

Requirements for Mortgage Transparency

Home ownership levels are low in Switzerland, with around 60% of residents renting their property, and most homeowners prefer to live in countryside. There are many explanations to this from rapid population growth in cities placing a pressure on housing supplies, to rising prices and bureaucracy that significantly delays property purchases.

Eligibility for home buying

Switzerland has strict regulations on buying property and depends on the swiss permit. Following are the list of eligibility:

- EU or EFTA national with a Swiss residence permit who resides in Switzerland
- Swiss C Permit.

In both cases, same rights as a Swiss citizen to purchase property such as investment properties, holiday homes or commercial premises and primary residence. However, in case of Swiss B Permit, can buy a property for only primary residence and higher interest rates.

The other categories, such as non-resident foreigners, foreign residents without a Swiss work permit (including those working for diplomatic missions, UN agencies and CERN) or workers on short term or seasonal work permits, may not be allowed to purchase property in Switzerland.

Mortgage Rates

Historically, Switzerland's mortgage rates were between 4 to 5 percent, but they fell to historic lows in the last few years, estimate around 1%. Following some increase in 2018, rates dropped again in 2019, with average five-year rates dropping to 1%, and 10-year rates at just 1.35%.

Swiss banks mortgage the property up to 80% of the current market value and buyer must pay a deposit of 20%. At least 10% must be in cash and the other 10% (or more) can be organised using the pension fund. Time for repayment of mortgage in Switzerland can be incredibly long, between 50 to 100 years.

Pension Fund

One of the main aspects of the Swiss mortgage system is that company pension or private pension can be used to finance the 20% deposit. The following rules need to adhere:

- The property must be for primary residence;
- Property owned by self, or with a spouse or registered partner;
- If default on mortgage payment, will also lose pension;
- Pension fund have enough deposit, that accrued a sum to pledge;
- Withdrawing the pension fund as deposit for the property or to pledge the fund

The advantage of withdrawing the funds and applying them to the mortgage will reduce the mortgage amount, thus reducing interest rate. Pledging the fund will allow to retain the benefits and size of the pension fund but will not reduce the interest rate.

Getting two Mortgages on One property

Swiss mortgages are usually divided into two mortgages.

The first mortgage will typically:

- cover up to 60–70% of the purchase price and have an indefinite repayment period.

The second mortgage will typically:

- cover the gap between the first mortgage and the deposit, for example, if the first mortgage is 60% and the deposit is 25%, the second mortgage will be 15%;
- have a fixed repayment period, usually up to 15 years or the owner's retirement age;
- have a higher interest rate, typically 1% higher than the first mortgage.

Components of Monthly EMI for Mortgage

In Switzerland lenders require that the monthly household income is at least three times the amount required to repay the mortgage.

However, Swiss banks also include maintenance or insurance charges in this calculation, so the level of income required may be a bit higher. The following example explains the components of monthly EMI:

Property Value (in Chf)	800,000
Deposit 20% (in Chf)	160,000
Mortgage Amount (in Chf)	640,000
Interest 5% (in Chf)	32,000 per year / 2,666 per month
Principal payment 1% of loan amount/year (in Chf)	6,400 per year / 533 per month
Maintenance 1% of property value (in Chf)	8,000 per year / 666 per month
Total Cost (in Chf)	46,400 per year / 3,866 per month

Swiss banks consider thrice of total mortgage cost, that means a minimum annual salary of 140k required to avail this mortgage.

Additional Expenses and Rules:

- The salary is paid 12 or 13 times per year for mortgage evaluation.
- Whether the minimum salary requirement is gross (before tax) or net (after tax) varies from bank to bank.
- Other living costs, such as charges for shared services or communal areas. In Switzerland, such charges often apply to detached houses as well as apartments, and cover communal parking areas, private roads and similar maintenance issues.

Legal cost of getting a Swiss mortgage

When buying a home, will usually need to pay property transfer tax (similar to stamp duty), part of it payable to the canton and to the commune. Most cantons in Switzerland charge stamp duty, though six cantons (Aargau, Glarus, Schaffhausen, Uri, Zug, and Zurich) choose to instead charge change of ownership fees and registration fees. Property transfer tax also varies from region to region.

