

## hirdetmény

### ANNOUNCEMENT

#### Conditions to Subsidised Mortgage Loans

in compliance with the effective Announcement of the Land Credit and Mortgage Bank Rt.

**Valid for new loan agreements concluded from January 1, 2006 based on loan applications accepted in compliance with Government Decree 12/2001. (I. 31.) effective from September 7, 2004; and for loans the tenor of which begins from January 1, 2005, or is affected by the turn of the interest period; Sections 1b), e), and i) of this Announcement are applicable to all loan agreements made under the above regulation**

#### 1. Loan conditions

##### a) Credit interest rate per annum during the tenor:

For financing the purchase, expansion or modernisation of **existing apartments** (with no disbursement period):

- for loans with an **interest period of one year** **6.00%**
- for loans with an **interest period of five years** **6.50%**

**For the purchase of newly built homes** (*construction of apartments or residential properties with no disbursement period*)

- for loans with an **interest period of one year** **5.00%**
- for loans with an **interest period of five years** **3.99%**

##### b) For the construction, expansion or modernisation of apartments or residential properties, provided the financing is performed **during the disbursement period**:

- *during the disbursement period, the per annum percentage rate of the credit interest charged on the amount of the loan disbursed will be equal to the effective credit interest rate specified in the Announcement for HUF-based housing loans, and will be payable on each partial disbursement;*
- **commitment fee: 0.5 % per annum on the committed but unutilised credit line; payable on the last working day of each month.**

##### c) Property valuation fee

**due date:** upon acceptance of a loan application, or involving additional real estate(s) as collateral, (up to three real estates may serve as collateral to a loan): **HUF 30,000 per property (including VAT)**

*fee for technical inspections and updating, upon ordering:* **+HUF 12,500 (incl. VAT) per occasion**

##### d) Contracting fee – to be paid on the *approved* loan amount upon conclusion of contract –

- for income-based financing **0.50 %**
- for income-based financing from 01 January, 2006 **1.00 %**
- for minimum wage financing **1.00 %**



e) **Annual administration fee** \*: during the disbursement period, on the outstanding loan balance, payable together with the repayment instalment, in addition to the credit interest: **6.00 %**

f) **Annual handling fee**: to be paid on the principal outstanding at the start of the transaction year, regardless of the interest period or the loan purpose, *uniformly and annually* **2.00 %**

\* For the first time, the administration fee is charged on the first due date. For the last time, it is charged together with the repayment instalment due upon the fulfilment of the conditions to selling the independent mortgage to the Land Credit and Mortgage Bank Rt. The administration fee is charged as a credit interest rate.

g) **Prepayment fee**:  
**at the end of the interest period**, when the prepayment amount is no more than 30% of the outstanding loan balance **2.00 %**  
**other prepayment** **4.00 %**

The charge for prepayment is calculated on the prepayment amount during the period of the subsidy.

h) **Default interest**: applicable to all existing or newly made loan contracts, as of January 1, 2006 on the principal outstanding on the due date, additional to the credit interest: **2.00 % p.a.**  
on the outstanding credit fee amount unpaid on due date **2.00 % p.a.**

i) **Contract amendment fee**: it will be charged for the amendment of any material conditions of the contract (e.g., change in due date, changing in collateral) its amount: **HUF 10,000**

When an amendment of a contract involves a change in collateral, a special fee shall be paid for the appraisal of the real estate.

j) **Annual Percentage Rate (APR)**:  
(For loans of HUF 5 million and a loan tenor of 20 years.)

	EXISTING APARTMENTS Purchase loan (%)	EXISTING APARTMENTS Construction loan (%)	NEWLY BUILT APARTMENTS Purchase loan (%)	NEWLY BUILT APARTMENTS Construction loan (%)
<b>1-year interest period, income-based financing</b>	8,68	9,81	7,60	7,63
<b>1-year interest period, minimum-wage financing</b>	8,68	9,89	7,67	7,71
<b>5-year interest period, income-based financing</b>	9,22	9,26	6,52	6,55
<b>5-year interest period, minimum-wage financing</b>	9,30	9,34	6,59	6,62

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The formula for the Annual Percentage Rate (APR) is as follows:

$$H = \sum_{k=1}^m \frac{A_k}{(1+i)^{t_k}}$$

H: credit amount, reduced by the charges associated with taking out the loan,  
 Ak: the amount of repayment instalment 'k',  
 m: the number of repayment instalments,  
 tk: the time of repayment instalment 'k' expressed in years or fractions of a year,  
 i: one hundredth of the APR.

