

Points to consider before making decision

Barry Lea, deputy regional chief executive, Lloyds TSB Bank, offers would-be buyers useful advice



The purchase of a property is, for the vast majority of people, likely to be one of the largest, personal investment decisions with which the individual is faced during his or her lifetime. The associated financing arrangement is likely to be one of the largest, single exposures to debt that the individual will ever face. Borrowers are well advised to shop around and check out the fine print before accepting a British or other mortgage offer from a bank. Here is a simple overview of the basic steps involved in obtaining a loan.



accept it and then send back to the lender. Some lenders may require you to sign the documents in front of a witness.

Instruction of the lawyers Upon acceptance of the loan offer, the lender will instruct either its or your solicitor to obtain the necessary security over the property. Special instructions for the execution of the mortgage documents may apply in various jurisdictions. Once security is in place, the lender will disburse the loan.

arrangement fees, valuation fees, communication fees, commitment fee, and so on, before or upon acceptance of the loan offer or they may sometimes be rolled into the loan. Arrangements will have to be made with the lender with regard to how you would like to make your regular loan repayments (normally monthly or quarterly). For example, whether it is to be paid via telegraphic transfers, cheque or bank draft, autopay, direct debits or standing instruction-

event of your death. Other forms of insurance cover may also be required for property purchase in certain jurisdictions, especially buildings insurance. You should always seek independent advice on related protection of your loan and, if it is an interest only loan, you may wish to arrange a separate repayment vehicle or at least remember that you will need to have sufficient funds available to repay the loan in full at the end of the agreed term.

Identify lenders and contact them for information regarding their British mortgage offers. Remember that many lenders based in Britain do not deal with overseas borrowers. Obtain details in writing or, if from a website, download and retain.

Make the payments. You may be required to pay the various banking fees such as

Arrange insurance cover With some lenders, it is compulsory to arrange life assurance cover to ensure that the loan would be repaid in the

Keep up repayments on your mortgage. Finally, bear in mind that your property is at risk if you do not keep up repayments on a mortgage or other loan secured on it.

Compare the offers; check your affordability and eligibility. Fully understand

your requirements and the purpose of your property purchase. If you plan to let out the mortgaged property, you will need to check acceptability with the prospective lenders in advance. Some eligibility restrictions may exist. For example, some offshore lenders, given regulatory restrictions, will not lend to British residents buying property in Britain for their own use or family occupation, and such borrowers may have to apply for home loans with a local bank in Britain. Many offshore lenders will only provide financing to non-British residents buying property in Britain for buy-to-let or holiday home purpose. If the borrower decides to move back to Britain after the loan is drawn, the bank may discontinue the facility or continue with it subject to terms or conditions. Check if the likely maximum loan, as a multiple of your annual income and your proposed total outgoings to service your debt, as a Droportion of your income, meet their eligibility criteria. Check that the loan to value ratio and repayment terms of the lender will meet your financing requirements.

Make your choice based on your personal requirements. What repayment methods are available? Consider tax implications. Obtain written quotes on anticipated regular repayment amounts from different lenders. What currency choices do you have? Are the interest costs fixed or floating? What other costs are involved, including legal and valuation costs? How do you want the mortgage to be set up? This may be in an individual name or in joint names. Or it may be in the name of a corporate or trust borrower. Financing may not be available to corporate or trust borrowers from some lenders or in certain jurisdictions. Consider if any third party guarantors will be involved. And consider tax implications. How long will it take to process the loan and can you organise the mortgage in principle before you've found the property you want to buy? Are there prepayment penalties? What supporting documentation is required?

Complete and submit a mortgage application form together with the supporting documentation. This will most likely include confirmation of identity and residential address, proof of income, details of assets and liabilities, property information.

Proceed to a credit assessment by the lender Once the bank has received your completed application, it will assess the information you've provided to make sure that you meet its lending criteria. It may issue you with some form of written decision in principle before providing a more formal offer letter. The lender will normally require a valuation of the property concerned. The valuation is purely for the lender's purposes so as to help assess whether the property is suitable security for the loan. It is normally instructed by the lender and the valuation report normally has to be reviewed before the loan offer is made.

Receive the mortgage offer from the lender Once the mortgage has been agreed by the lender it will issue a formal mortgage offer. The letter will include general and specific terms and conditions, which you'll need to read thoroughly before signing to

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