Notary Role and Expenses

In Switzerland, a property transfer is handled by a notary, who is a public officer working for both buyer and seller.

The notary will typically provide following services:

- Draw up the contract
- Hold the buyer's funds in escrow;
- Complete the official transfer of the property;
- Register the change of ownership;
- Ensure that all legal formalities are completed;
- Ensure the legitimacy and legality of a transaction.

The notary fee is 5% of the purchase price. The fees cover the following expenditure:

- The notary's fee (0.2–1%);
- Property transfer tax (varies from canton to canton, between 0–3.3%).
- Registering the sales deed with the land registry office (depend upon canton between 1-1.5%)

Tax exemptions

In Switzerland property is subject to both wealth and income tax because it is an asset. The property's estimated rental value is added to the taxable income. Mortgage interest, maintenance costs and indirect amortisation in connection with the pension, in-premises construction are all income-tax deductible.

Reference

<https://www.expatica.com/ch/housing/buying/your-guide-to-swiss-mortgages-108440/>

<https://www.expatica.com/ch/housing/buying/buying-a-swiss-property-100026/>

Interest rate comparison

Type of mortgages

The type of mortgage that is right for you depends on several factors: the amount of the loan, your income and life situation, your age and more. All this requires a considered mortgage strategy. Depending on personal wealth and individual security requirements, one of the following three mortgages, or a combination of these, may be considered:

Fixed-rate mortgage

This mortgage is concluded with a fixed interest rate for the entire term. Typical terms are between 2 and 10 years. This mortgage is less risky compared to the other models. As the interest rate remains constant, no additional charges are incurred in the event of rising interest rates. However, this also means that one is not able to profit if the interest rates for fixed rate mortgages become more favorable. Fixed-rate mortgages are very popular among the clients, however several factors need to be considered, when selecting the mortgage type.

Fixed-rate mortgages traditionally offer the greatest planning security. The borrower and the mortgage lender agree on a fixed loan amount, a mortgage rate and a fixed term. Once the loan agreement has been signed, changes in the interest rate market no longer have any influence. The conditions of a fixed-rate mortgage will depend on the general situation of the interest rate market. The term of the mortgage, the amortization rate as well as the income and assets of the borrower also provide important factors for conditions of fixed-rate mortgages. In addition, significant differences result from the different offers of the banks.

What should be considered when taking out a fixed-rate mortgage?

Shorter mortgage terms are usually associated with lower interest rates. Most of the mortgages offered on the market have a duration between 3 and 10 years. However, banks and insurance companies also offer mortgage terms below and above these values. The interest rate of a fixed-rate mortgage is set when signing the loan agreement.

The loan amount depends primarily on the value of the property. The lower value of the market value (bank-internal estimate) and the selling price is used as the basis for the maximum loan amount. Because the property value serves as collateral for the bank, the loan amount of a mortgage does not exceed the current value of the property. In addition, the lending institutions set a buffer between the value of the property and the maximum amount of the loan amount. As a rule, banks and insurance companies finance a maximum of up to 80 percent.

The repayment / amortization period is directly related to the amount of agreed amortization payments and the term of the mortgage. The borrower and the bank agree on an annual amount of amortization payments at the beginning of the term. This amount depends largely on the additional financial burden that borrowers can carry. Depending on

each case, banks sometimes allow for limited adjustments to the amortization payments to be able to react to a changed income situation.

When are fixed-rate mortgages the right choice?

Planning security and protection against rising interest rates make fixed-rate mortgages a particularly attractive mortgage model, and so the Swiss mostly use fixed-rate mortgages to finance their own homes. However, a fixed-rate mortgage may not always be the best solution. The long-term fixing of the mortgage can become a disadvantage in the event of changing circumstances, for example work-related changes or a change of residence.

Other important things to consider, when choosing fixed-rate mortgage

When taking out a long-term fixed-rate mortgage, it is natural to assume that no major changes in income or personal circumstances will occur. However, it's just not possible to plan everything, and matters such as divorce, change of employment, or the death of a (marriage) partner may have serious financial consequences and can rarely be foreseen. In such situations lenders will generally allow the borrower to exit from the mortgage contract.