- The APR has been specified by taking into consideration current conditions and effective legal regulations. Its value may change upon any change in conditions;
- The value of the APR does not reflect the interest risk of the loan.

**Interest and handling fee conditions change, due to the loss of entitlement to/termination of state subsidy**, e.g. when a previous subsidized loan remains unpaid for 360 days, or upon a breach of contract, in compliance with the effective Announcement of Kereskedelmi és Hitelbank Rt. for unsubsidised HUF-based housing loans. The fee charged for any amendment to the loan contract is 2% of the outstanding loan balance.

**Definition of the principal and interest repayment for monthly repayment frequency** during the subsidised period – The Bank will determine the monthly amounts of the principal repayment, interest payment and handling fee by using the annuity calculation method and the following formula (+\*):

$$t = H \times (1 + p)^n \frac{p}{(1 + p)^n - 1} + kk; \quad \text{where}$$

t	is	The amount of the monthly instalment
H	is	The amount of the approved and disbursed loan
p	is	The annual interest rate divided by 12
n	is	The tenor of the loan in months
kk	is	The monthly handling fee (HUF)

## 2. Minimum application criteria

- The parties to a loan transaction must be **adult private persons of legal age, eligible to act**; at least one of the debtors must be a subsidy recipient or a foreigner (holding a permit issued by the Ministry of Interior),
- Loan applicants must not be over **65** at the maturity of the lending transaction,
- Permanent **address** in Hungary (in case of a subsidy recipient who is not a citizen of Hungary: residence permit),
- Minimum six months continuous employment (at current and previous place of work together, and a minimum of 3 month employment at current job) for an unspecified term, or must have a temporary work contract valid for minimum 2 more years from submitting the loan application

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- if they are private entrepreneur or own a business, such business must have been in operation for at least one year and have a closed business year,
- one of the employer's land-line phone numbers shall be provided,
- one of the (co-)debtors shall be in the possession of a fixed-line or a mobile phone registered in his/her name. If the debtor who is a Hungarian citizen hasn't got such phone, a fixed-line phone number registered in a close relative's or the mortgage obligor's name will suffice.

**Additional condition:** a retail current account with K&H Bank (in existence or to be opened upon signing of the loan contract)

### 3. Documents to be submitted with the loan application

- **Completed and signed loan application form;**
- **Income certificate, or employment certificate, or bank account statements for a period of 6 months** (documents certifying those facts must not be older than 30 days); for acceptable formats thereof, please refer to Section 4 below;
- **Personal identity card**, or a document to certify the personal identification number (e.g., **address card**) and **tax card**;
- **For fixed-line phones:** the phone bill paid in the last month. **For mobile phones operated under subscription:** at least 1 year-old contract made in the name of the owner of the phone, the latest paid phone bill letter addressed to the phone owner, and the voucher certifying payment of the bill. **For card-operated mobile phones:** at least 1 year-old phone contract made in the name of the (co-)debtor, and a bill certifying the purchase of a SIM card.
- The previous month's statement of any public utility bill and the voucher certifying payment thereof (no public utility bill is required when the (co-)debtor has a land-line phone registered in his/her name and payment of phone bill is certified).
- **Bank account statements** for the last two months (provided the (co-)debtor has a retail bank account with a financial institution in Hungary)
- Entrepreneurs and owners of businesses must also present their entrepreneur's licence and the instrument confirming their ownership, the Articles of Association

**In case of a subsidy recipient who is not a citizen of Hungary:**

- **Residence permit**
- **Passport**
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#### Property-related documents:

- Property data sheet;
- Original copy of title deed(s) not older than 30 days;
- Floor plan showing dimensions (and a copy of the design drawing if the floor area of the property is over 120 m<sup>2</sup> or it is multi-storey), if it is otherwise not part of the planning documentation;
- Home insurance policy/assignment certificate – upon disbursement/presenting the occupation permit, at the latest;
- For the **purchase** of an apartment or residential property: the sale contract (countersigned by an attorney, and stating that some of the purchase price will be paid from a bank loan);
- For the **construction, expansion** (or **modernisation**) of a home: a final and valid construction permit; an approved design documentation; a budget for the construction works; and invoices issued to the (co-)debtor proving the origin of the materials or services purchased for the works, or other certificate of the origin thereof;
- For **detached or semi-detached houses:** a plot blueprint or map extract not older than 90 days (issued by the competent Land Registry or the Construction Department of the Local Government), unless it is part of the design documentation;
- When a **construction plot** is taken as collateral: a photocopy of an official plot layout or map extract not older than 90 days, including the location of the property and topographical numbers;
- Agreement on the division for use and the co-owners' waiver of their right of first refusal endorsed by a lawyer in case of properties in undivided common ownership;
- Other documents verifying various facts affecting the value of the property (e.g. lease contract).

