

KEYHOME

A mortgage loan, what is it exactly?



1. What is a mortgage loan?	3
1.1. Who can take out a mortgage loan ?	3
1.2. What is the object of the loan ?	3
1.3. How much can I borrow ?	3
1.4. What about the term ?	4
1.5. How is the loan issued to you ?	4
1.6. What about the loan interest rate ?	4
1.7. Repayment formulas	5
2. Build or buy an existing property ?	6
2.1. Build	6
2.2. Buying an existing property	6

1. What is a mortgage loan?

Do you plan to purchase a house, an apartment or build or renovate a house? To carry out your plans, you probably need to take a mortgage loan. This loan is guaranteed by a mortgage on the property. You will repay the borrowed capital and the interest at regular intervals.



1.1. Who can take out a mortgage loan ?

Keytrade Bank offers mortgage loans to any natural person aged 18 or over, whose main residence is in Belgium at the time of signing the sales contract and who is not acting in professional interests ¹.

1.2. What is the object of the loan ?

The mortgage lending platform offered by Keytrade Bank is intended for the **purchase, construction** or **renovation** of a property (land, apartment or house) that is not for professional use. In addition, the platform also allows users to **refinance** an existing loan.

1.3. How much can I borrow ?

The amount you will be able to borrow depends mainly on your ability to repay and on the value of the property you want to purchase.

● Ability to repay

Keytrade Bank will analyse your financial situation. To do so, it will review your net professional earnings, your rental income (taken at 80% of value), your benefits in lieu of income, as well as your costs such as existing loans and any maintenance payments you make. Based on this income, Keytrade Bank will check that you will be able to manage your monthly repayments.



● The value of the property

Keytrade Bank will also take into account the ratio between the value of the property and the amount of the loan you have requested. In some cases, the bank will need to have a valuation of the property that you are offering as security (for example: the house, apartment, piece of land, etc. that you are buying) carried out by an expert. The maximum amount that you can borrow through KEYHOME will then also depend on the result of the valuation carried out by this expert. The cost for this is €250 and is charged to the borrower.

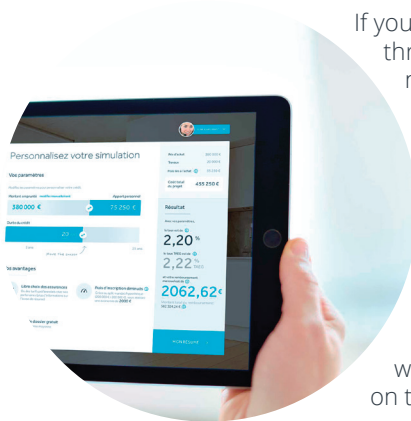
1) Please note that KEYHOME is not available to "US persons".

1.4. What about the term ?

At Keytrade Bank, we can provide you with a mortgage loan for a term from 5 to 25 years. However, depending on your personal situation, it may sometimes be possible to enjoy tax benefits if you borrow for a particular period (see Notaire.be)².

In addition, we recommend that you finish paying off your mortgage before the legal retirement age. In practice, this is generally the point when household incomes tend to fall.

1.5. How is the loan issued to you ?



If you are buying a residence or land, you will receive the total amount of your loan through a notary when you sign the notarised loan document, provided all the necessary guarantees are in place.

In the case of a new construction or conversion, then it will usually be the case that you will not need the whole amount at one time. In practice, you generally only pay the contractors in stages as and when the work advances. In this case, the funds can be drawn down by presenting invoices grouped into tranches of €2,500 over a period of 2 years from signing the loan document

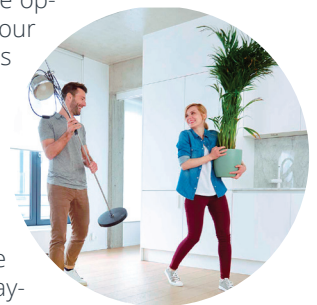
You do not make any capital repayments during this drawdown period. You will pay interest on the amount you have already drawn, and a commitment fee on the balance of the amount. The commitment fee is:

- 0% from the 1st to the 6th month,
- 1,5% annually between the 7th and the 12th month, and
- then is 2% annually from the 13th month.

