

Home Loans

Pre-contractual Information

Pre-contractual information for obtaining a Home Loan from Bank of Valletta p.l.c.

The purpose of this document is to provide you with an understanding of what obtaining a Home Loan entails. Once you read this document, you should feel comfortable with the process, requirements and responsibilities associated with a Home Loan. You will also know what you can expect from the Bank to support you in achieving your goal of owning your own home.

This document is issued by Bank of Valletta p.l.c. (Registered Office: 58, Zachary Street, Valletta; Registration Number C2833) through its branch network in Malta and Gozo.

THE PURPOSES OF A HOME LOAN

A home loan (sometimes also called “mortgage”) is provided by the Bank to assist you to purchase, build, finish, rebuild, alter or improve a home or a second residence, or to refinance an existing home loan.

There are no set minimum or maximum amounts for a home loan. The property being financed is to be located in Malta.

TYPES OF HOME LOANS

The typical home loan is denominated in Euro, repayable over a maximum period of 40 years or retirement age, whichever comes first.

The typical home loan is charged at a variable interest rate, which means that the interest rate is quoted as a margin over the Home Loans Bank Base Rate. The Home Loans Bank Base Rate is the basis, as established by the Bank, from time to time, on which the rate of interest payable generally on all home loans is determined.

The Bank may also offer fixed interest rate home loans, where the rate of interest would not change during the agreed fixed period unless the Customer opts out against payment of an applicable fee.

A typical home loan is repayable in equal monthly instalments for the loan’s duration, however the Bank can also cater for different repayment periods well as home loans denominated in a foreign currency in accordance with customer’s needs. Customers are advised that they are subject to Exchange Rate risks when dealing in foreign currency accounts. The Exchange Rate risk is the risk associated with an exposure due to changes in exchange rates when converting funds between different currencies.

All the conditions under which the Bank is prepared to lend will be contained in a document entitled the “Sanction Letter”. The Sanction Letter outlines the obligations of the Bank, as well as of the Customer, associated with the Home Loan, and includes all terms and conditions that bind the Bank and the Customer.

LOAN REPAYMENTS

The typical Home Loan is repayable in equal monthly instalments over the period of time for which the home loan is granted. These monthly repayments include interest on the loan as well as a portion of the capital. Loan repayments are to commence one month following the first loan drawdown, unless otherwise agreed.

Unless the Customer is self-employed, a direct credit of salary to a current/savings account is required and repayments are to be effected by means of a Standing Instruction.

PROPERTY VALUATION

The Bank will request a valuation of the property from an architect of your choice. In certain circumstances, the Bank may also require the property to be valued by an architect appointed by the Bank.

FORMS OF SECURITY

As security covering the Home Loan, the Bank requires three forms of security:

1. Legal hypothecs, which provide the Bank with a legal right over the property being financed;
2. A pledge on a life assurance policy that covers the amount of the loans from an Insurance Company acceptable to the Bank;
3. A pledge on property insurance.

In certain circumstances the Bank will also require additional security, such as, a personal guarantee by a third party or a pledge on deposits/investments, either belonging to the Customer or to a third party.

RELATED COSTS

It is important for you to be aware of the costs and fees related to the setting up of a Home Loan so as to plan accordingly.

As part of this package we are providing you with separate detailed information with regards to these costs. Furthermore, the fees charged by the Bank can be found in the Bank's Tariff of Charges, a copy of which can be obtained from any of our branches. The third party fees referred to hereunder are not levied by the Bank but directly by the third party concerned. The Bank has no control over the amount payable to, or charged by, third parties.

Generally, the following fees are associated with a Home Loan:

Bank Fees –

- Mortgage Processing Fees – charges associated with processing the Home Loan, payable upon issue of Sanction Letter;
- Legal Fees – pre-deed and post-deed vetting charges, as well as any out of pocket expenses, payable upon signing of contract;
- Drawdown Extension Fees – fees for the extension of the funds drawdown date originally stipulated in the Sanction Letter, payable only if, and when, the customer needs to extend the contract date or the completion of the property;
- Updating of searches – fees for periodic updates of Public Registry searches of title, payable during the term of the loan.

