

Mortgages

in the Czech Republic 

stone & belter
FINANCIAL INNOVATION



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1. Using a mortgage broker

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

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

Am I realistic?

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

What are my plans?

Think about what the future holds – both personally and financially. Are you a one or two income household and is this likely to change in the future?

Can interest rate change after the fixed period?

Consider how any rate rise will impact your ability to make repayments.

How much debt can I 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, ultimately the choice is yours – so be careful not to overestimate yourself.



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Assessing your needs

First, we will discuss your property goals, taking into account your loan requirements in light of your lifestyle, job, family and other aspects. We will also discuss the type of documents needed such as pay slips, tax returns and personal bank statements.

Second, we will describe one or more home loans that fit your borrowing needs. We will use our unique algorithm to search our database of current supply of lenders and find the most suitable loan for your situation.

Managing the loan process

Third, we can help you fill in the necessary paperwork to get the loan process underway. This may include submitting your home loan application on your own behalf, communicating with all relevant parties and managing the entire process.

We can also assist you with other financial wishes and needs such as arranging a property and life insurance, income protection insurance or personal loans.

So why to use a mortgage broker?

- **Save time** – the broker can do the groundwork, making easier to find a loan suitable for you.
- **Industry expertise** – the mortgage broker knows which loans are available.
- **Reduce stress** – We can help you get the most appropriate type of mortgage, manage the paperwork and keep you updated during the whole process.



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2. Changes in the Czech mortgage regulations

New important changes were made in mortgages due to the Czech National Bank (CNB) regulations in the last three years. The CNB wants to slow down increasing prices in the real estate market that can be observed mainly since 2017. One of the tools the CNB wants to use is mortgages. The CNB now strictly recommends all mortgage banks in the Czech Republic to reduce the maximum loan-to-value (LTV) parameter for all new mortgages.

Since April 2017 the maximum loan-to-value level has been 90 %. Interest rates for mortgages with the LTV level of 80–90 % are higher (about 0.5–1.0 %) than mortgage with the LTV level under 80 %. In addition, since October 2018 until April 2020 banks were allowed to provide mortgages with maximum monthly instalments of 45 % of your net monthly income (DSTI,

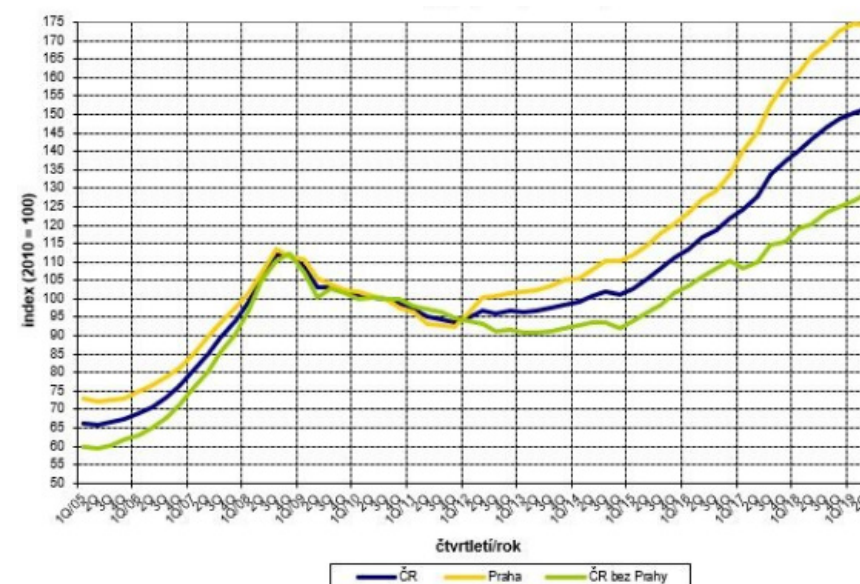
debt service-to-income) and, at the same time, the value of all your loans including credit cards may not have exceeded the total of 9 yearly net incomes (DTI, debt-to-income). In response to the coronavirus crisis, the CNB has decided to change these parameters. We recommend you to consult your mortgage broker on the current conditions.

There's still a chance to finance the rest of the price by means of a building savings loan called „úvěr ze stavebního spoření“. Special loans are provided by Czech savings loan institutions such as Modrá pyramida, Českomoravská stavební spořitelna, Wüstenrot stavební spořitelna, Stavební spořitelna České Spořitelny or Raiffeisen stavební spořitelna. You can get this loan up to 800 000 CZK without a collateral and even without having a previous building savings contract.



