



## **Scheme on 10% Deposit for the Purchase of a Property 2020**

### **1. Title and aim of the scheme**

The aim of the Scheme is to assist people who despite being eligible for a home loan do not have the necessary liquidity to pay the required 10% down payment on the signing of the promise of sale, thus becoming homeowners. The Scheme - Scheme on 10% Deposit for the Purchase of a Property, will apply for persons under the age of forty (40), who intend to purchase their first residential property. The 10% deposit will be provided through a personal loan granted by the Bank and will be payable over 25 years from the take up of the same loan. Whilst the applicant will be paying this personal loan, the Housing Authority will be financing the interest incurred on this loan during the whole term of 25 years or until the loan is repaid - whichever comes first.

The Bank will be assisting the applicant to acquire his own home to be used solely and exclusively as his own primary residence and this by assisting in the acquiring of a loan on the full price. The Bank is willing to grant loans to cover both deposit paid on the promise of sale as well as the balance of the full price of the property, and this subject to guarantees as indicated below and subject also to assistance made available by the Housing Authority but in regard only to the 10% deposit paid on the promise of sale. These loans are also subject to other terms and conditions stipulated by the Bank.

The Bank, subject to all Bank's criteria being satisfied, will be granting applicant a maximum loan up to €250,000 to purchase a property in finished and habitable state or in shell form state which can be rendered to a habitable state at the total expense of €250,000, that is loan up to €25,000 on the promise of sale and further loan up to €225,000 on the deed so that the two loans together do not exceed €250,000.

### **2. Definition of terms.**

Throughout the Scheme unless the context otherwise requires:

- (a) "applicant" means the physical person who has been assessed, initially by the Housing Authority and then by the Bank each according to their separate and respective eligibility criteria, to benefit from the Scheme and when application is made by two applicants jointly, shall include all applicants *in solidum*;
- (b) "the Authority" means the Housing Authority established by Article 3 of the Housing Authority Act, (Cap 261);
- (c) "aggregate annual income" has the same meaning assigned to it in clause 9 of this Scheme;
- (d) "basic year" means the calendar year immediately preceding the year in which an application under this Scheme is made and with reference to clause 9;

- (e) the word 'Bank' has the same definition given to it in the Act of Commercial Banking (Act No XV of 1994);
- (f) the word "personal loan" means the 10% deposit on the promise of sale which should not exceed €25,000;
- (g) the word "home loan" means the 90% of the remaining loan to finance the purchase of the property which loan should not exceed €225,000;
- (h) the word "Scheme" means the "Scheme on 10% Deposit for the Purchase of a Property" published in the Government Gazette of the 5th of June 2020.

In this scheme, the singular shall import the plural and the masculine shall import the feminine.

### **3. Conditions of the scheme**

- (a) The Housing Authority will finance all interest incurred on the personal loan granted by the Bank and covering 10% down payment on the signing of the promise of sale (maximum €25,000) for the purchase of the property which should not exceed €250,000.
- (b) Also subject to the applicant satisfying the eligibility criteria of the Housing Authority as well as the eligibility criteria, creditworthiness and due diligence parameters and criteria of the Bank, the Bank will be granting a home loan to cover the remaining 90% on the price to finance the purchase of the property which loan should not exceed €225,000. The Bank will also grant a personal loan to cover the 10% deposit on the promise of sale. The loan on the 90% will be for a term not exceeding forty (40) years provided that the loan facility is fully repaid together with interest thereon by the time the applicant, or the elder of the applicants in the case of the joint facilities, reaches the age of sixty five (65), which ever comes first.
- (c) The personal loan covering the 10% deposit will be provided through a personal loan granted by the Bank, which will be repaid to the Bank over a maximum period of 25 years from the take up of the same loan. Neither loan shall be issued unless the applicant is certified both by the Bank and the Authority, as being capable of paying both loans, the personal loan and home loan at the same time.
- (d) Applications for the purchase of property exceeding €250,000 in value, will not be considered. The Housing Authority reserves the right to inspect the property to ascertain its value and may reject applications even on this basis. The decision and discretion of the Housing Authority on this would be final and unquestionable.
- (e) The Housing Authority will be offering pre-payment incentives to the applicant who opt to pay the personal loan prior to the 25 years period;
- (f) The property, which is to be purchased by the applicant, should be built in accordance with building regulations and planning permits, be in a finished and habitable state, or in shell form as long as the purchase price and the amount of the necessary finishing do not exceed €250,000.
- (g) The property which qualifies under this scheme, should be used and occupied by the applicant exclusively as his ordinary residence.

