
| **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        |
| **Maximum Age**         | 75 years at end of mortgage term |
| **Minimum Age**         | 18 years       |
Repayment Types

The 2 main repayment types are as follows:

- Capital and Interest;
- 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; however, a maximum LTV of 50% is in place where any element of the loan is on an interest only basis.

Capital and Interest

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

Interest Only

Monthly payments are interest only, supported by an adequate repayment vehicle.

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

Where the repayment strategy is an investment/savings vehicle the max LTV is 50%.

Where the repayment strategy is the sale of property being mortgaged the max LTV is 50% and must have at least £150,000 equity in the property.

Interest only lending is not available into retirement.

Examples of acceptable saving / investment repayment vehicles (which must be in place for 12 months before mortgage) are listed below:

Regulated investments - Endowments

Verification of the expected pay out to be evidenced through a statement, dated within the last 12 months, using the central projection of the expected final fund.

---

1 Lending into retirement is defined as any loan term that extends beyond the applicants stated retirement age or 70 years, whichever is earlier, if not known state pension age is used.
Pensions

Verifications, of a lump sum payment, to be through statement dated within the last 12 months. This can be to a maximum of 25% (the maximum allowable lump sum withdrawal) of the expected pension pot, based on the central estimates provided.

General savings & investments (including ISA, stocks and shares, unit trusts, investments trusts)

The general saving / investment balance must be equal to or greater than the loan amount, this is evidenced via statements or certificates, dated within the last 12 months.

Applicants’ with existing savings or investments balances to be supplemented by on-going monthly savings will be considered. An assessment will be undertaken by Mortgage Lending to establish if the declared existing savings or regular monthly savings amount is a plausible repayment strategy. Applicant to provide previous 12 month history of the monthly payments (if these vary then an average could be considered).

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.

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.

The sales process adopted by branches and Direct Mortgages seeks further clarification of the repayment strategy to be used by the borrower, (and this is flagged as a high or medium risk and may result in a referral to a Financial Consultant) but does not comment on the adequacy of this.
Borrower

Credit Search (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.

Definition of Prime

Acceptable borrowers are defined by the Society's definition of prime, which is given below:

- No missed mortgage payments in the last 12 months;
- No arrears on any previous (or current) unsecured loan (including credit / store cards, mail order credit and mobile phone contracts) within the last twelve months, where the cumulative amount overdue at any point reached more than one monthly payment;
- No arrears on any loan (unsecured or secured including credit / store cards, mail order credit and mobile phone contracts) within the last three years, where the cumulative amount overdue at any point reached more than two monthly payments;
- No arrangements on any loan (secured or unsecured including credit / store cards, mail order credit and mobile phone contracts) within the last three years.
- No more than one county court judgements (CCJs) or default, which must have been satisfied within 3 months of issue, with a total value not greater than £500, within the last four years;
- Unsatisfied CCJs / defaults are not acceptable.
- Not being subject to an Individual Voluntary Arrangement (IVA) unless discharged over six years ago;
- Not being subject to a Bankruptcy Order unless discharged over 6 years ago;
- Not being subject to a previous property possession within the last six years.
Income Multipliers

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 exist which is likely to stand the test of time, up to 4 applicants can be considered.

Current Income Multiples - Standard Lending

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>LTV</th>
<th>Single (Up to)</th>
<th>Joint (Up to)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £500k</td>
<td>80% max</td>
<td>4</td>
<td>3.75 x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>or 4.5 x main plus 1 x second</td>
</tr>
<tr>
<td>Up to £500k</td>
<td>85% max</td>
<td>4.25 x</td>
<td>3.5 x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>or 4.25 x main plus 1 x second</td>
</tr>
<tr>
<td>Up to £400k</td>
<td>90% max</td>
<td>4.0 x</td>
<td>3.25 x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>or 4.0 x main plus 1 x second</td>
</tr>
<tr>
<td>Up to £300k</td>
<td>95% max</td>
<td>3.75 x</td>
<td>3.00 x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>or 3.75 x main plus 1 x second</td>
</tr>
</tbody>
</table>
Verification of Identity

If the applicant is an existing borrower with the Society, proof of identity may not be required.

