

**GPI: Home Loan**

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Policy and Procedures Portfolio Holder



**GOVERNMENT OF PITCAIRN ISLANDS  
HOME IMPROVEMENT LOAN**

**Terms and Conditions**

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|----------------------------------|--|
| Eligibility for loan             | <b>1.</b> The borrower must have permanent resident status; and be the owner of an existing home on Pitcairn, and hold title to the land upon which it is built.   |
| Submission of plans              | <b>2.</b> The borrower shall submit their application on the GPI loan application form with plans for improvement to the home in adequate detail to the Division Manager of Finance & Economics for assessment. The Division Manager of Finance & Economics will recommend approval/disapproval of the loan to Council based on the assessment of the facts given.   |
| Provisional sum borrowed         | <b>3.</b> The provisional amount of the loan to be granted shall be the estimated cost of building materials for the renovation or improvement (excluding white ware, furniture or other chattels). The maximum amount advanced shall not exceed NZ\$20,000.   |
| Freight costs                    | <b>4.</b> All freight costs are payable by the borrower and can be included in the loan or freight can be added at the borrower's expense to be paid upon delivery.  |
| Valuation on materials           | <b>5.</b> GPI shall obtain a preliminary valuation of construction materials.  |
| Payment for materials            | <b>6.</b> The amount of the loan granted is not to be paid out in cash to the borrower. PIO, as trustee for the borrower, will make payment for materials as invoices are presented and arrange shipping to Pitcairn Island including the cost of freight for delivery to the borrower, where applicable (see 4. above).   |
| Borrower to be kept informed     | <b>7.</b> A personal guarantee may be taken as part of the borrowing scenario.<br><br><b>8.</b> GPI shall monitor the accumulated costs paid on behalf of the borrower for building supplies and materials and keep the borrower informed of the balance of the loan moneys available via the GT office on a monthly basis.<br><br><b>9.</b> The borrower is required to allow the Island Auditor to check and confirm that all materials as specified according to the shipping manifest have arrived and is in good order. |
| Improvements to the house begins | <b>10.</b> Once the materials have been checked, the borrower may proceed to construct his/her/their house with all due care and diligence and subject to the periodic inspection of the GPI Building Inspector who shall forward reports to Council on the standard of workmanship and fitness for purpose. Adverse reports will result in an order by GPI to make necessary corrective steps.  |

- 11.** The total sum of all progress payments of loan monies in payment of the cost of construction materials and freight where applicable (within the maximum limit of \$20,000) shall be the amount of the loan (hereinafter called “the principal sum”).
- 12.** The term of the loan shall be ten (10) years from the first day of the month of the first payment by GPI on behalf of the borrower for the building materials.
- 13.** The borrower shall repay not less than one tenth of the principal sum in each year of the term. The borrower shall not be required to pay interest on the principal sum outstanding in any of the first three (3) years of the term.
- The borrower must pay interest on the principal sum outstanding in each of the following seven (7) years or until the loan has been repaid in full. Interest will be charged at rates reflecting the lower end of NZ mortgage rates, and be based on the published New Zealand Official Cash Rate (OCR) plus a margin at the time the loan is drawn. The current margin is 3% but this rate is subject to review or change if the OCR or mortgage rates shift. Monies paid by the borrower in any year shall be first credited to the amount due for interest, if any, on the balance of the principal sum outstanding at the beginning of that year.
- The first payment to GPI under this paragraph shall be made in the twelfth month after the commencement date of the loan, or made monthly as agreed on the GPI Repayment form, until the full repayment of the principal sum and the prescribed interest thereon.
- 14.** If at the end of the twelfth month or any succeeding twelfth month of the term the borrower has failed to pay the whole sum due to the GPI being the minimum payment of capital and interest, if any, as provided by this agreement, the whole balance of the loan outstanding together with interest calculated in accordance with this agreement for the remainder of the interest bearing years of the whole term shall become immediately due and payable to the GPI. A formal demand may be made and/or other remedies as deemed appropriate by the GPI.
- 15.** In the event of a serious default as defined in paragraph 13 and no agreement on a repayment plan acceptable to GPI can be reached, GPI shall then be entitled to register or cause to be registered the transfer of the borrower’s interest in the land by submitting the same for acceptance by the Lands Court and seeking the registration of the transfer in favour of the GPI in the Land Register for house land.
- 16.** GPI reserves the right to thereafter take all available steps to realise the value of the house on the land by whatever means are appropriate and to the best advantage and shall apply the proceeds thereof first in payment of all outstanding capital and interest due to the Home Improvement Loans account of the GPI and any balance thereafter to the account of the former borrower.

GPI acknowledges its responsibility to use its best endeavours to maximise any proceeds if a property is sold under this clause.

**17.** All signatories to this loan document are jointly and severally liable for the obligations of the borrower.

Covenanters

**18.** Attach Land title documents.

**19.** Attach the signed personal guarantees of the borrower(s).

**SPECIAL CONDITIONS (if any)**