

HOME LOAN GUIDE

ActivoBank
by Millennium



HOW TO CHOOSE THE PROPERTY?

Buying a house is one of the biggest decisions in life because it involves a big investment. And, for that reason, it has to be a well thought decision. With this guide we intend to help the process become faster and simpler.

- THE RIGHT CHOICE
- THE LOCATION
- THE FUTURE OF THE AREA
- OBSERVE AND ANALYSE THE PROPERTY
- WHAT IF THE PROPERTY ISN'T NEW?



HOW TO CHOOSE THE PROPERTY?

THE RIGHT CHOICE

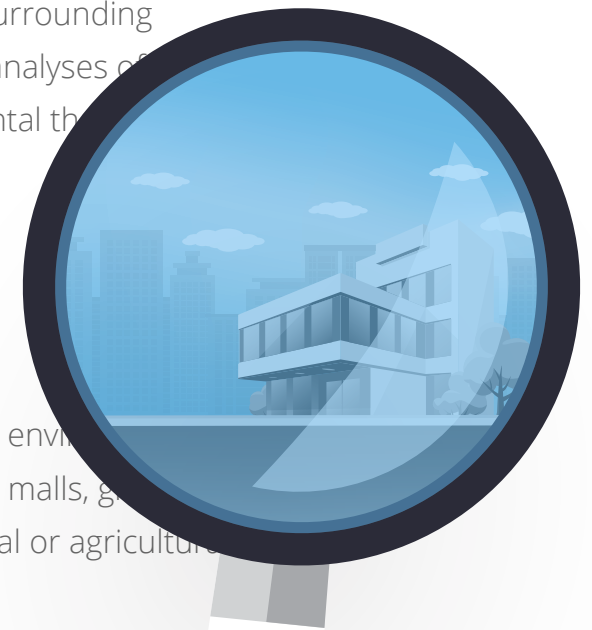
This is the most exciting step of the whole process: idealising your new home and trying to find it! Visit interior and exterior spaces; get to know the surroundings and the neighbourhood imagine yourself living there. It is essential to pay attention to all the details and see if the property matches your ideals. It is also important to obtain information about the market, analyse all values within the area to see if you are getting a good deal.

THE LOCATION

It is one of the main criteria whilst choosing the house, therefore, it is important to know which are the surrounding infrastructures, services and transports. If you still haven't decided in which area to live, do comparative analyses of areas, so you can have some information on what type of infrastructures exist in the area. It is fundamental to stroll around the area, to assess some aspects, of the place, such as pollution and noise.

THE FUTURE OF THE AREA

To avoid surprises consult the Urbanisation Plan foreseen for the area. Assess the proximity of social and environmental infrastructures, current and future (public transport network, daycares, schools, healthcare centres, shopping malls, green spaces). Consult the area's City Council main plan. Assess the foreseen constructions: buildings, industrial or agricultural facilities and other types of transformation (roads, freeways, expropriation of land).



HOW TO CHOOSE THE PROPERTY?

OBSERVE AND ANALYSE THE PROPERTY

Before you sign the contract (CPVC) and give the seller a down payment for the house, it's convenient to consider some aspects related to the property, namely:

Adequate typology and expenses - see what the gross area is (total dimension of the house which includes garage, walls, balconies and common areas) and the floor area (available space of the house, where you can walk freely). Check all information regarding the regulation and the condominium expenses.

