

Mortgage Financing

When applying for a residential mortgage loan, the prospect purchaser would need the following information:

- Sources of income
- Documents required to process loan
- Loan criteria
- Closing charges
- Interest rates
- Terms of loan

SOURCES OF INCOME

When you're applying for a residential mortgage, the first step is to present evidence of your income. If your spouse is also employed, she/he will also have to do the same.

Income may be classified as:

- Salary (certified by employer)
- Profit from business (substantiated by financial statements)
- Commissions
- Investment income (e.g. Mutual fund investments, stocks and shares)
- Income for property rentals
- Traveling and cost of living allowances

The reliability of your earnings will be assessed primarily to establish that there is a sustained level of income to meet the mortgage payment.

Self-employed persons need to have their books audited by a registered accountant for at least two years. In addition, your net worth is assessed and you are to provide a list of your assets and liabilities.

Assets Liabilities

- Cash in hand or in the bank Outstanding Loans
- Stocks & Bonds Outstanding credit card balances
- Mutual Funds Mortgages
- Land Money you owe people
- House
- Household items
- Money people owe you

DOCUMENTS REQUIRED TO PROCESS LOAN

- Identification (Passport or ID Card)
- Job Letter
- Most recent pay slip
- Statement of savings/Bank statement
- Proof of source of Deposit
- Insurance (Fire/Life/Hazard) if applicable
- Mortgage Indemnity Insurance (if applicable)

LOAN CRITERIA

Permanently employed for at least (2) years or qualified professional

Citizen of Trinidad and Tobago

Mortgage instalment -- not to exceed 30% of income

Debt servicing ratio (i.e. mortgage payments plus all other loan payments) -- not to exceed 40% of income

CLOSING CHARGES

In addition to the 10% deposit, you would also need an additional 3%-5% of the value of the property to cover closing charges and fees attached to mortgage loan transaction.

The breakdown as follows:

- First month's instalment
- Application fees
- Management fees

- Title Search fees
- Legal fees
- One year's fire/hazard insurance premium
- Mortgage Indemnity Insurance
- Valuation Report fee
- Stamp Duty (for properties valued over TT\$350,000.00)

INTEREST RATES

Interest on residential mortgage loans varies from time to time depending on market conditions.

If your mortgage loan is required to finance the acquisition of a property, or to meet the cost of building your home, your interest will be based on a prime residential rate.

If the purpose for your loan extends beyond the acquisition, construction and improvement costs, a higher rate will usually be applied.

Term and Monthly Instalments

Monthly payments on loans are calculated per TT\$1,000.00

Rate 15years | 20years | 25years | 30years

MORTGAGE FACTORS

8.0% 9.56 8.35 7.72 7.34

8.5% 9.85 8.68 8.06 7.69

9.0% 10.15 9.00 8.40 8.05

12.0% 12.01 11.02 10.54 10.29

13.0% 12.65 11.72 11.28 11.07

13.5% 12.99 12.08 11.68 11.46

14.0% 13.32 12.44 12.04 11.85

14.5% 13.66 12.80 12.43 12.25

Here's how it works:

To calculate the instalment for any given loan amount, use the table above.

Multiply the respective mortgage factor by the loan amount and divide by 1,000.

Example: To calculate the instalment on a loan of \$300,000.00 for 30 years at a rate of 12%:

TERMS OF LOAN

A residential property mortgage loan is secured by a mortgage charge, which essentially means that your property serves as the collateral for your mortgage. Property in all geographic areas in locations within the Republic of Trinidad and Tobago may be acceptable as security on loans. The property must, however, meet regulatory requirements (i.e. completion certificate, land and building taxes) and satisfy professional and market standards (e.g. marketability).

There must also be planning and regulatory approvals and infrastructural services, such as roads, electricity, water, telephone and other utilities.

You should have these documents:

- Completed application form
- Agreement for Sale/Letter of Offer
- Evidence of savings
- Evidence of loans
- Valuation Report from a Valuator approved by the Financial Institution
- Title deed to property
- Receipts for rates and taxes
- Clearance certificate from the Water and Sewage Authority.

The following are also required for construction loans:

- Quantity surveyor's report from a Surveyor approved by your Financial Institution
- Detailed builder's estimate
- Approved plan
- Residential mortgage loan are generally repaid over a period not exceeding 30 years.

If a residential property is leasehold, the mortgage must be repaid before the lease expires.

It is normally required that a residential mortgage loan be paid off before the principal borrower's 60th birthday.

Instalments on residential mortgage loans are paid on an amortized basis (partial payments of the principal at regular intervals) which, for most salaried borrowers, is the most cost-efficient and convenient way of borrowing.