

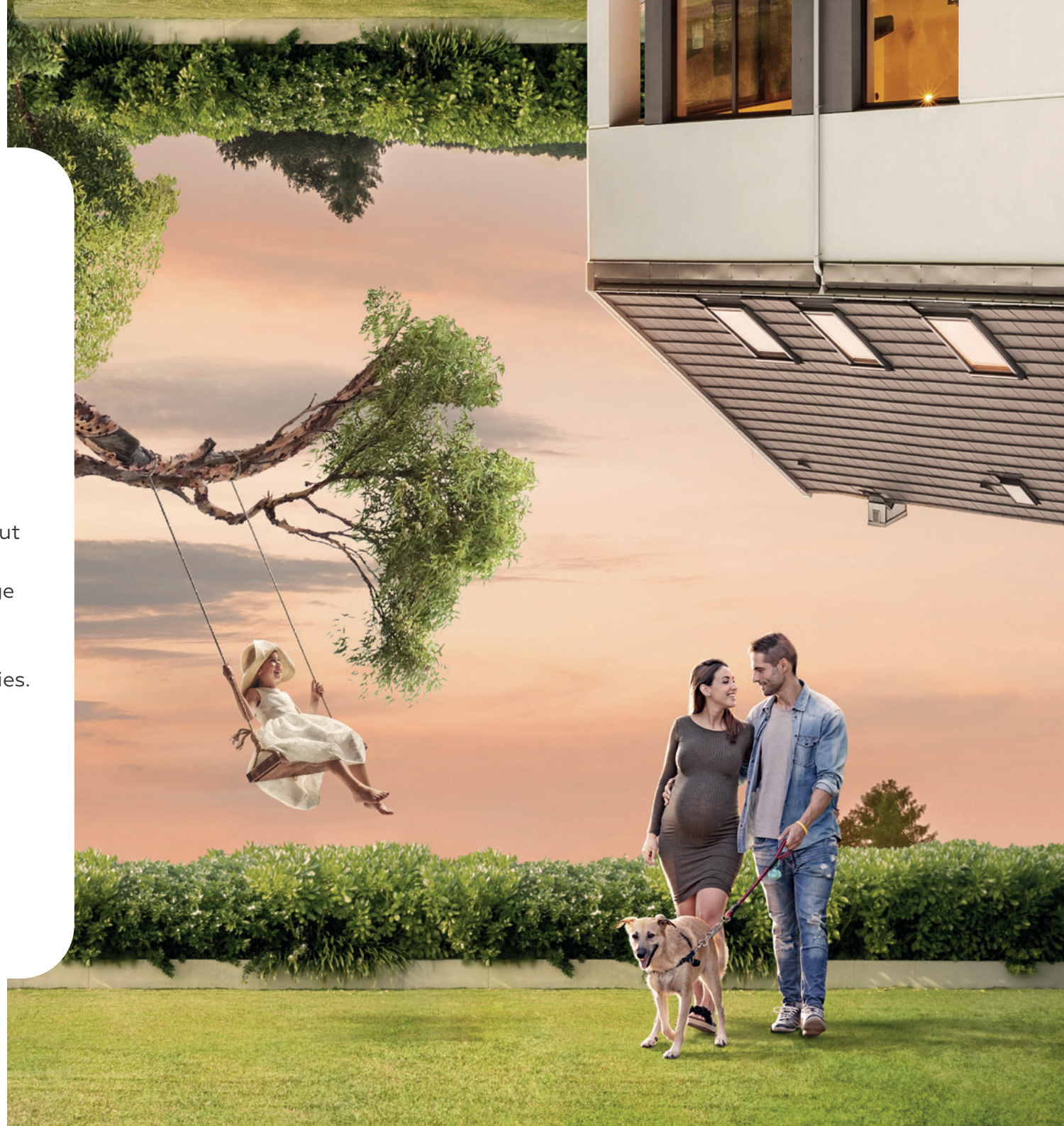
MORTGAGES

in the Czech Republic

MAKING DREAMS A REALITY?

Buying real estate is unthinkable without complex financial solutions. We will guide you reliably through the mortgage arrangement process, providing you with the best interest rate thanks to a comparison of the market opportunities.

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MORTGAGES in the Czech Republic

CONSULTING WITH AN EXPERT

If you want to buy your first home or investment property, speaking to a mortgage broker is a good first step. We sit down with you to show you the range of loans available from different lenders.

Here are some factors to be taken into account when determining how much one should borrow rather than how much one can:

Is it realistic?

Probably the best way is to start with something affordable and move towards your dream home as your personal earning capacity and equity grow.

What are the plans like?

Think about what the future holds – both personally and financially. Are you alone or share your life with your partner? Is this likely to change in the future?

Can the interest rate change after the fixation period?

Consider how any rate rise impacts your ability to make repayments.

How much debt to handle?

Borrowing too much can be a big strain on your personal life and lifestyle. How much you can borrow and how much you should borrow may be two very different things. While your lender should not let you borrow more than you can afford formally, the choice is ultimately up to you. So be careful not to overestimate yourself.