However, this will be subject to conditions, and the termination of a mortgage will often necessitate the sale of the property. Sometimes termination can be avoided if the borrower is able to find a buyer willing to take over the property along with the mortgage – though such transfer still requires the lender's approval. Mortgage termination may trigger an indemnity payment, and if so, the cost will depend on three factors:

1. The loan interest rate
2. The remaining mortgage loan term
3. The interest rate at which the lender can invest the money repaid

If the borrower repays a loan before expiry of the agreed term, the lender will then have to reinvest the money repaid in order to mitigate the loss of income from the loan interest. And if the interest rate available on the capital market is below that of the mortgage loan agreement, the borrower will be obliged to pay the difference. Conversely, if the lender secures a higher interest rate, and thus earns additional income, this will not necessarily be passed on to the former borrower – all will depend on the structure of the loan agreement.

LIBOR mortgage

This mortgage model is based on the London Interbank Offered Rate, an average interest rate for money transactions between large international banks, which is established daily. The term is usually between 2 and 6 years. The mortgage is then fixed for the next 1 to 6 months, depending on the agreement, then an adjustment is made. The interest rates of LIBOR mortgages are subject to short-term fluctuations.

Through this mechanism, the calculation of the Libor mortgage for residential customers is particularly comprehensible. However, this does not mean that all deals are offered on the

market at the same rates, which is why a Libor mortgage should always be compared. In addition to the Libor rate, each bank proposes an individual margin on the interest rate. In addition, the interest rate should not be the only criterion in the decision.

The Libor mortgage compared to other mortgage types

In recent years, the Libor mortgage has been the most favourable way of financing for real estate ownership compared to the variable and fixed-rate mortgages. The conditions of the financial market were favourable for the banks, and they are obliged to directly pass on the favourable rates to consumers.

Compared to the Libor mortgage, the composition of interest rates is less transparent for fixed-rate mortgages and variable-rate mortgages. In those cases, customers can not directly understand how banks apply the conditions of the financial market when calculating the interest rate and the height of the respective margin. Banks are free, for example, to set interest rates for variable-rate mortgages and often issue them at significantly higher interest rates than Libor mortgages.

The advantages and disadvantages of Libor mortgages at a glance

The Libor mortgage has been the most favourable mortgage in recent years, particularly if interest rates fall after the credit agreement is concluded as the mortgage holder will benefit. Customers will also have the opportunity at the beginning of the contract to set the interval at which the interest rate adjustments are made to changes in the Libor rate. Common variants are found with adjustments in 3 and 6-month intervals.

The advantages are offset by the scenario of rising interest rates and uncertainties in the financing calculation. As the Libor mortgage is terminated with a fixed maturity, there is a risk of having to bear a financial burden in times of rising interest rates. Since forecasts for interest rate developments are always uncertain, mortgage clients should have a sufficient financial cushion when considering a Libor mortgage.

Protection against rising Libor interest rates

As a general rule, anyone who has a Libor mortgage should have financial reserves available to cope with an increase in the interest rate. In addition, mortgage holders are not completely powerless as interest rates rise. You can make an interest cap (CAP) when you sign a contract, and you will be insured if any additional costs are incurred. This interest rate hedge is associated with the additional costs for loan financing.

The switch option offers the opportunity to switch to the next adjustment date in a fixed-term mortgage as a way of avoiding escalating interest rates. Both variants are linked to a fee or a premium. It is worthwhile considering the cost of CAP and switch options for Libor mortgages. The expiry time must also be adhered to after changing the type of mortgage. Another variation to lessen the risk of Libor mortgages is mix financing. Here, Libor is combined with fixed-rate mortgages.

Variable-rate mortgage

The interest rate of a variable mortgage is regularly adjusted by the bank based on market trends. Variable mortgages are considerably riskier than fixed-rate mortgages. In the long term, mortgage borrowers must plan for fluctuations and, in the case of rising interest rates, also be able to repay more per month. On the other hand, falling mortgage rates mean that the monthly burden decreases.