Third Party Fees –

- Public Registry Fees – payable upon registration of title of property and hypothecs;
- Land Registry Fees – (if applicable) for properties in land registration areas;
- Stamp Duty – payable to the Commissioner of Inland Revenue upon purchase of property;
- Notarial Fees – payable upon signing of contract (including fees for conservation of the special privilege, if applicable, and cancellation of hypothecary charges);
- Architect's Fees – payable for the valuation of the property and the estimate of finishing costs where applicable;
- Life Assurance and Property Insurance premia – payable prior to signing of contract, and annually thereafter.

TAX RELIEF ON HOME LOAN INTEREST OR PUBLIC SUBSIDIES

Should you wish to obtain information on tax relief on home loan interest, if any, you are kindly requested to contact the Department of Inland Revenue, and should you require any information on the possibility of public subsidy you are requested to contact the Housing Authority.

DOCUMENTS REQUIRED

To make an enquiry as to how much you can borrow you will only need to take a copy of the last FS3 and three recent payslips (Income Tax Returns for the last three years if you are self-employed). You may ask for a quotation once you know how much you can, or need, to borrow.

To apply for your home loan you will need:

- I.D. Card/s or passport/s;
- Evidence of income, FS3 forms and/or tax returns (as the case may be);
- Records of any investments, life assurance policies and other assets, as well as three-year statements of your bank accounts, if you bank with other institutions;
- Records of any financial commitments such as existing personal loans, credit cards, etc.;
- Architect's property report and valuation;
- Architect's estimate of costs (where applicable);
- Building permits, layout plans and site plans (where applicable);
- Preliminary agreement/deed of acquisition/deed of donation;
- Ground rent receipts (if applicable);
- In the case of non-residents, copies of evidence of income, settled utility bills, Bankers reference, Bank statements (including savings and credit cards).

FURTHER INFORMATION

Additional information is provided in the Enquiry Form, and/or the European Standardised Information Sheet, upon your request for a quotation for your home loan.

It would be our pleasure to be of assistance and to support you in the purchase of your new home, so, if you need any further clarifications, or explanations of the process, please do not hesitate to ask us. We look forward to being of service to you.

THE ACQUISITION PROCESS

At Bank of Valletta we know that the purchase of a new home requires careful consideration. In order to facilitate this process, we offer professional assistance for you to find the most appropriate financial option that best suits your needs and requirements.

Your first step towards acquiring your own property is to call at any of our Branches for an **Enquiry**, to establish what loan amount you can afford, or for a **Quotation** if you already know which property you will be purchasing or what loan amount you require.

Once you have chosen your property, you will sign the **Preliminary Agreement**, also known as the Promise of Sale (Konvenju). This normally requires a deposit of the purchase price (usually 10%) as well as payment of 1% provisional Stamp Duty for the registration of the agreement at the Inland Revenue Department. Preferably, your preliminary agreement includes a clause stating that the agreement is subject to your obtaining a bank loan.

Your next step would be the **Home Loan Application**, which requires the submission of a number of documents to enable the Bank to start processing your loan.

Upon approval of your Home Loan, the Bank issues a **Sanction Letter** which includes all terms and conditions governing the facility. The Bank's processing fees are payable on issuance of the Sanction Letter. A copy of the letter is to be handed to your Notary so that the relative searches regarding title of property/seller/buyer are initiated.

You are then required to provide a pledge on a **Life Policy** with a sum assured equivalent to at least the home loan value, as well as a pledge on **Building Insurance Policy** covering the property being financed.

Once the above documents have been presented to the Bank and the required security found to be in order, the Bank gives its Legal Office the **Go Ahead** to proceed with the publication of deed.

The **Deed of Sale** is the agreement between the seller and the buyer, in which the property title is transferred onto the buyer. The Bank appears on the deed to take the property as security, known as hypothec. During the Deed of Sale process, the Bank will affect a loan drawdown and the proceeds are handed to the seller in full settlement of the purchase price. If your Home Loan includes financing completion works, funds are to be drawn against invoices after the deed.

The final steps involve the **Registration of Hypothecs and Transfer of Titles**. These are effected by your Notary within 15 days of the deed of sale at the Public Registry of Malta. At this stage the legal title of the property is transferred onto your name.

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Issued by Bank of Valletta p.l.c., 58, Triq San Żakkarija, Il-Belt Valletta VLT 1130 - Malta.

Bank of Valletta p.l.c. is a public liability company regulated by the MFSA and is licensed to carry out the business of banking in terms of the Banking Act (Cap. 371 of the Laws of Malta)

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