If you do not have the taste or time to dedicate long hours to bank comparisons and considerations, you can contact a mortgage broker who has good references.



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CHANGES IN THE CZECH MORTGAGE REGULATIONS

Can I buy real estate without my own resources?

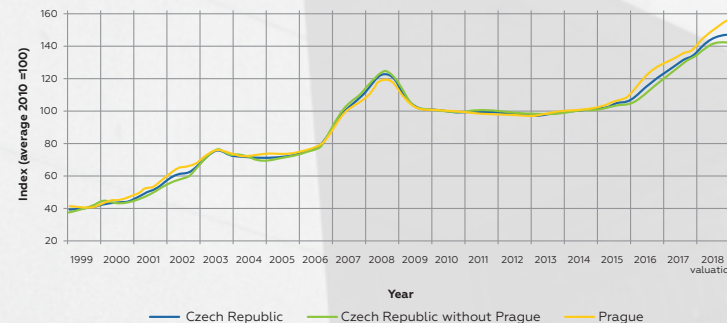
From April 01, 2022, the Czech National Bank (CNB) decreased the LTV (loan-to-value) indicator's limit to 80 % (90 % for the applicants under 36 years). The lower interest rate applies to mortgages up to 80 % LTV.

There is still a possibility of how to finance the rest of the purchase price through a building savings loan. These loans are provided up to 1,500,000 CZK without any collateral or existing contract on building savings.

Impacts of the regulations on the client:

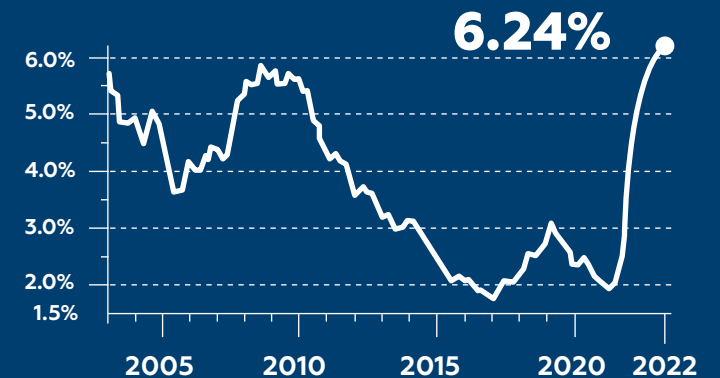
- Since April 01, 2022, the providers of mortgages have been again required to comply with the DTI and DSTI limits.
- DTI (debt to income), expressed in multiples of the applicant's net annual income, amounts to 8.5 (9.5 for those under 36).
- DSTI (debt service to income), the ratio between the sum of the applicant's all monthly instalments and his/her net monthly income amounts to 45% (50% for those under 36).
- These limits changed several times in the past.

Apartment price indices (Index, 2010 = 100)



INTEREST RATES

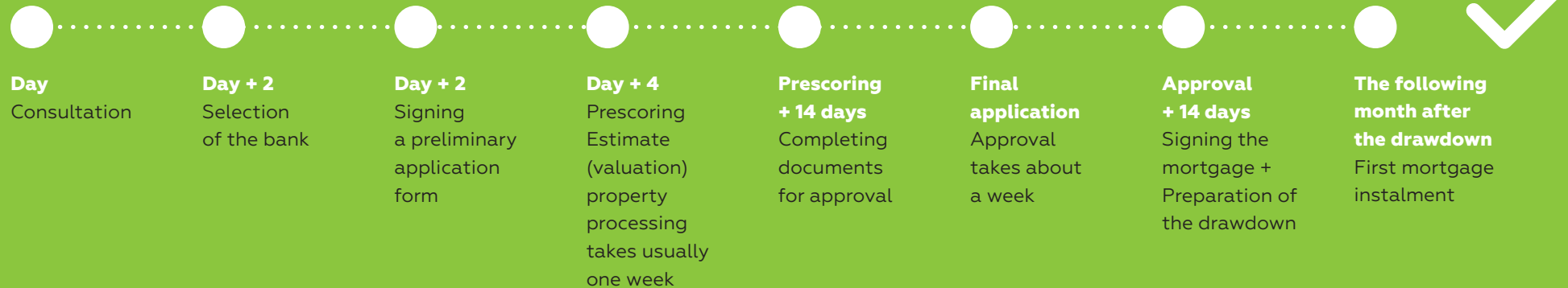
The graph of the development of the average interest rate of mortgages shows that the long-term decrease lasting since the end of 2009 ended at the turn of 2016 and 2017. It was followed by a relatively steep rise which was replaced by a drop of more than 0.5 %. Due to high inflation in 2021 and 2022, there has been a significant increase in mortgage rates.



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MORTGAGE PROCESS STEP BY STEP

MORTGAGE TIMELINE



PRESCORING

Prescoring is the first point. Before selecting real estate, you should know whether any bank will provide you with a mortgage and how much they will lend you.

REAL ESTATE

If you already know that approval of the mortgage for you is realistic, you can start selecting a specific real estate because you have an approximate idea of how large a mortgage you can get.