Market average rate calculation.

Fixed 2 years from	0.42 %
Fixed 3 years from	0.47 %
Fixed 4 years from	0.50 %
Fixed 5 years from	0.53 %
Fixed 6 years from	0.56 %
Fixed 7 years from	0.60 %
Fixed 8 years from	0.64 %
Fixed 9 years from	0.68 %
Fixed 10 years from	0.72 %
Fixed 15 years from	0.99 %
Fixed 20 years from	1.23 %
Libor 1M from	0.83 %
Libor 3M from	0.55 %
Libor 6M from	0.60 %
Libor 12M from	0.80 %
Variable from	2.35 %

Calculation examples for CHF 1.000.000 Mortgage from this website:

<https://moneypark.ch/en/mortgage/mortgage-comparison/>

Libor 3 Months:

Provider	Interest rate	Extra costs
MoneyPark	0.55%	CHF 0.00
Basellandschaftliche Kantonalbank	0.55%	CHF 0.00
Basler Kantonalbank	0.60%	CHF 500.00
Banque du Léman	0.69%	CHF 1'400.00
Bank SLM	0.70%	CHF 1'500.00
Swiss Life	0.80%	CHF 2'500.00
Credit Suisse	0.83%	CHF 2'800.00
Graubündner Kantonalbank	0.87%	CHF 3'200.00
Baloise Bank SoBa	0.88%	CHF 3'300.00
Baloise Bank SoBa	0.88%	CHF 3'300.00
Clientis Spar- und Leihkasse Thayngen	0.89%	CHF 3'400.00
Bank Thalwil	0.90%	CHF 3'500.00
Bank Zimmerberg	0.90%	CHF 3'500.00
Vontobel	0.90%	CHF 3'500.00
Bank BSU	0.95%	CHF 4'000.00
Clientis Bank Toggenburg	1.05%	CHF 5'000.00
	1.35%	CHF 8'000.00

Fixed-rate 15 years:

Provider	Interest rate	Extra costs
MoneyPark	0.95%	CHF 0.00
	0.95%	CHF 0.00
Swiss Life	1.07%	CHF 1'200.00
Allianz Suisse	1.10%	CHF 1'500.00
	1.17%	CHF 2'200.00
Basler Kantonalbank	1.26%	CHF 3'100.00
Banque du Léman	1.37%	CHF 4'200.00
Credit Suisse	1.44%	CHF 4'900.00
Bank EKI	1.65%	CHF 7'000.00

Fixed-rate 10 years:

Provider	Interest rate	Extra costs
MoneyPark	0.72%	CHF 0.00
	0.72%	CHF 0.00
Generali	0.75%	CHF 300.00
ALSA PK	0.78%	CHF 600.00
Banque du Léman	0.78%	CHF 600.00
Allianz Suisse	0.80%	CHF 800.00
	0.83%	CHF 1'100.00
Swiss Life	0.85%	CHF 1'300.00
Baloise Bank SoBa	0.90%	CHF 1'800.00
Bernische Lehrerversicherungskasse (BLVK)	0.90%	CHF 1'800.00
AXA Winterthur	0.91%	CHF 1'900.00
Clientis Bank Toggenburg	0.95%	CHF 2'300.00
Baloise Bank SoBa	0.98%	CHF 2'600.00
Bank Thalwil	1.00%	CHF 2'800.00
Basler Kantonalbank	1.01%	CHF 2'900.00
Cantonal Bank of Neuchâtel	1.03%	CHF 3'100.00
Bank SLM	1.05%	CHF 3'300.00
Basellandschaftliche Kantonalbank	1.05%	CHF 3'300.00
Clientis Spar- und Leihkasse Thayngen	1.05%	CHF 3'300.00
Bank BSU	1.10%	CHF 3'800.00
Credit Suisse	1.16%	CHF 4'400.00
Bank Zimmerberg	1.23%	CHF 5'100.00
Freiburger Kantonalbank	1.30%	CHF 5'800.00
Bank EKI	1.35%	CHF 6'300.00
	1.36%	CHF 6'400.00
	1.36%	CHF 6'400.00
Vontobel	1.62%	CHF 9'000.00

