



## OVERSEAS MORTGAGE FINANCE

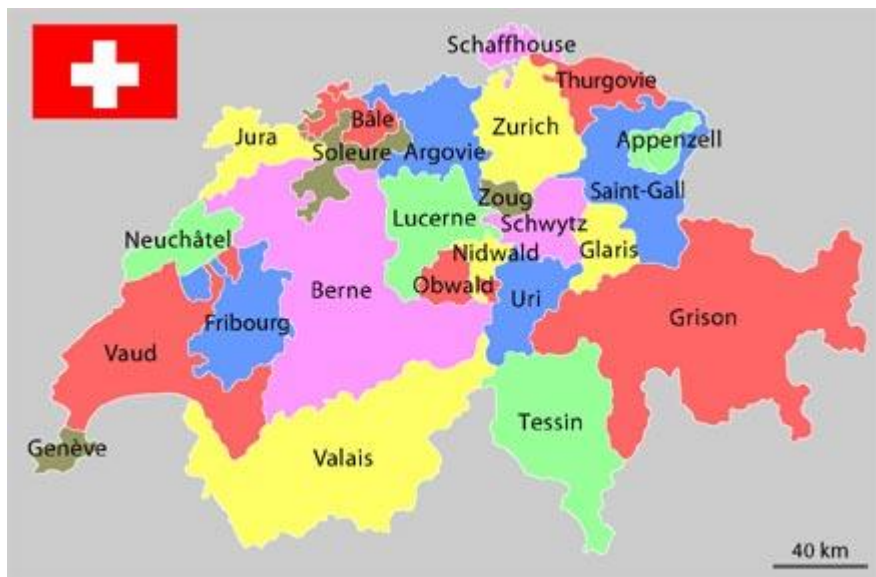
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### **Purchase Guide - Switzerland**

When purchasing property in Switzerland it is important that you understand the way in which the purchase process is structured. We have put together this guide in order to give you a brief introduction to the market and the criteria that needs to be taken into account when making an application to a financial institution.

We feel it is important that before you make a decision on a property you discuss your ability to qualify and the set criteria for borrowing with one of our international mortgage advisors.

Switzerland consists of many 'Cantons' (States) and these Cantons all have their own individual laws and policies when it comes to purchasing property. The image below shows the 26 Cantons of Switzerland.



### **Process**

Restrictions on foreigners were put in place in an attempt to prevent overseas investors from distorting the domestic market. The purchase of real estate is regulated by the 'Federal Law on the Acquisition of Real Estate by Persons Abroad', known as Lex Koller. Lex Koller defines individual persons abroad as being either foreigners domiciled abroad, or foreigners that are in fact domiciled in Switzerland. This requires international buyers to obtain a license/permit from the appropriate



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cantonal and federal authorities. In addition, there may be further stipulations dependant on the cantonal region. European Union citizens are not considered persons abroad in this context.

Most Swiss properties can be sourced online, property listings can also be found in all the main newspapers as well as specialist property papers distributed by estate agents. Please be aware that Switzerland has strict regulations regarding the purchase of property by foreigners and varies from Canton to Canton, you may find your options limited, however you can buy property if:

**You are an EU or EFTA (Economic Free Trade Area) national with the relevant permit in place and you have permission to purchase a specific property.**

Many cantons - including the main cities such as Zurich or Geneva do not allow holiday homes to be sold to overseas nationals; the quota of permits is distributed among the cantons that do. These permits are controlled by the federal government under a strict quota system which allows a restricted amount of permits per year and only for the purchase of property in the main tourist areas. Your Notary will apply for a permit for you to purchase a specific property.

A local Swiss Public Notary will act for both parties to complete the transaction, the Notary is there to protect the interest of both parties and will draw up the deeds and documents required for the legal ownership. Notary, Land Registry fees and Government purchase taxes do vary from Canton to Canton and are payable by the purchaser only. All transactions are carried out in Swiss Francs.

In order to assist the Notary, you will be expected to complete the tasks below:

- Complete personal detail forms and Power of Attorney documentation
- Provide payment of the agreed deposit in 'Escrow' to the Notary
- Sign the 'Deed of Sale' documentation.

