



## MORTGAGE



The volume of loans issued by Serbian banks for the purchase of housing by citizens has been growing year-on-year. In certain circumstances, financing from the bank can be a good solution for solving the housing problem. To the decision-making process on the use of a bank loan and the choice of a bank should be approached very carefully, since these are long-term obligations that will need to be observed for more than one year. Below are some recommendations in this:

Determine the total necessary loan amount and the size of monthly payments that the family can afford. Use online loan calculators and sites to compare loan offers.

Make sure to pay the calculated monthly payment. Realize and accept the total amount of the loan, which will be paid for just the apartment.

Specify whether you can claim state support: subventional credit, subventional lending rate, loans for the military.

Get a few offers from banks. Choose among them the most acceptable. Consider the following important points:

- Requirements for the recipient of the loan, to the object for which the loan is issued, the list of required documents.
- Interest rate (effective - EKS)
- Additional expenses during the loan processing (the cost of issuance of a bill; the cost of the valuation of the property - may be required several times during the crediting period; the cost of concluding a credit bureau; the award of NKOSK (National Corporation for Mortgage Insurance); certification of pledge application; pledge registration; cost of credit processing
- Additional monthly expenses (the cost of maintaining a loan; life insurance; insurance of real estate)
- Penalties (for late or early payments)
- Additional costs that must be incurred to provide the bank with the necessary documents (payments and fees for registration of real estate; the cost of certification the preliminary contract with a public notary)

Determine the type of rate, the currency of the loan, the term of the loan.

- Rate: fixed, variable, combined
- Serbian Dinar or Foreign Currency
- Term (up to 30 years)
- Down payment and its size

- Credit insurance from NKOSK

Determine what will be collateral for the loan

Carefully read the loan agreement, fully understand and accept its conditions before signing.

Pay monthly payments on time. Use all sorts of loan holidays effectively, with real need.

After paying the loan, you will receive a confirmation from the bank that the loan is repaid. Close the account used for the loan activity.

Make the necessary changes to the property documents (clear the mortgage from the cadaster documents).

Bankers often operate with abbreviations and concepts that you may not know. Basic definitions:

**NKOSK** - National Corporation for Mortgage Insurance, ensures the bank part of the risk of non-payment of a loan. Loans must meet the requirements of NKOSK. Loans insured in NKOSK have usually a lower rate. The insurance premium is paid once and is calculated taking into account the LTV ratio factor.

For projects under construction, NKOSK requires a building permit, property rights, the building must be at least 80% ready and have full and compliance with design documentation.

**LTV ratio** is the ratio of the loan amount to the value of the property in the mortgage. In the mortgage, there can be also the real estate which is not a subject of purchase. In this case, you can ensure the loan without down payment, but the value of the mortgaged property must be at least 30% higher than the loan amount.

Detailed information on the site <http://www.nkosk.rs/>

**EKS (Efektivna kamatna stopa)** - effective interest rate, serves to determine the real cost of the loan. That is, in addition to the interest rate on the loan, it takes into account all related costs (commissions) for its servicing. Used to correctly compare offers from banks on credit products. When you compare different banks, use this indicator.

**NKS (Nominalna kamatna stopa)** is the nominal interest rate on a loan, without taking into account any fees or compounding of interest.

A **fixed rate** is fixed by the agreement and cannot be changed by the bank unilaterally.

**Variable rate** is the sum of the constant part and the part dependent on the indicated variables (EUROIBOR, BELIBOR, LIBOR).

**Combined rate** - a constant credit rate is used as part of the loan period, and a part of the term is variable.

**LIBOR** (London Interbank Offered Rate) is the weighted average interest rate on interbank loans provided by banks operating in the London interbank market, offering funds in different currencies and for different terms. Published daily. Published daily, current rates can be viewed, for example, [here](#).

**BELIBOR** (Belgrade Interbank Offered Rate) is the base rate offered on deposits in dinars by the Group's banks in the interbank market. BELIBOR rates are calculated and published by Reuters every working day and are calculated as the average of the arithmetic daily quotations after the removal of the highest and lowest values. The current value can be viewed on the [website](#) of the National Bank of Serbia

**EURIBOR** (European Interbank Offered Rate) is the average interest rate for interbank loans granted in euros in EU member states, as well as Iceland, Norway, Switzerland and the Association of Financial Markets. The calculation is based on data provided by several dozen banks with first-class ratings. Published daily, current rates can be viewed, for example, [here](#).

**Life and real estate insurance with transfer to the bank** (vinkulirane polise životnog i osiguranja nepokretnosti) - in case of an insured event, the bank receives a compensation payment, thus repaying the debts of the owner.

**Administrative restriction** (administrativna zabrana) - the agreement signed by the creditor and employer of the creditor to block monthly amounts within the creditor's salary, until the latter closes its debts to the bank.

**Credit holidays** (grejs period) - the period of time when the creditor is able not to pay the body of the loan. The interest rate in this period has to be paid.