Fixed-rate 9 years

Provider	Interest rate	Extra costs
MoneyPark	0.68%	CHF 0.00
	0.68%	CHF 0.00
Banque du Léman	0.75%	CHF 700.00
Generali	0.75%	CHF 700.00
ALSA PK	0.76%	CHF 800.00
Allianz Suisse	0.80%	CHF 1'200.00
Baloise Bank SoBa	0.81%	CHF 1'300.00
	0.81%	CHF 1'300.00
AXA Winterthur	0.85%	CHF 1'700.00
Bernische Lehrerversicherungskasse (BLVK)	0.85%	CHF 1'700.00
Swiss Life	0.85%	CHF 1'700.00
Clientis Bank Toggenburg	0.92%	CHF 2'400.00
Bank Thalwil	0.93%	CHF 2'500.00
Baloise Bank SoBa	0.94%	CHF 2'600.00
Basler Kantonalbank	0.96%	CHF 2'800.00
Basellandschaftliche Kantonalbank	0.98%	CHF 3'000.00
Bank SLM	1.00%	CHF 3'200.00
Cantonal Bank of Neuchâtel	1.01%	CHF 3'300.00
Clientis Spar- und Leihkasse Thayngen	1.02%	CHF 3'400.00
Bank BSU	1.15%	CHF 4'700.00
Bank Zimmerberg	1.16%	CHF 4'800.00
Credit Suisse	1.21%	CHF 5'300.00
Freiburger Kantonalbank	1.23%	CHF 5'500.00
Bank EKI	1.30%	CHF 6'200.00
	1.35%	CHF 6'700.00
	1.35%	CHF 6'700.00
Vontobel	1.54%	CHF 8'600.00

Fixed-rate 8 years

Provider	Interest rate	Extra costs
MoneyPark	0.64%	CHF 0.00
	0.64%	CHF 0.00
Allianz Suisse	0.70%	CHF 600.00
ALSA PK	0.70%	CHF 600.00
Banque du Léman	0.72%	CHF 800.00
Baloise Bank SoBa	0.73%	CHF 900.00
Bernische Lehrerversicherungskasse (BLVK)	0.75%	CHF 1'100.00
	0.75%	CHF 1'100.00
Generali	0.80%	CHF 1'600.00
AXA Winterthur	0.81%	CHF 1'700.00
Swiss Life	0.85%	CHF 2'100.00
Baloise Bank SoBa	0.89%	CHF 2'500.00
Basler Kantonalbank	0.90%	CHF 2'600.00
Clientis Bank Toggenburg	0.90%	CHF 2'600.00
Bank Thalwil	0.91%	CHF 2'700.00
Basellandschaftliche Kantonalbank	0.91%	CHF 2'700.00
Bank SLM	0.98%	CHF 3'400.00
Cantonal Bank of Neuchâtel	1.00%	CHF 3'600.00
Clientis Spar- und Leihkasse Thayngen	1.00%	CHF 3'600.00
Bank BSU	1.09%	CHF 4'500.00
Bank Zimmerberg	1.09%	CHF 4'500.00
Freiburger Kantonalbank	1.16%	CHF 5'200.00
Credit Suisse	1.22%	CHF 5'800.00
Bank EKI	1.25%	CHF 6'100.00
	1.30%	CHF 6'600.00
	1.30%	CHF 6'600.00
Vontobel	1.45%	CHF 8'100.00

