



## Requirements for a Mortgage Loan

As part of our continuing efforts to provide Financial Literacy for all, East Caribbean Financial Holding Company Limited parent company of Bank of Saint Lucia Limited, Bank of Saint Lucia International Limited, EC Global Insurance Company Limited, Property Holding and Development Company Limited and Mortgage Finance & Company Limited, will be featuring a weekly column entitled “Money Talks”. Money Talks seeks to highlight some of the issues and try to provide guidance on financial matters. This week’s topic is “Requirements for a Mortgage Loan”.

We all have dreams of owning a home. These dreams however, always leave out the “how-to” of acquiring that dream home. While some persons may be more fortunate in inheriting a home most usually have to visit the bank. For a first time homeowner this may be a daunting task and in this issue we will provide some guidance on the requirements for processing a mortgage loan and some associated costs. Documents required include the following:

1. Recent salary slip and job letter
2. Copy of Land register- must be recent
3. Copy of survey plan
4. Approved plan from Development Control Authority (DCA)
5. Contractor’s estimate cost of construction
6. Certification letters from:
  - a) Inland Revenue Department
  - b) National Insurance Corporation
  - c) Property Tax Department

**If you are purchasing an existing property then you will need the following**

- Vendors letter-stating the selling price
- Valuation from certified Quantity Surveyor for land and building.

There are also some costs associated with the mortgage applications. The usual costs associated with processing a mortgage are as follows:

- Commitment fees
- Legal Fees
- Vise Fees
- Hazard Insurance
- Life Insurance



### **Commitment Fees**

Commitment fees are essentially an administrative fee which the Bank will charge for processing the loan. It is calculated on the amount borrowed not on the value of the mortgage.

### **Legal Fees**

Legal costs are broken down into two components

- Disbursement fees are made up of Government Stamp Duty and Registry Fees. Stamp duty is the value of stamps that is required on the documents to make it a legal agreement. This amount is not negotiable as it is a requirement dictated by law. The amount that is required per agreement is clearly stated. For land purchases stamp duty charged is 2% of the purchase price while for mortgages it is 25% of the price; Registry Fees are fees paid for registering the documents in the registry
- Lawyers Fees – fees charged by the lawyer for preparing the documents.

### **Vise Fees**

These are fees charged by the bank to a customer for the bank's lawyer to vet (examine) the documents and ensure that the information it contains is accurate

### **Hazard Insurance**

On commencement of construction it is very important that the homeowner get hazard insurance. This insurance covers the site against such events as earthquakes, floods hurricanes etc, during the period of construction.

### **Life Insurance**

Finally, it is very important every homeowner has life insurance. In the event that one passes on Life Insurance would assist in ensuring that our surviving love ones are not unnecessarily burdened.

To assist you the homeowner in financing your first home Bank of Saint Lucia Limited offers a savings account aptly titled the Home Start Account. This account can be started with a minimum of \$100.00, and earns interest at a higher rate to the regular savings account. Customers can use the funds saved to meet the initial deposit on the mortgage. Some of the benefits of opening this account include concessionary interest rates on



mortgages and also up to \$6000.00 tax relief annually. Also at the time of taking the mortgage the prospective homeowner would enjoy reduced legal fees and pay no stamp duty on their mortgage.

Building or buying a home is one of the biggest, if not the biggest investment in your life so you must ensure that you are adequately prepared with professional advice from the experts. If you have any questions feel free to call 456-6000 or send an email to [moneymatters@ecfh.com](mailto:moneymatters@ecfh.com).