1.6. What about the loan interest rate ?

In Belgium, you generally have the choice between two types of interest rate: fixed rate and variable rate.

- A *fixed rate* is a rate that is set at the time of taking out the loan and which applies throughout the term of the loan. So, with this option, you are opting for total security because you know in advance the amount of your monthly payments for the entire term of your loan. This formula is very favourable when rates are low, as your mortgage loan will not be affected if interest rates rise.
- A *variable rate* is made up of a base rate defined on taking out the loan, which can be changed at certain dates defined by the contract, depending on changes to a reference index linked to market interest rates. This option is therefore a riskier choice, but can be attractive because the rates offered tend to be better at the start of the repayment period. However, they can be revised several times during the term of your loan (every year, every 3 years, etc.), depending on the formula you have selected and your monthly payments will then increase or decrease as a result.



Keytrade Bank does not currently offer variable rates.

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2) Find out more about Tax benefits linked to mortgage loans on www.notaire.be (french)

The rates offered by Keytrade Bank are customised and depend on each person's financial situation. To find out your interest rate, run a simulation on [our site](#).

You also have the option of downloading a list of our rates for mortgage loans from our site, depending on the various terms: [here](#)

1.7. Repayment formulas

The most common formulas in Belgium are mortgage loans with fixed monthly repayments and mortgage loans with fixed capital repayment instalments.

- If you have *fixed monthly payments*, you will pay the same amount each month, made up of a combination of some interest and some capital. The amount of interest will reduce over time while the amount of capital will increase. The level of the repayment amount therefore remains the same throughout the whole term of the loan.
- In the case of *fixed capital repayments*, you will repay the same amount of capital each month. Interest will be calculated on the remaining balance, and will therefore decrease. This means that the amount of your repayment will be much higher at the start of the loan, but will decrease over time.

At Keytrade Bank, we currently only offer mortgage loans with fixed monthly payments (see the Prospectus).



2 Build or buy an existing property ?



Most people ask themselves the following question at some point: "Should I buy a plot and build, or buy an existing property? What works better?"

Each approach has its advantages, but also some disadvantages.

2.1 Build

To build, you first need to find a good plot and get all the official permits. Then you need to be aware that building your home can also mean some surprises at a later date, both in relation to the price as well as the timelines for construction. In fact, it is only once everything is done that you can really see the results of the project. This is why buying a house or an apartment off the plans, or one that is under construction requires the buyer to purchase greater protection against the risk of insolvency or bankruptcy on the part of the constructors. In addition, you need to be aware that VAT at 21% will be charged on your construction costs.



On the other hand, the advantage of building is that you can choose exactly the type of construction you want, and you avoid nasty surprises relating to existing fittings.

If you already have a plot of land for which you have taken out a loan from another bank, you will need to refinance it with Keytrade Bank, which means you need to withdraw the present mortgage registration and create a new one in favour of Keytrade Bank.

2.2 Buying an existing property

An old building will often involve costs at a later date for maintenance, repairs or renovation that will be higher than for a new-build.

On the other hand, buying an existing property has the advantage that the renovation costs are subject to VAT at 6% (compared to 21% for a new construction) and you can move in more quickly than is the case with a new-build.

If you decide to buy an existing property, then you need to decide if you want to buy a whole house, or an apartment. What do I need to think about to make the right choice?

A detached house generally costs a lot more to buy and maintain, but the owners are obviously kings of their castle.

On the other hand, living in a shared building with several apartments allows all the owners to split some of the costs, but everyone needs to respect the other people living in the building. It is therefore essential to abide by the rules of the condominium and accept majority decisions.



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