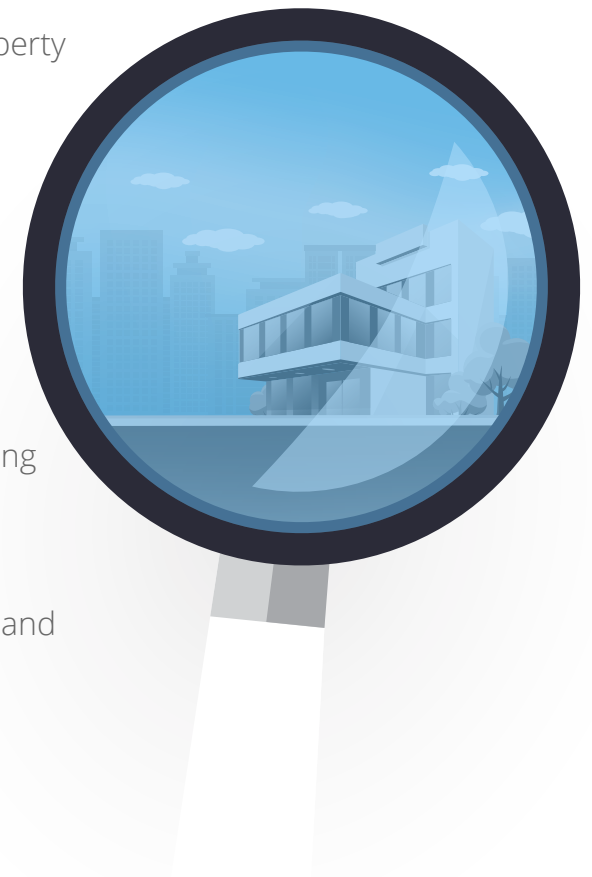
Construction quality - see what materials are used, electrical installations, plumbing, insulations and finishes of the property.

Energy certificate - it is an, equally, compulsory and basic part because it defines the quality of the property and its energetic efficiency.

WHAT IF THE PROPERTY ISN'T NEW?

If you chose a house that has been inhabited before make sure that there are no cracks or humidity stains, check the roof's condition (last floors), find out about the power of the electrical panel, the extraction of smoke in case of fireplace, the security of the main door, the conservation state of the building and common area's exterior cladding, the condition of the plumbing and electrical installations, etc.

Financial situation of the house - make sure the property is free of other responsibilities and charges and has no unredeemed mortgages to a credit institution. Also, check, for previous condominium debts.





**HAVE YOU CHOSEN
THE BANK AND THE
CREDIT SOLUTION?**

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A house investment is, probably, the longest financial commitment of your life.

That is why it is so important that you ask for advice, find out about the funding and, carefully, study the banks proposals.

When you decide to apply for a housing loan, consult and analyze all the information available, find out about all the variables and evaluate your contractual rights and duties.

Know what the most important factors are when comparing several alternative loan proposals.

MAIN ASPECTS:

- Credit typology;
- Fees / Spreads – TAN/ TAEG;
- Maximum amounts and deadlines;
- Associated charges;
- Insurances;
- Notarial and registration fees.

On the Standardized Information Sheet, document made available by the bank that includes the simulation, you can obtain detailed information about all the variables and get to know the particular conditions of your loan. These allow you to make comparative analyzes and make a conscious and responsible decision before proceeding to the formalization of the process and the signature of contract.

HAVE YOU CHOSEN THE BANK AND THE CREDIT SOLUTION?

CREDIT SOLUTIONS BUILT FOR YOUR NEEDS

Buying a house is, without a doubt, the most well thought decision of a family's life. For that reason the choice of bank and the loan conditions are fundamental points.

ActivoBank has a range of solutions, in the category of indexed rate, adapted to any need:

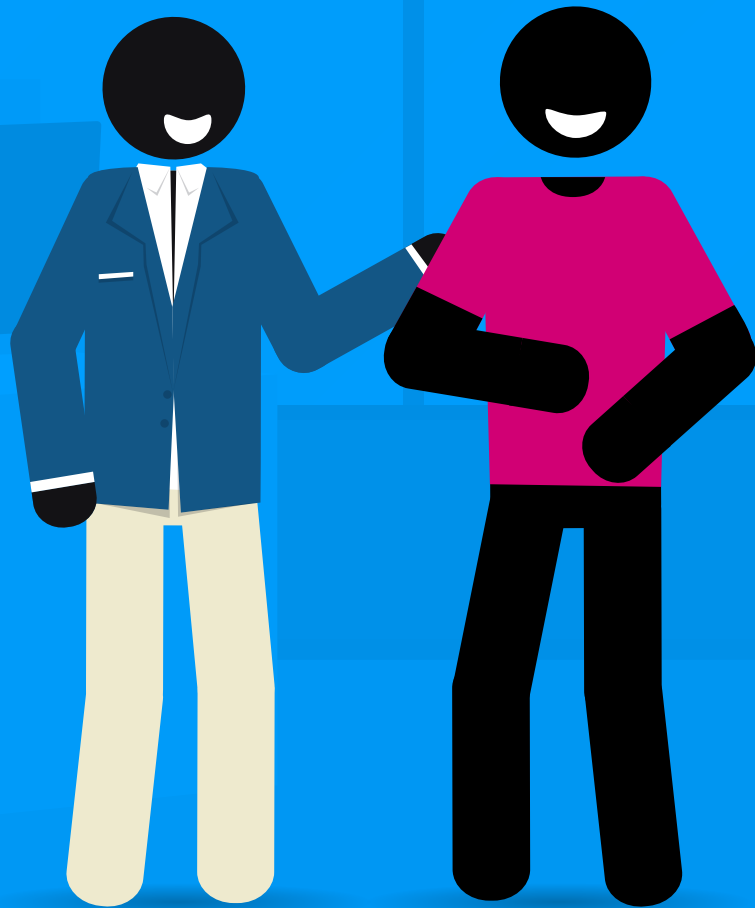
- Purchase / construction of own house;
- Change of house;
- Credit reinforcement;
- Transfer of your home loan to ActivoBank.