- (h) In case of finished properties, applicant must occupy the property purchased, within six (6) months from the date of deed whilst applicant purchasing a property in shell form, the applicant should occupy the property within two (2) years from the date of the deed.
- (i) As long as the personal loan is not fully repaid, the applicant or his title in succession must not rent or transfer, in real or personal capacity, the property under any title to third parties not even by mere tolerance. The applicant should not allow third parties to occupy the immovable property under any title even if by gratuities or by mere tolerance.
- (j) In the eventuality that the applicant wishes to transfer to third parties the property before he would have repaid his personal loan, the applicant is to inform both the Housing Authority and the Bank with his intention to transfer his property at least two months before the promise of sale. In order for the sale to take place, the applicant needs the written consent of the Housing Authority. On the deed of sale both personal loan and home loan have to be fully repaid.
- (k) As long as the personal loan is not fully repaid, the applicant will not be allowed to re develop or carry out any modifications to the property or any part of it.
- (l) The home loan facility is only granted by APS Bank plc and Bank of Valletta plc and this only if all Bank's established conditions and criteria are satisfied. The decision of Bank in this regards, should be final.
- (m) The applicant shall settle the established monthly repayment contribution of both loans through a direct credit from his current account opened with the Banks for the credit of his salary to the Loan Account – the Authority should be notified immediately when the applicant is in default in his payments.
- (n) The Housing Authority reserves the right to impose further obligations on applicant in case of default on the personal loan by applicant so much so that the Housing Authority will be obliged to settle the loan on behalf of applicant. The Housing Authority reserves the right to register a General Hypothec on the applicant's property in general, be it present and future, together with a Special Hypothec on the 10% share of the property and this in observance of all the conditions of this scheme and the deed signed by the same applicant.
- (o) In those instances where applicants have been jointly granted a loan by the Bank under the Scheme but during the term of the loan the applicants separate from each other for whatever reason and one of the applicants wishes to retain the relevant property in his or her sole name, then the Bank may in its sole discretion consider whether to grant a loan or otherwise to the sole applicant. For purposes of the Scheme this would then be treated as a new application and hence subject to any and all the terms and conditions and obligations and warranties stipulated, assumed and undertaken by the Housing Authority and the Bank, including but not limited to the applicant fully satisfying and complying with all the relative eligibility criteria of both the Authority and the Bank.

If in such situations it results on the other hand that none of the applicants qualifies as eligible under the Scheme, then said applicants will remain jointly and severally bound and liable towards the Bank to continue repaying the loans to the Bank.