Prices of Flats

Index flats prices
(Czech Statistical Office, 2010 = 100)



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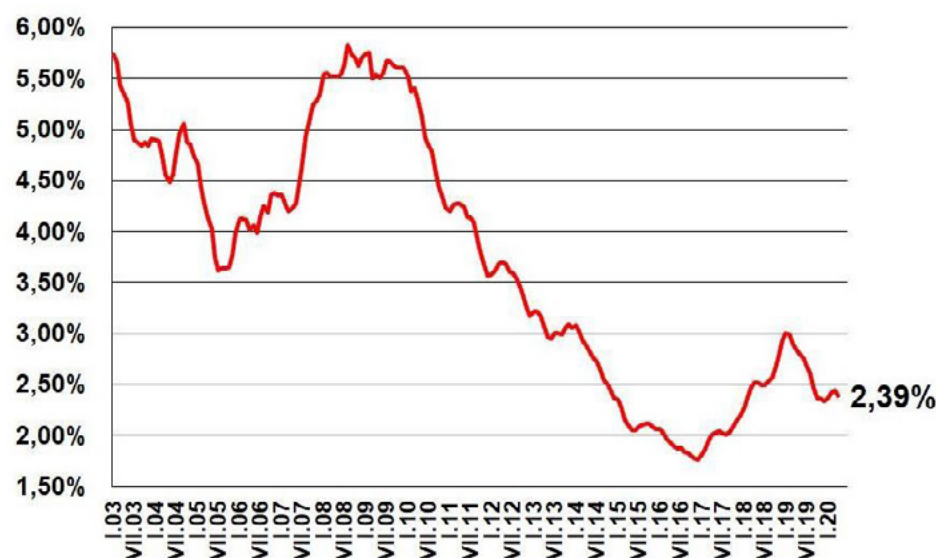
3. Interest rates and your mortgage

Considering the interest rate of mortgages in the Czech Republic, we still have advantageous times to take a mortgage. Since 2009, the average rates were constantly getting lower. This decrease stopped in December 2016 being replaced by considerable rise which reached its peak in January 2019. From this month on, we can observe gradual decrease again.

The average interest rate in the chart below includes all rates regardless of the fixation period, i.e. also variable rates and mortgages with various loan-to-value ratio.

Usually, you can get the lowest rate for 3–5 years fixation period. The shorter fixation period offers you more flexibility while the longer one guarantees you the same monthly payment.

There are several factors which have influence on mortgage interest rates – especially GDP or inflation.

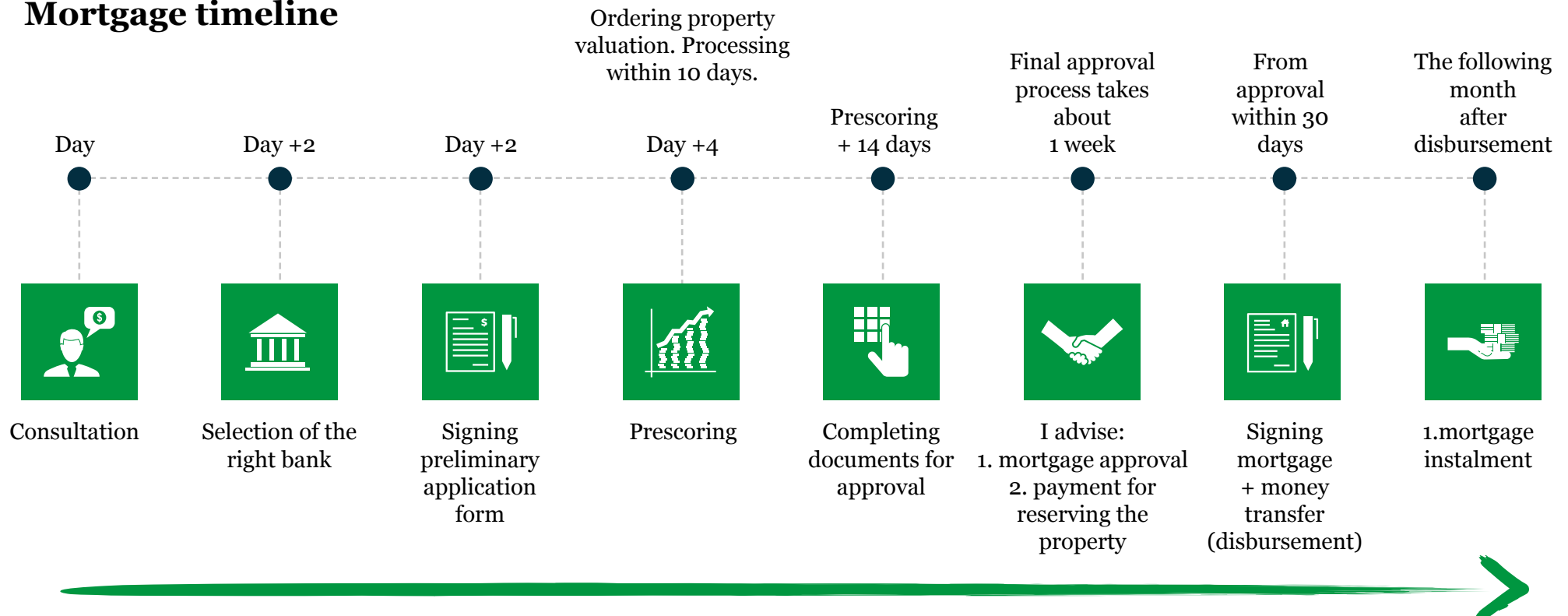


Source: Hospodářské noviny



4. Process of the mortgage

Mortgage timeline



PRESCORING

Prescoring is the first point. Before selecting a property, you should know if any mortgage bank will provide you with the mortgage and now much they will lend you.