We have available the Solution, with rate indexed to Euribor, that reflects the market rates oscillations.



At ActivoBank we believe that a loan is good when it is a responsible choice.

So, before you proceed with any loan, you must read the contract, attentively, and keep in mind the conditions of the loan and make sure that the installments won't compromise your monthly budget.



HOW IS BUYING A HOUSE WITH ACTIVOBANK LIKE?

The purchase of a house involves a series of legal procedures and fiscal charges that you must get acquainted with.

It is also important to know the level of service, the speed and efficiency of the bank while asking for a loan.

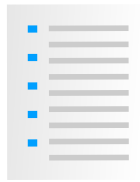
HOW IS BUYING A HOUSE WITH ACTIVOBANK LIKE?

PROCESS STAGES

Your home loan in 7 steps:



SIMULATION



PROPOSAL
DECISION WITHIN 48H



EVALUATION



YOUR DECISION



**APPROVAL
LETTER**



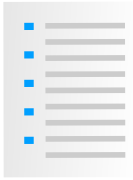
DOCUMENTATION



DEED
BOOKED WITHIN 72H

HOW IS BUYING A HOUSE WITH ACTIVOBANK LIKE?

WHAT DO YOU HAVE TO DO?



PROPOSAL (WITHIN 48H)

Documents:

- Income statement (last year)
- Pay slip
- Employee statement
- Property registry certificate
- Matrix document
- Plant

Permits:

- Formalisation of loan request
- Approval of tax debit



COLLECTION OF DOCUMENTATION

- Energy certificate
- Identification documents of all participants
- Life insurance and Multi-risk home insurance
- Housing permit
- Technical housing sheet
- IMT payment declaration
- Cancellation document of previous mortgages (if there are any)

If the document is viable, the deed will be booked within 72h.



YOUR DECISION (ACCEPT CONDITIONS)

- Attentive reading of the Approval Letter and the Standardized Information Sheet (FIN)



DEED

- Booking
- Completion of the act
- Financing

HOW IS BUYING A HOUSE WITH ACTIVOBANK LIKE?

NECESSARY DOCUMENTATION TO BUY A HOUSE

Identifying documents:

1. Documents and tax cards of buyers, sellers and guarantors, in case there are any – The proof of I.D request is not considered an identifying document, a driver's license or a passport will be requested;
2. Proxies, in case there are any;
3. Birth and/or marriage certificate – In case there is a change in the marital status of the buyers or the sellers since the day of property acquisition registry.

Property documentation:

1. **Online property registry certificate** – Document that certifies all the records made regarding the property: location, composition, owners, burden and transmissions. This document can be obtained on the website www.predialonline.pt or directly at the Town Hall;
2. **Urban / Rustic property registry certificate** – Matrix document where the address, areas, composition and holders of the property are referred. This document can be obtained at the Finances centre or through the Finances website.
3. **Permit of use** - demanded since 07/08/1951 except when the property belongs to the City Hall, State, IGFSS and IGAPHE. This document can be obtained at City Hall.
4. **Energy certificate** – It is mandatory for new buildings and old ones from the moment they are put on the market for sale or lease, by the owners or real estate agents. The document must be present upon contract signature. This certificate must be made by experts, who are available for booking through www.adene.pt.



HOW IS BUYING A HOUSE WITH ACTIVOBANK LIKE?