#### **4. Processing and granting of the loan under the scheme.**

- (a) Prior to submitting the application with the Housing Authority, the applicant shall obtain a loan quotation from the Bank indicating the amount of loan he would be entitled to. This quotation is to be attached to the application together with the other documents. The issuing of the loan quotation would not mean that the loan will be issued by the Bank.
- (b) The applicant will be considered for the Scheme if he satisfies the Bank's eligibility criteria and following which, the usual due diligence assessments and parameters of the Bank in line with its normal lending criteria.
- (c) After the submission of the application, the Housing Authority will carry out the necessary assessment and evaluation to establish whether the applicant is eligible to benefit under this scheme. In the event that the Authority approves the application, the applicant may proceed with the signing of the Promise of Sale.
- (d) Once the property is identified by the applicant and this following the Housing Authority's approval of the loan, the Notary shall be chosen by the applicant. Since the 10% deposit is being paid by the Authority, and since this deposit will be held by the Notary until the date of the sale, the choice of the Notary made by the applicants shall be to the Authority's approval.
- (e) The promise of sale should include the following minimum requirements:
  - (i) The price cost of the purchase and/or of the purchase and completion of the property; and
  - (ii) The deposit on the property is to be kept by the Notary, payable to the Notary by the Housing Authority after the signing of the Promise of Sale; and
  - (iii) The term of the promise of sale should not exceed twelve (12) months but can be renewed for one further period of another twelve (12) months and this extension can only be given if the purchase is being made on plan; and
  - (iv) The sale should be subject to the approval of the Housing Authority; and
  - (v) The promise of sale will also be subject to the Housing Authority paying to the Notary the 10% deposit within a period of two (2) weeks from when the Housing Authority receives from the Notary an authenticated signed copy of the promise of sale signed by same Notary, provided that the promise of sale meets the criteria and conditions included in this scheme; and
  - (vi) The promise of sale must also indicate that this deposit is to be kept by the Notary until the final deed and that the deposit shall be repaid back to the Authority should the final deed not be signed and this for any reason whatsoever; and
  - (vii) The deposit kept by the Notary shall be paid back to the Housing Authority should the final deed of sale not be signed within the period indicated in the promise of sale even if either one of the parties to the sale commences legal proceedings to force the sale by using Art 1357 of the Civil Code; the parties on the promise of sale shall waive and renounce to the right to file any form of warrant including the issue of Garnishee Order which prevents the

- Notary from reimbursing the Housing Authority the sum of 10% of the price issued by it on the promise of sale; and
- (viii) Subject to the approval of the bank loans under the Scheme; the applicant will be entering into two loans - that is the personal loan to cover the 10% mentioned in the promise of sale, and the home loan to cover the balance of the 90% of the price of the sale. Both loans to be paid back by the applicant; and
  - (ix) Subject to all searches and relevant documentation being in order; and
  - (x) Subject to the necessary permits from the Planning Authority and all sanitary and aesthetic permits being in order; and
  - (xi) The deposit should be held by the Notary and in the case that the final deed of sale is entered into, the deposit shall be payable back to Housing Authority on the final deed of sale – when and if the final deed of sale takes place, the Bank, through the personal loan and the home loan, pays the full price to the vendor - that is, both the 10% personal loan now repaid by Notary to the Housing Authority, as well as 90% of the price balance (the home loan); and
  - (xii) The repayment of the loans issued by the Bank as per this scheme shall be guaranteed by a privilege, a special hypothec on the property being bought and a general hypothec over the applicant's present and future property; and
  - (xiii) In all cases the 10% deposit payable as aforesaid as per Promise of Sale shall be paid solely and exclusively as a deposit on account of the price and shall under no circumstance be paid as *arra penitenziale* (penalty clause) or as a form of forfeitable penalty deposit. So that both in the case where the final deed of sale is signed as well as in the case where the final deed of sale is not be signed for any reason whatsoever, the said deposit shall be paid back to the Housing Authority without any deductions and in the manner indicated above. The Notary shall oblige himself to pay to the Housing Authority the deposit in any and all cases. Where the final deed is signed, the deposit shall be paid back to the Housing Authority on the final deed, while where the final deed has not been signed the deposit shall be paid back to the Housing Authority within 5 working days from the rescission of the Promise of Sale or from the expiry date of the promise of sale whichever comes first, and this even in the case that either one of the parties to the promise of sale commences legal proceedings under Art 1357 of the Civil Code; and
  - (xiv) Neither party to the promise of sale shall have the right to freeze the deposit withheld by the Notary by means of a Garnishee Order or any other legal procedure; and
  - (xv) The promise of sale shall indicate that it is subject to two separate loans being granted by the Bank to the applicant on the final deed with separate conditions one for the 10% and the other for the 90% of the price. Each loan shall be guaranteed by a first special privilege, a first special hypothec and a general hypothec on the applicant's present and future property; and
  - (xvi) Every payment made by the applicant to the Bank shall be attributed first to the instalments covering the personal loan for the loan of the 10% deposit, while the rest shall be attributed to cover the instalments payable on the home loan covering the rest of the price; and

(xvii) All the conditions of this scheme shall form an integral part of both the agreement and the final deed of sale and in case of divergence between the conditions of the two, the most favourable to the Housing Authority shall apply.