DOCUMENTS

After you choose real estate, you can begin to apply for a mortgage.

MORTGAGE

The application process for the mortgage approval consists of an administrative procedure in the bank, which usually lasts from 2 to 4 weeks.

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REFINANCING YOUR MORTGAGE

a) Refinancing to another bank (usually on the anniversary of fixation)

You can pay off the mortgage without penalties on the anniversary of the fixation through refinancing to another bank. In the case of the refinancing to another bank with on more favourable terms our services, including the valuation, are free of charge. Moreover, you can ask for a bonus – your financial plan, which is usually paid service.

Major reasons for refinancing:

- Lower interest rate
- Increasing the mortgage up to 20 % (this adjustment is free within refinancing)
- Other adjustments to your mortgage, including the change of collateral, debtors, or maturity of the loan

b) Negotiating lower interest rates in the current bank

If the client stays in his/her current bank and we help the client to negotiate a lower interest rate compared to the first offer from the bank, the fee to be paid by the client is usually 1,500 CZK per hour. It is individual professional consultation.



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BEWARE OF THE INSURANCE

If someone tells you that life insurance is an obligatory part of the mortgage (or that you must conclude the insurance first), you will better go away.

Such a person is an insurance seller, not a competent advisor who would help you with the mortgage. Life insurance is required in the case of mortgages of 80-per cent LTV or other exceptional cases. Life insurance is, therefore, not obligatory in general.

The only insurance that is required in connection with mortgages is the property one.

The conclusion of life insurance affects the final interest rate slightly. There are big differences among banks. In the case of a mortgage of 4 million CZK, the insurance premium can be 640 CZK but also 2,000 CZK a month. It follows that it can be better to accept a higher interest rate since the total annual percentage rate (RPSN), consisting of the instalments + insurance premium, might be lower due to the lower premium. The RPSN indicator has to be presented by banks and it should be taken into consideration.

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MORTGAGE AS A PART OF THE FINANCIAL PLAN

I will overpay too much so I'd rather not take a mortgage.

Ask how much you will overpay on the mortgage. But the mortgage is not only about the nominal number that at first glance can discourage you. The real costs are reduced by deduction of interests no matter whether you are an employee or businessman. In addition, the value of money changes over time. If one considers long-term inflation of 4 % and a mortgage rate of 4.00 % p.a., you will in fact repay approximately the same amount as you borrowed regardless of the maturity. This rough calculation can be considerably affected by such factors as inflation/deflation, mortgage rate for the following period of fixation, or specific consumer basket (individual rate of inflation may be different from the official figure).

Should I pay the mortgage off as soon as possible, or choose a lower monthly instalment?

The maturity of the mortgage is usually set to 10 to 30 years. Approaches to maturity are basically two. You can either give priority to repaying the debt as soon as possible if you don't feel comfortable owing money to the bank or have reserves and choose a longer maturity. Any available resources can be invested and used for extraordinary instalments on the anniversary of fixation or kept being used in the future for different purposes. Mathematical models based on the historical performance of financial markets speak in favour of the second way. However, the uncertainty about the real yields should be considered. Similarly, the question is whether the monthly surpluses will be invested or spent.



FINANCIAL INDEPENDENCE

Comprehensive service
Ideal division of property



GENERATING CAPITAL

Children
Pension
Housing
Future
Tax optimisation



INSURANCE

Life
Property
Liability



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MORTGAGES in the Czech Republic

SMART SAVING TIPS

- **Put your goals in writing**

Setting a financial goal makes it much easier to plan and save successfully. Make a conscious effort to track your expenses so you can see where your money goes and cut expenses back where you can.

- **Beat the credit monster**

Credit card debt, unpaid bills and personal loan repayments can be major setbacks to your saving efforts. As part of your saving strategy, get these debts paid off. Start by paying off the debts with the highest interest rate – typically your credit card.

- **Avoid monthly fees**

Some lenders charge a monthly service fee – further adding to your debt. Competition between lenders has increased, so some of them waive administration fees. Refinancing your home loan with another provider can be a smart move to cut your mortgage costs.

- **Don't be late**

If you're struggling to meet your repayments, speak to your broker. Refinancing may be one option available. It may be better to extend the loan term rather than to default.

“Having dealt with Stone & belter on a variety of financial advisory and support, including multiple mortgages, refinancing, and insurance coverage, I can safely say, it’s one of the best teams I have dealt with in the Czech Republic. As a foreigner, it can be daunting to navigate the financial and bureaucratic requirements related to finance and investments. Having a trusted partner has put my mind at ease, with only the best options put forward by the Stone & belter team, balancing cost versus long-run coverage and gains. Their willingness to answer all my questions, thorough in-depth knowledge regarding a variety of financial products and services, and ability to tackle challenges head-on, has given me the confidence to have Stone & belter manage additional financial advisory and investments for me into the future.”

– Craig S.



THANKS TO OUR MORTGAGE WILL YOU MAKE YOUR DREAMS A REALITY

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