Fixed-rate 7 years

Provider	Interest rate	Extra costs
MoneyPark	0.60%	CHF 0.00
	0.60%	CHF 0.00
Baloise Bank SoBa	0.65%	CHF 500.00
ALSA PK	0.66%	CHF 600.00
Allianz Suisse	0.70%	CHF 1'000.00
Banque du Léman	0.70%	CHF 1'000.00
Bernische Lehrerversicherungskasse (BLVK)	0.70%	CHF 1'000.00
	0.71%	CHF 1'100.00
Baloise Bank SoBa	0.75%	CHF 1'500.00
AXA Winterthur	0.78%	CHF 1'800.00
Generali	0.80%	CHF 2'000.00
Clientis Bank Toggenburg	0.81%	CHF 2'100.00
Basler Kantonalbank	0.82%	CHF 2'200.00
Bank Thalwil	0.83%	CHF 2'300.00
Basellandschaftliche Kantonalbank	0.83%	CHF 2'300.00
Swiss Life	0.85%	CHF 2'500.00
Bank SLM	0.90%	CHF 3'000.00
Clientis Spar- und Leihkasse Thayngen	0.91%	CHF 3'100.00
Bank Zimmerberg	1.00%	CHF 4'000.00
Cantonal Bank of Neuchâtel	1.00%	CHF 4'000.00
Bank BSU	1.05%	CHF 4'500.00
Freiburger Kantonalbank	1.07%	CHF 4'700.00
Bank EKI	1.15%	CHF 5'500.00
Credit Suisse	1.17%	CHF 5'700.00
	1.25%	CHF 6'500.00
	1.25%	CHF 6'500.00
Vontobel	1.35%	CHF 7'500.00

Fixed-rate 6 years

Provider	Interest rate	Extra costs
MoneyPark	0.56%	CHF 0.00
	0.56%	CHF 0.00
ALSA PK	0.62%	CHF 600.00
Baloise Bank SoBa	0.64%	CHF 800.00
Banque du Léman	0.65%	CHF 900.00
	0.69%	CHF 1'300.00
Allianz Suisse	0.70%	CHF 1'400.00
Bernische Lehrerversicherungskasse (BLVK)	0.70%	CHF 1'400.00
Baloise Bank SoBa	0.72%	CHF 1'600.00
Basellandschaftliche Kantonalbank	0.75%	CHF 1'900.00
Basler Kantonalbank	0.75%	CHF 1'900.00
AXA Winterthur	0.76%	CHF 2'000.00
Clientis Bank Toggenburg	0.80%	CHF 2'400.00
Generali	0.80%	CHF 2'400.00
Swiss Life	0.85%	CHF 2'900.00
Bank SLM	0.87%	CHF 3'100.00
Bank Thalwil	0.88%	CHF 3'200.00
Clientis Spar- und Leihkasse Thayngen	0.90%	CHF 3'400.00
Bank Zimmerberg	0.96%	CHF 4'000.00
Bank BSU	0.98%	CHF 4'200.00
Cantonal Bank of Neuchâtel	1.00%	CHF 4'400.00
Freiburger Kantonalbank	1.03%	CHF 4'700.00
Bank EKI	1.05%	CHF 4'900.00
Credit Suisse	1.13%	CHF 5'700.00
	1.18%	CHF 6'200.00
	1.18%	CHF 6'200.00
Vontobel	1.24%	CHF 6'800.00

Fixed-rate 5 years

Provider	Interest rate	Extra costs
MoneyPark	0.53%	CHF 0.00
	0.53%	CHF 0.00
Banque du Léman	0.58%	CHF 500.00
ALSA PK	0.60%	CHF 700.00
Baloise Bank SoBa	0.63%	CHF 1'000.00
Allianz Suisse	0.65%	CHF 1'200.00
	0.67%	CHF 1'400.00
Basellandschaftliche Kantonalbank	0.68%	CHF 1'500.00
Basler Kantonalbank	0.68%	CHF 1'500.00
Baloise Bank SoBa	0.69%	CHF 1'600.00
Vontobel	0.69%	CHF 1'600.00
Bernische Lehrerversicherungskasse (BLVK)	0.70%	CHF 1'700.00
AXA Winterthur	0.72%	CHF 1'900.00
Generali	0.75%	CHF 2'200.00
Clientis Bank Toggenburg	0.79%	CHF 2'600.00
Graubündner Kantonalbank	0.83%	CHF 3'000.00
Bank SLM	0.85%	CHF 3'200.00
Bank Thalwil	0.85%	CHF 3'200.00
Swiss Life	0.85%	CHF 3'200.00
Clientis Spar- und Leihkasse Thayngen	0.89%	CHF 3'600.00
Bank Zimmerberg	0.96%	CHF 4'300.00
Bank BSU	0.99%	CHF 5'600.00
Bank EKI	1.00%	CHF 4'700.00
Cantonal Bank of Neuchâtel	1.00%	CHF 4'700.00
Freiburger Kantonalbank	1.03%	CHF 5'000.00
Credit Suisse	1.10%	CHF 5'700.00
	1.14%	CHF 6'100.00
	1.14%	CHF 6'100.00