Once all documentation is approved and the purchase has been completed, the Notary will record the deed of sale with the Land Registry.

### **Reports**

We recommend all buyers have a professional survey carried out in accordance with the banks requirements. Once your mortgage has been submitted to the chosen lender, they will also carry out a valuation report to assess the property.

### **Deposit Funds**



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You will be expected to deposit funds plus any additional monies in Swiss Francs. If you would like to speak to one of our preferred currency exchange partners please notify your international mortgage broker.

### **Eligibility**

All mortgages that we source are in Swiss Francs (CHF) and the banks legal charge is secured against Swiss residential property. Swiss banks require all prospective clients to provide supporting documents to accompany a full status application; this is to provide total transparency of your financial circumstances. Financial institutions in Switzerland assess your ability to repay the mortgage by measuring on average 35% of your gross monthly income, this should be sufficient to cover your existing outgoings (Mortgages, rent, personal loans, higher purchase agreement's etc) in addition to covering the monthly cost of your new mortgage commitment. There are some circumstances where banks will allow a one off decision for a particularly strong case. Should you receive any additional incomes from buy to let property, investments, bonuses etc, a percentage of this income will be used to increase your borrowing power. There are exceptions to this rule and on these occasions we will discuss your case in detail with the Swiss lending committees.

### **Ownership**

Ownership of a property is usually held directly in the purchaser(s) name.

### **Criteria**

In order to supply the Swiss lender with adequate information for them to make an informed decision on your case, you will be expected to supply a number of documents:

- Proof of residence
- Evidence of deposit
- Proof of income & outgoings
- Bank statements
- Notary Details
- Property Details

Each case is individual and specific requests from the lender will be made once the initial underwriting has been carried out.



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### **Types of mortgages**

There are a number of mortgage options available that range from **variable** to **fixed** rates, these are available on a repayment basis or interest only. The term of your loan is dependent on affordability and individual lenders underwriting policies:

- Acquisition Finance (Purchase)
- Home improvement / Renovation Finance
- Re-Mortgage

Home improvement (Renovation) and construction loans are available however, estimates will be required at the time of application and will only be accepted if they are provided by Swiss registered builders. Renovation of old or derelict buildings may also have planning restrictions. Please speak to one of our advisors for more information.

Re-mortgaging is available although, we recommend that you check with your existing lender whether any redemption penalties, with early repayment charges, will be payable for cancelling your existing mortgage.

### **Life assurance**

Life assurance is not mandatory with the majority of Swiss lenders, however it is advisable that a policy is assigned to your Swiss mortgage. If you would like to receive a quote please let your advisor know.

### **Buildings insurance**

This is a compulsory requirement when taking any mortgage and must be in place for completion. This will be detailed in your mortgage offer.

### **Bank account**

You will be required to open a Swiss bank account before completion, in many cases the lender will be able to offer you this service (if they are a retail bank), if not, we can put you in touch with a reputable bank who will be able to help.



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### **Completion**

Mortgage funds will be released by the lender to your Notary for completion of the purchase.

### **Time frame**

For Switzerland we cannot specify a timeframe on completion, due to the laws and restrictions of individual cantons.

### **Costs**

- Bank arrangement fee: Depending on the lender, allow anywhere between €750 - 0.5% of the loan amount.
- Overseas Mortgage Finance fee: We charge an administration fee once we have all requested supporting documents and feel confident to submit a full application. Our broker fee is based on the successful completion of your loan and typically 1.5% of the loan amount.
- Estate Agent fees from 2% - 4%

**The below fees vary in cost, dependant on which Canton you purchase within. We recommend that you budget up to 9% of the purchase price to cover associated costs:**

- Notary Fees
- Property transfer tax
- Land Registrations fee
- Mortgage registration fee



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**Name (PRINT):**

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**Signature:**

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**Date:**

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### **Disclaimer**

The above information is provided for guidance only, Overseas Mortgage Finance Ltd accepts no liability as to the accuracy of the information detailed. You should obtain specialist legal and tax advice relating to your circumstances.

Your home may be repossessed if you do not keep up repayments on your mortgage.