These conditions shall if applicable be also replicated in the final deed.

- (f) Within a month from the signing of the Promise of Sale, the applicant binds himself to furnish the Housing Authority, and this through his Notary, with a copy of Transfer and Liabilities of all applicants and this in order for the Housing Authority to issue the final approval.
- (g) Once a copy of the promise of sale is given to the Bank by the applicant, the Bank will carry out an assessment to establish whether the applicant may be eligible for a loan under the Scheme and to determine the maximum amount that may be considered. The Bank's assessment mentioned above will be finalised within thirty (30) working days from date of referral of the promise of sale to the Bank.
- (h) The Bank will communicate the outcome of its assessment to the applicant and shall send a copy to the Housing Authority.
- (i) The full purchase price is to be paid on the final deed of acquisition. The deposit of 10% of the purchase price of the property mentioned at the promise of sale stage, would initially be paid by the Housing Authority to the Notary within two weeks from when it would have received a copy of the promise of sale from the Notary.
- (j) This 10% deposit shall be paid on condition that it is to be retained by the Notary until the final deed of loan and sale/purchase is effectively signed and published. During the signing of the deed, the 10% deposit is returned to the Housing Authority by the Notary. And at this point if the final deed is signed, the Bank through the personal loan and home loan, pays the full price to the vendor - that is, as much as the 10% personal loan that is now be repaid by a Notary to a Housing Authority, as well as 90% of the balance of the price (home loan)
- (k) In the event that the final deed of loan and sale/purchase is not eventually published for whatever reason, comprising but not limited to the loans under the Scheme not being granted by the Bank to the applicant, or the title to the relevant property not being found to be in order, or for any other reason, the 10% deposit originally paid by the Housing Authority as the case may be, and retained by the Notary, will be returned accordingly to the Housing Authority.
- (l) If the Bank has sanctioned the loans under the Scheme to the applicant but upon vetting of all relevant documentation the Bank has found the title to the relevant property to be not in order and/or any legal impediment or legal reason prohibiting the transfer or acquisition of the relevant property and/or any situation which would negatively impact the Bank's ranking such that the final deed of loan and sale and acquisition cannot be published, the legal and professional fees due to the Bank will still be due and payable to the Bank by the applicant.
- (m) Upon receipt of the following documents - a certified true copy of Promise of Sale, Architect's property report and valuation, Architect's estimate of costs, Planning Authority approved building permits, layout plans and site plans, Deed of donation of movable or immovable property (where applicable), the Bank shall, after carrying out its own independent due diligence in terms of applicable legislation and regulations as may be in force from time to time and after taking into consideration other factors which it considers necessary in relation to the granting of loan facilities in line with its lending criteria and

assessments, make a final decision as to whether the applicant shall benefit from the Scheme or otherwise. The Bank's decision as to whether to issue the Sanction Letter or otherwise is final.

- (n) In considering the applicant's application the Bank must confirm that the applicant is in a position to repay both the loan on the 10% deposit of the price as well as the loan on the rest of the 90% of the price.

## **5. Bank securities over loan granted**

The Bank shall require the following security in warranty of the loans granted under the Scheme:

- (a) First General Hypothec against the applicant and First Special Hypothec and First Special Privilege on the immovable property being financed; and
- (b) Pledge on an adequate Life Assurance or Insurance policy in the name of the applicant, which is to be acceptable to the Bank and to cover full exposure and full term of the loan under the Scheme; and
- (c) Pledge on an adequate Buildings Insurance Policy covering the immovable property being hypothecated for its full replacement value; and
- (d) Contractual undertaking by applicant not to enter into other financial commitments without the Bank's and the Authority's written consent; and
- (e) Contractual undertaking by applicant not to transfer, not to sell, not to rent out the property to third parties and/or not to further charge the said property in favour of third parties;
- (f) Cash security in the form of a Revolving Guarantee Fund with the Bank provided by the Housing Authority and this covering only the 10% deposit loans.