Identity Required

The Money Laundering requirements as agreed from time to time will be adhered to. For specific details please see the Financial Crime Guidance Notes maintained by the Society’s Financial Crime Department.

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.

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.

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).

Proof of Occupancy

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 all other aspects of the application are satisfactory.

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

Please refer to the FCT approved occupancy list for further details.
Fraud Checks

All applicants are required to provide proof of identity and address.

At all stages of mortgage application processing, the Society is alert to the possibility of mortgage fraud. Extensive systems and controls are in place to protect the Society against financial crime.

In the event that a potential fraud is discovered, the mortgage application or mortgage file is passed to the Financial Crime Team for further investigation. The Financial Crime Team produces a report for members of the Senior Management Team on a quarterly basis.

Dishonesty, Undue Influence & Convictions

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 (e.g., a remortgage raising capital to repay a partner’s debts).

In the case of Joint Mortgages, 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.

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.
Employment Status

Employed Requirements

- Be in 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.

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.

Applicants with a 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 covering the:

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

Self Employed applicants will be considered:

- With increasing profits.
- With variable profits. However, applicants must have three years’ accounts available together with a improving projection. Applications of this nature are restricted to a maximum loan to value of 80%.
- Self-employed applications reporting a downward trend in net profits are not acceptable.

Sole Traders/ Partnerships

Gross income will consist of net profit (or a share of net profit for a partnership).

Directors of Limited Companies

Directors of limited companies with a minimum shareholding of 25% will be regarded as self-employed applicants. The income multiplier will be applied to the average of the last 3 years Directors salary plus dividends.

Directors of limited companies with a shareholding of less than 25% will be regarded as employed and income will be assessed as such, through payslips to evidence salary, dividends and other income.

Provision of 3 Years’ Accounts

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

If the Accountant is not a member of one of the bodies listed below, original Self-Assessment forms issues by the Inland Revenue (SA302) certified by the branch/ introducer are required.

Acceptable Accountancy 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.
2 Years Trading Accounts

If 3 years accounts are not available due to the length of trading, then the average of the last 2 years net profit figure, 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.

1 Years Trading Accounts

Cases where the LTV does not exceed 80% a only 1 years full accounts are available, due to the length of trading, may be considered. The average of the 1 years net profit figure and up to 100% of a satisfactory projection may be acceptable, providing the accounts reflect an improving position.
Gibraltar External Lending Guide – September 2013

Lending into Retirement

Lending into retirement is defined as any loan term that extends beyond the applicants stated retirement age or 70 years, whichever is earlier, if not known state pension age is used.

Criteria:

Applicants who are borrowing into retirement are restricted to a maximum term of 25 years and Capital and interest repayment

Pension Income Requirements

Applicants who are borrowing into retirement, who are within 20 years of their stated retirement age or 70 years, whichever is earlier, are required to provide proof of pension income to substantiate the loan, in addition to the usual checks based on current income. Affordability will be assessed based on the lower of earned or pension income.

Management Notes:

1. Where the applicants required term extends beyond retirement (earliest of the stated retirement age or 70 years) but they are not within 20 years of retirement (earliest of the stated retirement age or 70 years), a Lending into Retirement Declaration Form will be required to be completed.

2. There is no change to the Society’s current position not to accept Shared Ownership / Shared Equity applications where the loan term extends beyond the applicants stated retirement age, or 70 years whichever is earlier.

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

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

Additional Income Necessary to Support Loan

Where additional income is necessary to support the loan (e.g. pension income) proof will be required of that income. The following will be considered:

• 100% of pension income (private and/or state pension).
• Guaranteed pension credits.
Guarantors

GUARANTORS ARE SUBJECT TO ALL LENDING CRITERIA AND A SENIOR MANDATE HOLDER WILL APPROVE ALL CASES.

