



Banking

Bulgarian banks

There are many banks now operating in Bulgaria and they all operate to the highest standards of Banking and many have either foreign ownership or foreign partners.

Currently no UK high street banks have a presence in Bulgaria although this is expected to change following EU accession.

Most of Bulgarian banks have automatic teller machines and through them you can draw local currency while you stay in Bulgaria. Bulgaria is mostly a cash economy. However, the use of debit and credit cards is becoming more popular. The system of personal checks is almost unknown and payment by debit cards is accepted in some big stores and gas stations. Currently mainly foreigners use Travellers Cheques and credit cards. The charges for Travellers Cheques, however, can be quite prohibitive, so it is worthwhile to check all rates and charges before deciding to use them.

Considerations when opening a bank account in a Bulgarian bank include number of branches access, services and charges particularly if you plan to transfer funds on a regular basis. There are usually few English speaking employees in most of the banks in Bulgaria, so it is better to go to the foreign exchange section of the bank where you will usually find 1 or 2 fluent English speakers.

The Bulgarian Mortgage Market

Currently the Bulgarian mortgage market is small with less than 2% of GDP equivalent denominated in mortgages. Compared to around 10% in the rest of the Eastern European countries and almost 20 % average in Western European countries.

According to data from the Bulgarian National Bank seven banks control the majority of the Bulgarian mortgage market. By September 2005 seven banks had disbursed about 85% of all the mortgage loans that had been issued.

Mortgages have become the driving force of local banks, leaping 116% over the past year, to exceed 1.8 billion levs by October. Around 70% of the mortgage loans are denominated in the local currency, and the others - in euro.

Web www.bpli-bg.com
Email bpli.bg@gmail.com



DSK Bank remains in the lead with a market share of 34.3%. The United Bulgarian Bank comes second with 20%, and Bulbank is ranked third with a steady 11% share. Next come Postbank, First Investment Bank, HVB Bank Biochim, Raiffeisenbank etc. Currently, three banks market mortgages with 0% interest in the first 12 months.

Central bank statistics shows that interest rates on mortgages have dropped to an average of 7.17% versus 11% a year ago and 14-16% a couple of years ago.

The Bulgarian loan rate is still high by European standards and the banks are finding mortgage lending to be very profitable indeed. For the future once accession to the EU has concluded increasing pressure will be felt in the mortgage market. This will result in the mortgage rate decreasing which will have a positive effect on the rising value of property.

Mortgage Procedure

If you are about to buy property in Bulgaria, there are mortgages available for most nationalities for either residential house purchase or re-financing for home improvements. Mortgages in Bulgaria are available on a repayment (capital and interest) and interest only. The minimum is £25,000. The maximum loan amount is now 75% of valuation or purchase price. The maximum term is 25 years or up to age 70. These loans are available in Euros only.

In any cases you will need proof of income. It can be made up of earned income, pension, and investment or rental income. The lender will take all or part of these incomes into account when determining the maximum loan available.

All your other mortgage and rent payments, personal and bank loans, credit card payments and any maintenance payments together with your proposed Bulgarian mortgage payments must not exceed 35% of your net monthly income.

This is an indication of how cautious this market is and why within the domestic market there is no sign of overheating, in fact to the contrary when over time the value indicators approach the EU norms an accelerating effect will be seen on property prices.

Most lenders require full title to be demonstrated prior to considering a mortgage and all appropriate documents have to be available to the lenders. Finance will be granted only for completed apartments where the State Acceptance Commission has issued a valid "Use Permission Certificate". (This was previously known as act 16)

Web www.bpli-bg.com
Email bpli.bg@gmail.com



It is essential to take a good legal advice before signing a preliminary purchase agreement or paying a deposit. You may choose to use the lender's solicitor in Bulgaria for your own representative also. In this case, you will have to note that in the mortgage application.

If you apply for a loan for a Bulgarian Company and you are the owner, you will have to guarantee the loan. You will be expected to receive an independent legal advice from a solicitor in the UK concerning the guarantee and confirmation from the solicitors that they have indeed advised you independently. Both documents should be included within the guarantee.

The lawyer or the notary may charge you for assigning the mortgage, so you should establish the actual cost with them before proceeding with the loan application.

The completion of a Bulgarian mortgage should take place in front of an appointed Bulgarian notary. All representatives of the mortgage parties need to be present. A power of attorney will need to be presented to the lender some time before the completion – a draft document will be provided by the lender.