OTHER INFORMATION TO CONSIDER

Information during the duration of the loan

During the validity of the loan, the bank discloses a monthly statement with the following information:

- Capital outstanding
- Number, due date, amount and nominal interest rate of the two following instalments
- Fees and expenses of the two following instalments

Don't forget

After buying a house you will have a set of rights and duties according to the legislation and regulation of the condominium. Try to understand the most important aspects of your owner status.

After changing residency you must inform the following entities:

- Tax office
- Identification registry
- Banks and Insurance companies that you are a client of
- City Council (in case you change municipality)
- Societies and Companies from which you usually receive mail
- Don't forget to stay safe by changing your door lock
- Keep all the documentation regarding the new house (property registry certificate, deed, private document, insurance policy) in a safe place.



WHICH INSURANCES SHOULD I HIRE?

Despite all the precautions, things can still take a wrong turn!

Buying a house or flat involves the mandatory hire of an insurance that covers the risk of a house fire and, if applicable, the corresponding common areas (roof, stairs, elevators, garage, etc.).

Insurances associated to home loan operations have the purpose of safeguarding the protection of the property and the granted credit, predicting its payment, in case of client (and/or household) misfortune.



WHICH INSURANCES SHOULD I HIRE?

MULTI-RISK HOME INSURANCE

Building (mandatory) – Intended to protect your house. Ensures the refund of the damages caused to the property that are included in the insurance coverage. Ensures to the bank (mortgage lender) the payment of the insured sum (reconstruction value) in the case of total loss.

Content (compulsory) - Ensures the refund of the damages caused to the movable property inside the property as long as they are included in the insurance coverage.

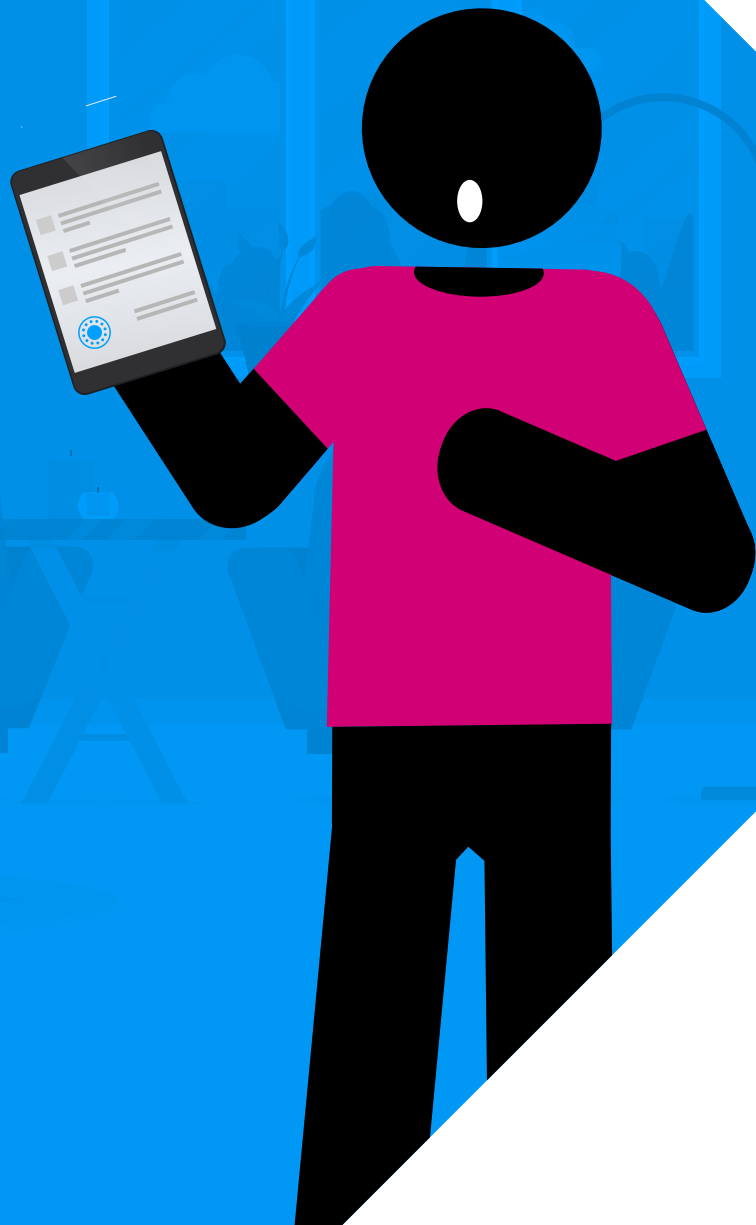
LIFE INSURANCE

Protects your family in case of invalidity or death.