Guarantors will be subjected to the normal rules regarding the Society's maximum age

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 multipliers.

The applicant is expected to be able to afford the mortgage payment on his / her or their 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.
Underwriting Requirements

Primary Income

Primary income is defined as basic salary, plus the following:
• Large town allowance.
• Rent allowance.
• Mortgage subsidy (100%)
• Self-employed income (including dividends).
• Pension income.

Other Income

The maximum amount of other allowable income must not exceed 100% of household primary income. Other income is defined as:

• Commission.
• Bonus / Overtime (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)
• Shift Allowances.
• Support Group Disability Allowance.
• Rental Income (The use of net rental income can be considered).
• Car Allowance.
• Maintenance.
• Saving Income (assessed on a case by case basis).
• Guaranteed Pension Credit

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:

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Amount</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overtime/Bonus/Shift Allowance</td>
<td>100%</td>
<td>If guaranteed.</td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td>If regular.</td>
</tr>
<tr>
<td>Commission</td>
<td>50%</td>
<td>If regular/guaranteed.</td>
</tr>
<tr>
<td>Support Group Disability Allowance</td>
<td>Up to 100%</td>
<td></td>
</tr>
<tr>
<td>Mortgage Subsidy/Rent Allowance</td>
<td>100%</td>
<td>If guaranteed.</td>
</tr>
<tr>
<td>London/Large Town Allowance</td>
<td>Up to 100%</td>
<td></td>
</tr>
<tr>
<td>Car Allowance</td>
<td>Up to 100%</td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>50%</td>
<td>If confirmed.</td>
</tr>
</tbody>
</table>

Senior Mandate Holders have discretion to utilise up to 50% 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 50% 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 and Bank statements.

Benefits in respect of childcare costs are not to be included within allowable income.
Requirements for third party references

Employment References

Where an employer’s reference is obtained, replies must be in response to the Society’s written requested, validated by the employer’s company stamp and addressed to the Society, confirming the following:

- 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 help for applicant

Credit & Other Commitments

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 that the applicant can afford to borrow, existing financial commitments (e.g., other loans, HP agreements, student loans, maintenance payments, liability for leasehold payments, maintenance lease, ground rent and service charges.) will be taken into account.

The annual payments due on such commitments must be deducted from gross income before the multiplier is applied.

Example Calculation

Mr Smith earns a basic salary of £20,000, but has a personal loan of £6,000 requiring monthly payments of £50 and pays maintenance of £75 a month.

The assessable income is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Salary</td>
<td>£20,000</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
</tr>
<tr>
<td>12 x £50</td>
<td>£600</td>
</tr>
<tr>
<td>12 x £75</td>
<td>£900</td>
</tr>
<tr>
<td><strong>Assessable Income</strong></td>
<td><strong>£18,500</strong></td>
</tr>
</tbody>
</table>

Therefore, the amount which can be borrowed = (£18,500 x 3.25 x income = £60,125)
Credit Card Agreements

Where the aggregate of all outstanding credit card balances is over £1,000 a minimum monthly payment of 3% is applied.

Example:

Outstanding balance of credit card = £2,000
Monthly repayment \( \times 3\% = £60 \)
\( \times 12 = £720 \)

In this example the total amount to be deducted from gross income before the multiplier is applied would therefore be £720.

Commitment Due to Expire

Where a credit 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

Overdrafts

Overdrafts will be assessed by a mandate holder, where the current account has / or had in the previous 12 months, an unauthorised overdraft. The underwriter will use their judgement in these instances and reserves the right to request further information in order to underwrite the application.

Other Financial Commitments

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

Proof of Payment

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.
Loan to Value

Introduction

The Society will consider loans up to 90% of the purchase price or valuation (whichever is lower) on the security of the property alone.

Remortgage

Remortgage Exceeds 75% LTV

The full purpose of the loan must be stated and it is essential a full breakdown of the use of all the monies is given on the application form.