## **6. Who can apply**

The following categories of persons, who on the date of their application under this scheme are:-

- (a) between 21 and 39 years of age;
- (b) one of the applicants must be between 21 and 39 years old on date of application in case of married couples / two persons who have entered into a Civil Union or in case of two persons applying jointly;
- (c) single parents with an unmarried son/daughter or unmarried children living with him/her;
- (d) single persons;
- (e) legally separated persons with or without children living with her/him the whole time.

**7. Method of application**

- (a) A person who qualifies under this Scheme shall submit an application on the prescribed form and shall deliver same at the Authority during the prescribed times.
- (b) The prescribed forms can be collected from the offices of the Housing Authority 22 Pietro Floriani Street Floriana, Malta and from the Housing Authority branch 25 Enrico Mizzi Street, Victoria, Gozo or from the Housing Authority’s website.

**8. Validity of the application.**

To be valid the application must satisfy the following requirements:-

- (a) the application must be made on the prescribed form and must be duly and completely filled;
- (b) the application must be signed by all applicants;
- (c) the application must be presented personally by the applicant, together with all necessary documents;
- (d) the application made by a married / two persons who have entered into a Civil Union but separated person or made by a person whose civil status has been changed after the marriage/Civil Union must be accompanied by an authenticated deed of separation or by a final Decree of the Competent Court.

**9. Qualifications to apply**

On the date of application the applicant should in all circumstances satisfy the following criteria:-

- (a) applicant is a Maltese Citizen or a Citizen of the EU. EU Citizen must be acquiring his first residence and must satisfy the criteria issued by any Authority and/or by the Office of the Prime Minister. In the case of married couples / two persons who have entered into a Civil Union and who are not legally separated, one of the couple must be Maltese Citizen/Citizens of the EU;
- (b) applicant should be gainfully employed on full time basis and has been in full time employment for at least six months prior to submission of his application under this scheme, In case of two applicants applying jointly, married couples / two persons who have entered into a Civil Union, at least one of the applicants should be gainfully employed on full time basis and has been in full time employment for at least six months prior to submission of his application under this scheme;
- (c) during the preceding year of application, applicant should have an annual aggregate income as shown below:-

<b>Household</b>	<b>Age of Applicant</b>	<b>Global Income</b>
Single	21 to 30 years	Between €19,000 & €35,000
Single	31 to 39 years	Between €25,000 & €35,000
Couple	21 to 39 years	Between €19,000 & €35,000

- (d) applicant should not possess assets exceeding €25,000;

- (e) applicant does not have immovable unbuilt property either in whole or in part ownership, either on their own or in partnership, on absolute ownership on perpetual emphyteusis and on which a building permit for habitation purposes has been issued or could have been issued by the Planning Authority;
- (f) applicant does not have in full ownership or in part ownership, either alone or together with others, premises suitable for habitation purposes or on perpetual emphyteusis or on temporary emphyteusis of more than 40 years duration from the date of original constitution of the emphyteutical grant of the said temporary emphyteusis;
- (g) applicant does not possess holdings or shares in any commercial body which after the date of the submission of their application under this scheme, has immovable property or as mentioned in the two preceding subparagraphs;

However an applicant will not be disqualified for the simple reason that he/she possesses property as detailed in paragraphs above, if in the absolute discretion of the Housing Authority, the occupied premises are not adequate for accommodation of the applicant/s and his family, or because of legal, technical or logistic problems cannot be used for habitation or disposed off in a relatively short period so as to ascertain its value.

The Chairman of the Authority may consider as unacceptable, any declaration of income of the applicant if, in his absolute discretion, he decides that this is incorrect or untrue.

