

SCHEDULE 1

Articles 2 and 3

1. The form of security which may be taken for an advance under section 14 of the Act in relation to a specified country is any form of security—

- (a) acknowledging a debt and obliging the borrower to pay it, and
- (b) securing payment of that debt on land in a specified country.

2. The specified security may only be taken for a specified advance under section 14 of the Act where the advance is classifiable as a class 1 advance under paragraph 3 below or a class 2 advance under paragraph 4 below.

3.—(1) A specified advance shall be classified as a class 1 advance for the purposes of the requirements of Part III of the Act for the structure of commercial assets where the society at the time it makes the advance is satisfied that—

- (a) the borrower is an individual;
- (b) the land comprising the security is exclusively for the residential use of—
 - (i) the borrower, or
 - (ii) the borrower and any person residing with the borrower;
- (c) the amount advanced will not exceed the value of the land comprising the security (after deducting from that value any debt of the borrower to the society outstanding under a relevant form of security relating to that land);
- (d) the land comprising the security will not be security for any advance other than an advance by the society (except where that advance is postponed to the society's advance); and
- (e) any right of the spouse (if any) of the borrower relating to the land comprising the security will be subject to the rights of the society under the relevant form of security taken for the advance.

(2) For the purposes of subparagraph (1) above and paragraph 4 below, where a society makes an advance by instalments, the reference to the time when the society makes the advance is a reference to the time when it pays the first of the instalments.

4. A specified advance shall be classified as a class 2 advance for the purposes of the requirements of Part III of the Act for the structure of commercial assets where the society at the time when it makes the advance is satisfied that the requirements of paragraph 3(1)(c), (d) and (where applicable) (e) above are satisfied but is not satisfied that the requirements of paragraph 3(1)(a) and (b) above are satisfied.

5. If at any time when an advance classified as a class 1 advance or a class 2 advance under paragraphs 3 or 4 above is outstanding the society is satisfied, on notice given to it by the borrower, that there has been a change in the use of the land comprising the security and is satisfied that, had the use been so changed before the making of the advance, the advance would instead have been a class 2 advance or a class 1 advance, as the case may be, the advance shall be reclassified accordingly as from that time.

6. Where a society, in exercise of its powers arising as a result of having taken the specified security over land on which a specified advance is made, takes possession of the land, the land shall until sale be classified—

- (a) if the advance was most recently classified as a class 1 advance by virtue of this Order, as a class 1 asset, and
- (b) if the advance was most recently classified as a class 2 advance by virtue of this Order, as a class 2 asset,

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for the purposes of the requirements of Part III of the Act for the structure of commercial assets.