Where the remortgage exceeds 75% LTV, the loan must comply with the following criteria:

- The advance must be used to redeem existing mortgage(s) secured on the property.
- An additional sum may be applied for to:
  - Repair, improve or extend the property.
  - Purchase the freehold interest.
  - Purchase land adjoining the property.
  - Purchase the equity of a spouse or partner.
- Capital Raising (non business purposes)

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%.

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.

Capital Raising

Re-mortgage application loans that are for a property related capital raising purpose (e.g., home improvements, purchase of additional land etc.) may be considered up to a maximum of 90% LTV.

Capital raising for business purposes is not permitted.

Applications for capital raising are only considered where the property is first class and normally ex-local authority properties, back to back houses or studio flats are not acceptable.
All cases where capital raising is over £25,000 must be approved as ‘Out of Criteria’.

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 the following:
- 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

Applicant’s Contribution

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

Second Properties

Applications where the applicant intends to retain a second property in the UK or Spain, can be considered up to a max LTV of 80%.

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

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.
Acceptable types of Security

Criteria

The criteria for property is as follows:

- The property must be situated in Gibraltar.
- 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.
- Properties converted for multiple occupation are not acceptable.
- Ex-Government owned 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.
Tenure

Freehold and leasehold properties are normally acceptable.

Leasehold Flats and Maisonettes

Leasehold properties are acceptable but must 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 and freehold maisonettes are not acceptable.
- Flying freeholds are not normally acceptable; however, these may be considered where the valuer states that the re-saleability is unaffected and where a relatively small part, of parts, extends over an adjoining property

Note: ‘Virtual freehold’, i.e. with leases in excess of 500 years, are acceptable.
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 a retention in accordance with the matrix below:

<table>
<thead>
<tr>
<th>Valuation of Property</th>
<th>Retention to be Waived</th>
<th>Max Loan to Valuation (LTV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £50,000</td>
<td>Up to £2,000</td>
<td>80%</td>
</tr>
<tr>
<td>Greater than £50,000</td>
<td>Up to £4,000</td>
<td>80%</td>
</tr>
</tbody>
</table>

Valuations

The Society must carry out an assessment of the value for all properties that provide security for mortgages. The Society outsources its arrangements for obtaining a reliable security valuation. A formal process is in place to manage any proposed changes to Panel appointments.
Insurance

The Society requires, as a minimum, an appropriate building insurance policy to be in place. The buildings and combined buildings and contents insurance premium is based on the Society’s valuer’s estimated reinstatement cost, in accordance with the Royal Institute of Chartered Surveyors guidelines and the geographical location of the property.

The Society recommends that a life insurance product be in place.

The Society recommends that all capital and interest mortgages be supported by appropriate mortgage protection policies (i.e., a decreasing term assurance policy).

In addition, where interest only mortgages are arranged, the Society recommends that suitable arrangements are made to repay the advance either in the event of death, or at the end of the mortgage term i.e. a level term assurance policy in the event of death.

The Society actively encourages mortgage applicants to protect their mortgage payments in the event of unemployment, accident or sickness resulting in an inability to work for a specified period.
Solicitors

The 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.

Unacceptable Solicitor

If for any reason the Solicitor chosen is not acceptable to the Society, then an approved Solicitor will be instructed to act for the Society.

Criteria

All firms need to comply with the following:

• To be a two partner plus firm (exemptions in Scotland and Northern Ireland).
• To have fireproof cabinets or strong rooms to store deeds.
• To have computerised accounts.
• To operate a client account.
• Need not to have their indemnity insurance through the Law Society assigned risks pool (this does not exist in Scotland and Northern Ireland).
• To have indemnity insurance via a qualifying insurer.
• Need to have a minimum cover of at least £2m (£3m for LLP’s) of professional indemnity cover.

We accept applications from limited companies and / or limited liability partnerships (LLP’s) so long as either has more than one director.

If a partnership changes to a sole practitioner they are removed, from the panel.
Early Repayment and Arrangement Fees

Arrangement Fees

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

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.

Early Repayment Charges (ERC)

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

ERC 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.