

Mortgage Guide

1. Essence

Mortgage loans for purchase of real estate are long-term loans where the purchased real estate, another real estate or a combination of the two is used as collateral. Statutory mortgage is constituted on the real estate, securing the loan, provided that the selling price stipulated in the notary deed is lower than the amount of the granted loan. The notary deed specifies what part of the price is to be paid through bank loan. The loan funds are usually directly transferred to the seller.

The maximum repayment term for mortgage loans can be different – the longest might be up to 35 years. The repayment of a mortgage loan for purchase of a real estate is done in equal monthly installments, in decreasing monthly installments or in accordance with an individual plan.

General requirements to the applicants for mortgage loans*:

- That they are citizens of full age and capacity, permanently residing in Bulgaria;
- That they are Bulgarians legally residing abroad, under specific additional conditions;
- That they are of such an age, which together with the term of the loan does not exceed 63 – 65 years;
- That they have a valid identity document;
- That they do not have any established public payables;
- That they do not have any liabilities registered in the central credit register;
- That they are working under a permanent employment contract, management contract, civil contract, combination of these or others, equal to them;
- Secondary and higher education.

Requirements in respect of the income of the applicants*:

- The Debt/Income ratio should not be higher than the percentage, determined by the bank. Debt means all monthly expenses towards financial institutions, physical persons, etc;
- Residual income after covering all financial expenses;
- The income of the co-obligors should correspond and should be evidenced in the ways applicable to the main candidate;
- The income of the spouse shall be taken into account when they are co-obligors in the deal and respectively – sign the loan agreement.

Requirements to the real estate used as collateral*:

- Unconditionally evidenced ownership (notary deed or another document proving the title on the real estate);
- Certificate for absence of encumbrances (issued by the Registration Agency and in case there is a plot of land to the real estate, such a certificate should also be issued to it.);
- Current layout of the real estate (in case there is a plot of land to the real estate or shares of a plot under an existing building);
- Certificate for tax valuation of the real estate used as collateral, under Art.264,

Para.1 of the Tax Proceedings Code, which needs to be valid as of the date of the mortgage registration;

- In case that the residence is under construction the document which is required is a Certificate for the existence of rough construction;
 - That these are massive buildings in regulation (panel-, monolithic concrete structure-, brick buildings);
 - Buildings that are under legally permitted construction at the stage of "Rough construction";
 - Regulated Plot of Land – plots in regulation (as of March 2009 very few banks are inclined to accept such type of collateral).
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- Property insurance
 - Life and Accident insurance

** The requirements are valid as of March 2009. The company shall bear no responsibility for any changes in the documents necessary when applying for a mortgage loan.*

At the initial meeting of the customer with a representative of the bank the issues discussed are the different conditions for loan granting and various options for repayment terms, as well as the amount of the installments. The customer is also provided with a list of the documents needed to apply for a loan.

- When filing the loan application the candidate pays a fee for its consideration.
- The bank officer checks the documents, which is a procedure also including an inspection about the existence of non-declared payables to banks.
- With the assistance of the customer the bank officer organizes a visit and valuation of the real estate used as collateral, conducted by an independent licensed valuator approved by the bank. The valuation fee shall be paid by the applicant.
- The provided documents are sent for consideration in the credit centre.

The following procedures shall be followed when a mortgage loan is granted:

- Additional documents are required if necessary;
- Once the loan is approved and a positive legal opinion is given, the bank officer opens a current account of the customer purchasing the real estate in case he does not have one and drafts the Loan Agreement and the Notification letter to the seller (if needed).

Utilization procedure:

- The bank officer inquires about the date of the purchase and sale and coordinates with the appointed notary the date and time of constituting the mortgage;
- The bank requires to be provided with the draft notary deed for the purchase and sale, which should contain an article specifying that the loan funds shall be paid to the seller following the transfer of the property rights, the registration of the statutory mortgage on the real estate and the presentation of a certificate for the absence of encumbrances, which proves that the bank is first creditor;
- Within 3-4 business days the bank transfers the loan amount to the account of the seller.

- Fee for preliminary investigation and consideration (filing the loan application);
- Fee for the valuation of the real estate. It shall be paid to the licensed valuator;
- Fee for mortgage constitution. It shall be paid for a period of 10 years and is payable to the notary and the Registration agency;
- Fee for the utilization of the loan (payable to the bank);
- Commitment fee. It is due for the period starting from the signing of the agreement with the bank and ending with the utilization of the loan;
- Annual management fee. It is payable to the bank and is calculated on the remaining part of the loan;
- Fee for pre-term repayment, which depends on the conditions of the bank;
- Fee for re-negotiation of the loan terms and conditions.

Documents certifying the identity, income and civil status of the loan applicants, depending on the case in particular (whether the applicant is a physical or legal person):

- Template documents of the Bank – Loan application; Declaration for related parties;
- Copies of identity documents /identity cards/;
- Employment contract and annexes to it /Management contract/Civil contracts; Employment certificate; Receipts for paid remunerations / Fee earnings lists
- Rental agreements; Documents for ownership of the rented real estates; Receipts;
- Documents of the legal entity registration /court registration, BULSTAT, registration with the tax authorities/;
- Certified tax declaration under Art.43 of the Personal Income Taxation Act for preceding reporting period /in the case of patent activities/;
- Certified tax declaration under Art.41 of the Personal Income Taxation Act and P&L for preceding reporting period; P&L for the current reporting period;
- Certified tax declaration under Art.51 of the Personal Income Taxation Act, P&L, Balance sheet for preceding reporting period; P&L and Balance sheet for the current reporting period;
- Declaration for the income of the loan applicants;
- Declaration for the absence of pending litigations;
- Marital status certificate /Marriage certificate/ of the loan applicants and of the real estate owners;
- Certificates of the loan applicants under Art.87, Para.6 of the Tax Proceedings Code;
- Certificate for current legal status;
- Certificate of the absence of tax payables;
- Protocol with the decision of the competent body of the legal entity – owner of the real estate.
- Preliminary Purchase and Sale agreement;
- Documents for the ownership of the real estate;
- Tax valuation certificate;
- Documents for the ownership of the other real estate, which will be mortgaged, if any; (in case of patrimonial real estates – certificates for the heirs of the legator as well as documents certifying the ownership of the legator);
- Certificate for the absence of encumbrances issued by the Registration Agency for a period, which is not shorter than 10 years;
- The customer shall be obliged to provide valuation of the real estate, prepared by a licensed expert valuator, approved by the bank;
- The customer shall be obliged to insure the real estate with an insurance company approved by the bank and shall transfer the policy in favor of the bank.

When the purchased residence is under construction (at present banks are not particularly inclined to finance sites, which are at a stage preceding the issuance of Deed 16, the only exception being cases when the Bank itself provides financing of the whole project or parts of it):

- Current layout – project visa;
- Construction permit;
- Approved architectural designs;
- Protocols for approved elevation and levels, incl. “Ridge”;
- Certificate under Art.181, Para.2 of the Structure of Territory Act for completed “rough construction” stage;
- Design-based financial documentation for construction/finishing works – subject to financing.