Ensures the payment to the bank (irrevocable benefactor of the loan), of the amount in debt, in case of death or total and permanent invalidity (or, when authorized, absolute and definitive invalidity) by disease or accident of the insured person(s). The family/household is unbound of any posterior payments.

PAYMENT PROTECTION PLAN INSURANCE

Ensures to the client, the payment of the monthly credit fee during a period of time and until the defaulted limit, in case of work income loss of the insured person, unemployment situation, hospitalization and sick/ accident leave.



WHAT IS THE TAXATION ASSOCIATED WITH THE PROPERTY?

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LEGAL CHARGES (TO PAY)

REAL ESTATE TRANSFER TAX (IMT)

The IMT concerns the tax transfers of the right of ownership over property. It is settled by the Tax Office before the deed is completed and it's estimated at a rate between 0% and 6% (according to each municipality) which will concern the highest of the following values:

- The value mentioned on the contract; or
- The taxable patrimonial value of the property.

It must be emphasized that the proof of payment must be presented upon the signing of the deed, in front of a notary or an equally competent entity (someone who can practice acts regarding properties by public deed or private authenticated document).

MUNICIPAL PROPERTY TAX (IMI)

The property owners are bound to a yearly property tax (IMI), a tax over the highest value previously set for the purpose of the IMT (acquisition value or taxable patrimonial value) and that can change according to the type of building:

- Rustic buildings 0.80%
- Urban buildings 0.3% to 0.5%

Since January 1st 2012 there is an IMI single exemption period of 3 years, which is only applicable to urban buildings whose taxable patrimonial value doesn't exceed €125.000, and that are destined to permanent privately owned property of the taxable person or his household whose taxable income for IRS purposes (regarding the previous year) isn't superior to €153.300.



WHAT IS THE TAXATION ASSOCIATED WITH THE PROPERTY?

To benefit from this exemption, the taxable person will have to request it within 60 days starting from the date of the deed signing. On the other hand, the exemption can only be attributed twice to the same taxable person or household for different properties.

STAMP DUTY

The transfer of property is subject to stamp duty at the tax of 0.8% over the value presented in the matrix, regardless of the property being purchased by buying and selling, donation or inheritance.

NOTARY AND REGISTRY FEES

At the moment of provisional registries request at the Land Registry Office, registry fees are paid for the acquisition and for the mortgage.

Upon the signing of the deed notary fees are paid for the acquisition and for the mortgage loan.

CAPITAL GAINS / PROPERTY SALE

In case of property sale how is the profit taxed?

You can synthesize the calculation of the capital gains or losses as follows:

- Sale value (sale value x devaluation ratio)
- Necessary charges to buying and selling
- Charges with appreciation (in the last 5 years)

The gains resulting of property sales are subject to IRS as capital gains, to a tax that vary between 14.5% and 48% depending on the income bracket of the taxable person.



WHAT IS THE TAXATION ASSOCIATED WITH THE PROPERTY?

However these capital gains are subject to taxation over 50% of their respective value. Take note that the capital gain might not be taxed, partly or totally, if the seller applies his money (collected from the sale of his previously owned property) to acquire, build or carry out construction works on another property he will live in.

Such gains can be excluded from taxation when resulting from the sale of property destined for permanent residence of the taxable person or his household, and when the proceeds of sale (deducted from the amortization of potential loan for the acquisition of that property) is reinvested in the purchase of another property with the same purpose (permanent residence), located in national territory in one of the following deadlines:

- In the 36 months following the date of sale of the property whose disposal spawned the capital gain; or
- In the 24 months prior to the date of sale of the property whose sale spawned the capital gain.

The thought of, total or partial, reinvestment must be declared by the taxable person in the tax return Model 3 of the IRS related to the year of property sale.