#### **10. Annual aggregate income**

For all purposes of the application, calculation of the aggregate annual income of applicant shall be as follows:-

- (a) the gross income from any occupation, salary and/or, alimony, and/or other social benefits (excluding overtime, children's allowance and any other disability allowances) earned by the applicant during the basic preceding calendar year. When the application is made by two applicants the gross income of both applicants is taken into consideration;
- (b) the applicant's income during the basic calendar year from capital assets such as; bank deposits, stocks, shares, rents, investments in commercial enterprises, other investments in property, including capital gains;
- (c) from the gross annual income of a separated person any amount paid to the other part as alimony will be deducted. This amount will be deducted after a document is provided, signed by the lawyers of both parties, with a declaration that the official amount as declared in the Deed of Separation is in fact being paid.

#### **11. Disqualification**

Persons shall not qualify to make an application under this scheme if:-

- (a) the aggregate annual income exceeds the amount as laid down in Clause 9(c) and/or;
- (b) he is not legally separated;

- (c) assets exceed the amount of €25,000 on date of application under this scheme;
- (d) the applicant is not gainfully employed on full time basis and/or has not been gainfully employed on full time basis during six months preceding the submission of the application under this scheme by the applicant.

**12. Prepayment incentives**

The Housing Authority shall not oblige the applicant to repay his personal loan prior the lapse of 25 years although he would be able to do this before the expiry of 25 years. To encourage the applicant to repay his personal loan on the 10% deposit prior to the 25 years period, the Housing Authority will be offering cash incentives as shown below:-

<b>Timeframe from take-up of loan (10%)</b>	<b>Percentage Discount on Personal Loan</b>
Within 5 years from take up	5%
Between the 5th year and the 10th year	2%

The above incentive will be given to the applicant once the personal loan is fully paid as indicated in the table.

**13. Information**

The Authority may require the applicant to sign and confirm any declaration in any form even under oath it may consider necessary for the carrying out of this Scheme.

**14. Penalty for false information**

If at any time, it results that applicant has made a false declaration or given incorrect information/documents for the purposes of any application, without prejudice to any penalty for which he may have become liable under any other law, the applicant shall be liable to the payment to the Authority, of a fine which the Authority deems fit . He will also be disqualified for a period of five (5) years from benefiting from any scheme made with the approval of the Minister responsible for Social Accommodation, and shall forfeit the right to any benefit under this Scheme.

Incorrect or false declaration/documents may also lead the applicant to the commencement of criminal procedures against him.

**15. Administrative charges and abandoned applications**

- (a) Each application for assistance under this Scheme shall be lodged to the Authority and that application shall not be accepted unless accompanied by the sum of twenty Euros (€20) as an administrative charge, and together with all the necessary documents.
- (b) Where any applicant under this Scheme stops the processing of the application, the application shall be deemed to have been abandoned and any expenses and deposits incurred by the applicants in connection with their application, shall not be recoverable by the applicants whether or not their application is successful. These deposits are not refundable for any reason.

## **16. Right of refusal**

Notwithstanding anything contained in the foregoing provisions of this Scheme, the Authority shall have the right to refuse any application.

## **17. Duration of scheme**

This Scheme shall remain in force for a period of one (1) year from the date of its publication in the Government Gazette or until three hundred (300) valid applications are processed which ever comes first. In this eventuality, the Housing Authority reserves the right to publish a notice in the Government Gazette indicating the withdrawal of the scheme.

## **18. Interpretation**

In case the Maltese text differs from the English text, the Maltese text will prevail.

## **19. Amendment of scheme**

The Authority shall have the right to make any amendments to this Scheme by publication of the said amendments in the Government Gazette. Such amendments may be made applicable retroactively. No amendments shall subject the Authority to an action for damages or any other legal action. The conditions of this scheme should form an integral part of the deed and in case were the conditions of this scheme are different from the conditions indicated in the deed, the conditions which are most favourable to the Authority are to be applied.