PROPERTY

If you already know that you can get a mortgage, you can start selecting a specific property, because you already have an approximate idea of how large a mortgage you can get.

MORTGAGE

After you have chosen the property, you can begin to apply for mortgage.

MORTGAGE APPLICATION

Application process for mortgage approval consists of administrative procedure in the bank, which lasts 1 – 3 weeks.



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5. Mortgages and insurance

Sometimes it is necessary to sign a **life insurance** contract if you want to get a mortgage loan. Life insurance can be required for a mortgage with 90 % LTV or in other exceptional cases. The only obligatory insurance is real estate insurance. However, signing the life insurance contract can influence the final interest rate by 0.1–0.5%.

You usually get the biggest discount in a bank whose insurance is the most expensive. For instance, you have to pay about 1000 CZK a month for insurance to get a loan of 2 million CZK. Other banks can offer the lowest insurance of 320 CZK a month. This means that it can be more convenient to take a loan in a bank with higher rate because the total costs (mortgage payment + insurance) can be lower thanks to the lower insurance payment. Publishing the “RPSN” indicator is compulsory (similar as

with consumer loans) and it's good to look at it.

Life insurance covers usually risks of death, disability, illness, loss of job. More risks = higher price.

Home (household) insurance provides you with a cover for possible damages at your home such as broken water pipes, flooded kitchen sink due to clogged drain, damaged electric installations due to short circuit, windows damaged by hail or a flooded basement.

House and other building insurance can be used if a lightning strike damages your roof, a flooding river takes your home, a vandal tags your walls with paint, snow makes your roof collapse and in many other cases.

Liability insurance

is designed for cases when you damage other person's property or health.

There are other kinds of insurance convenient for covering different aspects of your everyday life, e.g. home assistance or legal protection insurance.



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6. Refinancing your mortgage

Loan refinancing means the repayment of the previous lending obligation.

If you want to repay your current mortgage, building savings loan or another loan with another bank you can use our tailor-made offer with preferential terms:

- Arrangement and maintenance of your mortgage free of charge
- Fast arrangement and minimization of mortgage-related expenses
- Possibility of mortgage parameters revision in relation to the refinancing
- Negotiating acceptance of the former property valuation

7. Smart saving tips

Put your goals in writing

Setting a financial goal makes it much easier to plan and save successfully. Make 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 and charges

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.

➤➤ person
➤➤ property
➤➤ liability

➤➤ future
➤➤ living
➤➤ pension
➤➤ children
➤➤ tax optimization

➤➤ full service
➤➤ property splitting



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8. About us and reviews



We are independent mortgage brokers who cooperate with all the Czech banks. We compare and arrange mortgages in each mortgage bank in the CR. That means we are independent specialists, an intermediary between you and the mortgage bank. We are here to

evaluate and select suitable banks and to find the optimal solution for you. You pay nothing for our expertise and all our services, which is your special bonus.

We are a modern and stable mortgage broker company focusing on negotiating mortgage loans. The main principle of our work for you is the individual services. We are always ready to accomplish all your needs, visions, goals and wishes on the highest level. We guarantee this on base of our professional experience which results from our commitment, hard work and focus since 2002.

Reviews

Look no further - Stone & belter

Stone & belter helped us obtain a mortgage to buy a home in the Czech Republic. I am self-employed with complicated financial scenario, no residency, all income reported only in United States. Stone & belter did an amazing job, quickly got us a mortgage with 20% down and a great rate, was on top of everything, translated everything for me into English and made it 100% stress free.

Comprehensive service - first time mortgage without stress - couldn't be better!

Stone & belter was one of 5 brokers we approached and frankly he stands far out ahead of the crowd! Initially I was sceptical as he was attached to the building project but he secured for us the most comprehensive options at the best rates whilst coping with our difficult situation as foreigners. The process of getting a mortgage and

associated insurance scared the heck out of me but Stone & belter managed to explain everything in simple terms and prepared us for step in the process. Stone & belter is incredibly responsive, patient and a genuine pleasure to work with - I cannot recommend him highly enough!

Terrific and Rare

If you are looking for advisors that will save you money, give you the best advice, market rates and will take care of all your financial needs while considering all your specific requirements?? I would certainly recommend Stone & belter as the one to provide all the above. And last but not least in a place where customer service is farfetched. Stone & belter provides a very personable, pleasant and very friendly relation. OH and they speaks very good English. I have personally used their service several times for mortgages and a couple of my friends have done so too with the same exact great experience.



Need a mortgage?



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Disclaimer

The information in this E-book is provided for general information purposes only and is not intended to serve as a source of financial advice or of any other form of advice for any purpose.

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2. The broker reserves the right not to enter into an agreement, regardless of the stage of negotiations, in particular if necessary internal approvals are not obtained.