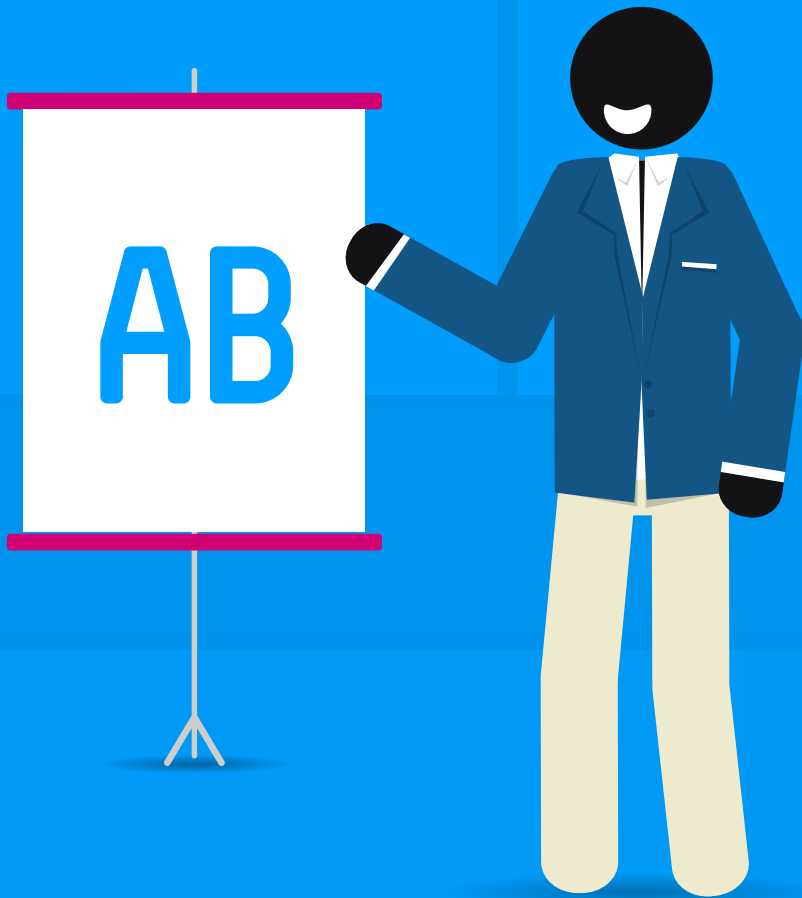




TAX BENEFITS

Properties classified as cultural heritage are exempt of IMT and IMI.

The use of house savings account balance for acquisition of permanent residence grants a 50% reduction over the owed registry fees.



GLOSSARY

Buying a house is one of the biggest decisions in life because it involves a big investment. And, for that reason, it has to be a well thought decision. With this guide we intend to help the process become faster and simpler.

A

Acquisition Stamp Duty - Stamp duty charged upon signing of the deed over the transaction value of the property.

Annual Effective Interest Rate (TAEG) – It is the tax that represents the total cost of the credit for the client expressed in annual percentage of the granted credit amount. Allows to measure all the financial costs associated with a loan, namely, the credit installments (money and interests), mandatory insurance premiums and attached fees, from the date of proposal submission until termination of contract.

Annual Nominal Rate (TAN) - Percentage applied to the pending capital of a loan to calculate the owed interests. This tax can be indexed (variable) or fixed.

Assessment – Tour of the property by an assessor (expert) for attribution of the market value that will be considered for the purpose of mortgage security.

C

Cadastral Certificate or Real Estate Registry Statement- Document issued and authenticated by the Tax Office, with a validity of 12 months that identifies the property and its characteristics, namely: location, area owner and taxable value.

Casa Pronta - Service made available by the Ministry of Justice that allows to perform immediately all the formalities necessary to buying and selling, donation, exchange of urban, mixed or rustic buildings, with or without resorting to bank credit. Also allows performing formalities necessary to the transfer of a bank loan, for the purchase of a house, from one bank to another or the accomplishment of a loan granted for a house mortgage in a single help desk. The act requires mandatory documentation, which your bank will give you information about. It is an alternative service to signing the deed with a notary, with reduced costs.

Certified Private Document - Legal act identical to a public deed but performed by lawyers and/or solicitors, on the terms of article 38 decree-law 76/A March 29th 2006. The recognitions, authentications and certification made by the entities foreseen in the legislation (solicitors, lawyers, conservatives...) grant the document the same evidential value as if such acts would have been performed by a notary. The act requires mandatory documentation, which your bank will give you information about. It is an alternative service to signing the deed with a notary, with reduced costs.