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**In case the subsidized loan is requested by non-Hungarian citizens:**

- the original copy of a **statement** made by a citizen of a member state in a private deed of full legal force (certified by two witnesses) or a notarial deed submitted to the Public Administration Office, evidencing that the property has been obtained as primary place of abode, or
- a permit issued by the **Public Administration Office** for the purchase of the property in case the purpose is not a primary place of residence)
- **In case of foreign citizens defined as such by the Decree, the permit of the Ministry of the Interior must be obtained.**

## 4. Income Certificate

### 4.1. Forms of income certificate:

The debtor(s) must prove **at least 30% of the income** reported for the calculation of the loan amount as their **regular income**, in one of the forms specified below: (the source of the so-called other income – see below – must be certified in a simplified form)

- Forms of monthly regular income certificates for customers **employed by public institutions, national agencies, public limited companies (Rt.) and limited liability companies (Kft):**
  - **No income certificate or employer-issued income certificate is required if the client's wages have been transferred onto a retail bank account with K&H for at least 6 months.**
  - In other cases: income certificate duly signed by the employer.
- **For employees of individual entrepreneurs:** income and tax certificate issued by APEH (tax authority).
- **For employees of other companies** (e.g. unlimited partnerships – Bt.): employer-issued income certificate as well as an income and tax certificate issued by APEH (the Hungarian tax authority).  
If the individual signing the employer-issued income certificate is the applicant himself, or a relative (wife, child, parent, grandparent), or the owner of the employer's company is a close relative, a tax certificate issued by APEH about the company is also required.
- **For entrepreneurs and owners of enterprises:** income and tax certificate issued by APEH (concerning both the company and the private individual).
- **For retired applicants:** the last month's pension slip and pensioner's certificate, or the bank account statement for the last month.
- To certify income from **agricultural activities:** income and tax certificate issued by APEH.
- For Hungarian citizens applicants **working** and paying tax **abroad:** the income earned abroad can be certified with an income certificate authenticated by the locally competent tax office. A certificate is also required from the tax office indicating that the applicant does not have any outstanding tax debts. (All documents must be submitted with an authenticated translation.) **It is mandatory to involve a co-debtor in Hungary whose certified income equals at least the current minimum wage in Hungary.**
- **In case the applicant for a subsidised loan is not a Hungarian citizen, a certificate by the employer is necessary** to prove employment or other labour law relationship (sections 4.2 and 4.3 are not applicable to non-Hungarian citizens).
- **Debtors qualifying as foreign citizens under the Decree** must submit an income statement authenticated by the relevant foreign tax authority with the authenticity also certified (legalized) by the relevant foreign public notary; as well as its authenticated Hungarian translation (the measures described in points 4.2. and 4.3. below do not apply to them).

### 4.2. Certifying the source of other income:

The amount and source of other income (maximum 70% of the total income) must also be specified in the loan application form.

Other income may be certified with the following documents:

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- **self-employed persons and owners of enterprises:** balance sheet and profit and loss account for the previous year.
- **rental income** from properties: lease contract and title deed.
- **income derived from other sources:** contract certifying income source or other certificates.

**4.3. Rules of simplified (so-called minimum wage) income certificates:  
(Not applicable to loans applied for under the “Fészekrakó” program)**

If the amount requested by the client is not higher than HUF 15 million, it is sufficient to prove a regular income equivalent to the current minimum wage (the total of all debts to K&H Bank and the amount of the requested loan must not be higher than HUF 30 million).

**Documents to be submitted:**

**1. To certify income from employment:**

- **No employment or income certificate are required if:**
  - the client has had a bank account (in any Hungarian bank) for at least 6 months and his wages have been transferred onto this account for at least 6 months.
  - if the client's wages are not transferred onto a **K&H account**, the **bank account statements for the last 6 months** must also be submitted with the application.
- **An employment certificate is required if** the above requirements are not met but
  - the client is in full-time employment (40 hours a week),
  - the client is not employed by an unlimited partnership (Bt) or a self-employed entrepreneur.
- **An income certificate** must be submitted if the above requirements are not met.
- **Employees of unlimited partnerships (Bt) or individual entrepreneurs must provide an income certificate issued by their employer, as well as income and tax certificates issued by APEH.**

**2. Income from an enterprise:**

The required documents are the same as the ones described in section 4.1.

**In addition to the above documents, the bank is entitled to require, at its own discretion, any other documents or set any other conditions.**

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