Mortgage options

Mortgages in Bulgaria for non-nationals have in the past been very difficult to obtain. However, changes in recent months have been made and now they are available on property. In most cases a Bulgarian Mortgage Lender will consider non-nationals' applications, some lenders will restrict the availability of lending to certain Nationals of certain countries.

If you want to buy property in Bulgaria but cannot purchase in cash you have the option of raising additional finance against an existing UK property.

UK mortgages are currently available for around 5 to 6.5%. A Bulgarian mortgage, on the other hand, is a relatively new thing in Bulgaria and the options remain limited. These are provided by the Greek owned bank Piraeus plus the two largest Bulgarian banks DSK bank and Bulbank. This market is fast moving and will surely mature, very quickly in the future.

The DSK mortgage is currently the easiest to obtain. If you are a UK citizen and have a combined provable income of at least £15,000 and have a clean credit record then you can get a Bulgarian mortgage of up to €200,000 with interest rates between 6%-7%. They are available on

Web www.bpli-bg.com
Email bpli.bg@gmail.com



repayment only for a term of up to 20 years with a 70% mortgage of the properties value available.

Mortgage tips

You should be sure that you could get a mortgage or obtain enough cash before you agree to purchase a property in Bulgaria. Bulgarian mortgages can take up to 12 weeks to complete, so it should be the first step in your list. Many lenders will carry out the legal work for you, but this can slow down the process, so it's worth asking whether they will contribute to the cost of getting your own solicitor to do the work.

You should be aware that the process of getting a mortgage in Bulgaria is different to that in the UK. When applying you will probably need a power of attorney in Bulgaria to deal with property insurances, completion of the mortgage and other legal issues.

You should check if there is an early redemption penalty. Many fixed rates come with strings attached so you have to check carefully the small print.

In addition, if you are buying off plan properties then you will have to pay not only a deposit but also staged payments. The DSK mortgage will meet the staged payments only for approved developers. Once the property is completed you can then always take a mortgage out for 70% of the valuation and repay money borrowed to make staged payments. You should also be aware of the fact that in Bulgaria the valuation of the property is often lower than the purchase price and you may have to pay more money using your own cash.

Mortgage rates change frequently so it's worth checking if your lender can offer you a better rate. If not, you should look around for better offers. Fortunately all the information you need is available 24 hours a day on the internet. In addition, you could always hire a mortgage adviser to do it for you.

Advice on Loan Rejection

There are number of reasons for lenders to reject - if you haven't held credit cards before, if you have just returned from overseas work and have no repayment history etc. Lenders can also deny your request just because you don't fit in their profile of the ideal customer.

If you are rejected, you should find out the reason before making further applications. Most lenders will offer an indication, however not many of them will give you the reasons. If your credit record turns out to be the problem you should check it. If a period of ill-health or redundancy is the cause you can also get this information added.

Web www.bpli-bg.com
Email bpli.bg@gmail.com



You can appeal to a lender, using items such as bank statements as alternative means of proving your financial discipline. If all else fails, it's always worth trying your bank. They may not offer the best rate, but they know you and your history, so they're more likely to say yes.

DSK Bank

It is the largest retail bank in Bulgaria and the first Bulgarian bank to actively target the UK market. It is not strict regarding the status of the applicant. They are also prepared to meet staged payments from roof level on application.

Their application process is less restrictive and time consuming. They also have a redemption penalty if the mortgage is redeemed before the end of the loan term. Currently they are reconsidering the terms and conditions for early redemption to attract more clients. Interest rates are similar to the other banks at around 6-7%.

Piraeus Bank

Piraeus is a Greek bank, which was the first lender in Bulgarian market. The application process takes approximately 12 weeks to complete a mortgage.

If you decide to redeem this mortgage you will be liable for redemption penalties for the first three years. Interest rate is 7%. Affordability calculations take 40% of your monthly net income and deduct your UK monthly payments for personal loans, credit cards and mortgage payments. The amount that is left over is the amount you can commit towards a Piraeus mortgage on a monthly basis.

Bulbank

Offers up to 65% loan to value, 15-year term, and monthly payment less than 20% of net income. The property should be ready to use (not off-plan or in the process of construction). The bank also requires collateral not only by way of a first charge on the mortgaged property but also by depositing in advance 12 months repayments (of principal plus interest) in a Bulbank account.