Cross-Selling – Subscribing and maintaining a product in the bank with impact in the spread (if existent in the current offer). Subject to periodic verification.

D

Default Interest - Surcharge that aims to compensate the losses of the institution due to the delay of debtor compliance with contractual obligations.

E

Early anticipation - One-off anticipated payment of a share of the capital outstanding.

Early Liquidation - Hand over of the total amount due before the end of the foreseen deadline, through the sale of property or own assets.

Effort Rate – Percentage of a household´s income subject to the payment of loans.

Euribor (European Interbank Offered Rate) - Reference rate of the interbank money market of the euro zone. This interest rate is calculated as an average of the interest rates conducted by a panel of prime banks that lend money to each other and shows different values according to the referred deadline (between 1 week and 12 months). Euribor 12 months is the reference rate (indexed) used by the bank for housing loans with a floating rate. The value of the floating rate must result from the simple arithmetic average of the daily prices of the indexed on the month prior to the period of interest calculation.

European Standardized Information Sheet (FINE)- Mandatory document issued by the bank where all the credit conditions are stated. The document must be signed by the clients. There is a FIN for each credit purpose.

F

Fees – During the whole process of the home loan several charges will be collected for services provided by the bank, namely: File Fee, Evaluation Fee, Setup Fee, Inspection Fee, and Installment Processing Fee.

G

Guarantor- Person that takes responsibility of fulfilling the obligations of the loan's holder, in case the holder cannot do it himself.

H

Housing types – Own Permanent Housing (HPP); Own Secondary Housing (HPS); Leasing Housing (HA).

I

Indexed - Reference tax used as an indicator of the market evolution, to which a Spread is added. It can be an indexed of permanent or variable reference (usually Euribor).

Indexed Revision Period - Number of times that the indexed interest rate is updated for the loans made with a variable interest rate.

Indexed Tax - TAN more frequently used for home loans that is automatically reviewed for the purpose of market reference tax evolution (indexed) to which it is associated – for example: Euribor. This tax consists of Spread and Indexed.

Instalment - Amount agreed upon by the mortgage credit holder(s) to pay for the amortization of capital and payment of interest.

Insurances - Contract between insurer and insured where the first is obliged to compensate the second in case of accident, anticipated by contract coverage. There are several types of insurances, such as Multi-risk home, Life, Construction work, Credit protection, Unemployment, whose purpose will be, in case of accident, to compensate the insured person and/or the beneficiary.

M

Municipal Property Tax (IMI) - This tax falls upon the taxable patrimonial value of the rustic and urban buildings situated on national territory.

Mortgage - Extrajudicial real guarantee that falls upon the property associated with the home loan.

Mortgage Discharge - Document issued by the Bank/Financial Institution that holds the mortgage security over a certain property, for registry cancellation, due to extinction of debt. Allows cancelling the permanent mortgage registry of the Property Registry Certificate.

P

Payable Interests - Sum paid as a compensation for the provision of loan money during the validity period of the contract

Promise of purchase and sale agreement - Agreement signed between the parts (Buyer and seller) that specifies their intentions of buying and selling.

Property Registry Certificate - Document that identifies the description of the property, its location, the holder as well as all the records and entries regarding the property. This document is issued by the Land Registry.

Public Deed - Definitive purchase and sale agreement of the property. Legally, formalizes, the transfer of property from the seller to the buyer. The act requires mandatory documentation, which your bank will give you information about.

R

Real Estate Transfer Tax (IMT) – The IMT taxes the acquisition of property and falls upon the highest of the following values: Patrimonial Value and Property Transaction Value. This tax is liquidated before the signing of the deed.

S

Spread - It is a constituent of the interest rate, set by the bank, contract to contract, when granting a loan. The Spread is added to the indexed used in credit operations to obtain the annual interest rate (TAN).

Stamp Duty over Interest - The credit for acquisition, construction works or building of permanent or secondary housing is exempt. In the case of housing for rental the same is applicable

Stamp Duty over use of Credit – Tax charged by the bank upon provision of the loan value.

T

Technical Housing Sheet - Descriptive document of the functional and technical characteristics of the urban property for residence. This document is mandatory for buildings whose application for user license has been presented after 30/03/2004.

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