Fixed-rate 4 years

Provider	Interest rate	Extra costs
MoneyPark	0.50%	CHF 0.00
	0.50%	CHF 0.00
Banque du Léman	0.54%	CHF 400.00
ALSA PK	0.60%	CHF 1'000.00
Basellandschaftliche Kantonalbank	0.61%	CHF 1'100.00
Basler Kantonalbank	0.61%	CHF 1'100.00
Baloise Bank SoBa	0.62%	CHF 1'200.00
Allianz Suisse	0.65%	CHF 1'500.00
AXA Winterthur	0.65%	CHF 1'500.00
	0.65%	CHF 1'500.00
Baloise Bank SoBa	0.66%	CHF 1'600.00
Vontobel	0.68%	CHF 1'800.00
Bernische Lehrerversicherungskasse (BLVK)	0.70%	CHF 2'000.00
Generali	0.75%	CHF 2'500.00
Graubündner Kantonalbank	0.75%	CHF 2'500.00
Bank Thalwil	0.77%	CHF 2'700.00
Bank SLM	0.83%	CHF 3'300.00
Swiss Life	0.85%	CHF 3'500.00
Clientis Bank Toggenburg	0.87%	CHF 3'700.00
Clientis Spar- und Leihkasse Thayngen	0.87%	CHF 3'700.00
Bank Zimmerberg	0.91%	CHF 4'100.00
Bank EKI	0.95%	CHF 4'500.00
Cantonal Bank of Neuchâtel	0.95%	CHF 4'500.00
Bank BSU	0.96%	CHF 4'600.00
Freiburger Kantonalbank	0.98%	CHF 4'800.00
Credit Suisse	1.06%	CHF 5'600.00
	1.10%	CHF 6'000.00
	1.10%	CHF 6'000.00

Fixed-rate 3 years

Provider	Interest rate	Extra costs
MoneyPark	0.47%	CHF 0.00
ALSA PK	0.47%	CHF 0.00
	0.48%	CHF 100.00
Banque du Léman	0.50%	CHF 300.00
Basellandschaftliche Kantonalbank	0.55%	CHF 800.00
Basler Kantonalbank	0.55%	CHF 800.00
AXA Winterthur	0.61%	CHF 1'400.00
Baloise Bank SoBa	0.61%	CHF 1'400.00
	0.62%	CHF 1'500.00
Baloise Bank SoBa	0.63%	CHF 1'600.00
Allianz Suisse	0.65%	CHF 1'800.00
Vontobel	0.67%	CHF 2'000.00
Bernische Lehrerversicherungskasse (BLVK)	0.70%	CHF 2'300.00
Graubündner Kantonalbank	0.74%	CHF 2'700.00
Generali	0.75%	CHF 2'800.00
Bank Thalwil	0.77%	CHF 3'000.00
Bank SLM	0.80%	CHF 3'300.00
Clientis Spar- und Leihkasse Thayngen	0.84%	CHF 3'700.00
Swiss Life	0.85%	CHF 3'800.00
Bank EKI	0.90%	CHF 4'300.00
Bank Zimmerberg	0.91%	CHF 4'400.00
Bank BSU	0.93%	CHF 4'600.00
Clientis Bank Toggenburg	0.94%	CHF 4'700.00
Cantonal Bank of Neuchâtel	0.95%	CHF 4'800.00
Freiburger Kantonalbank	0.98%	CHF 5'100.00
Credit Suisse	1.02%	CHF 5'500.00
	1.05%	CHF 5'800.00
	1.05%	CHF 5'800.00

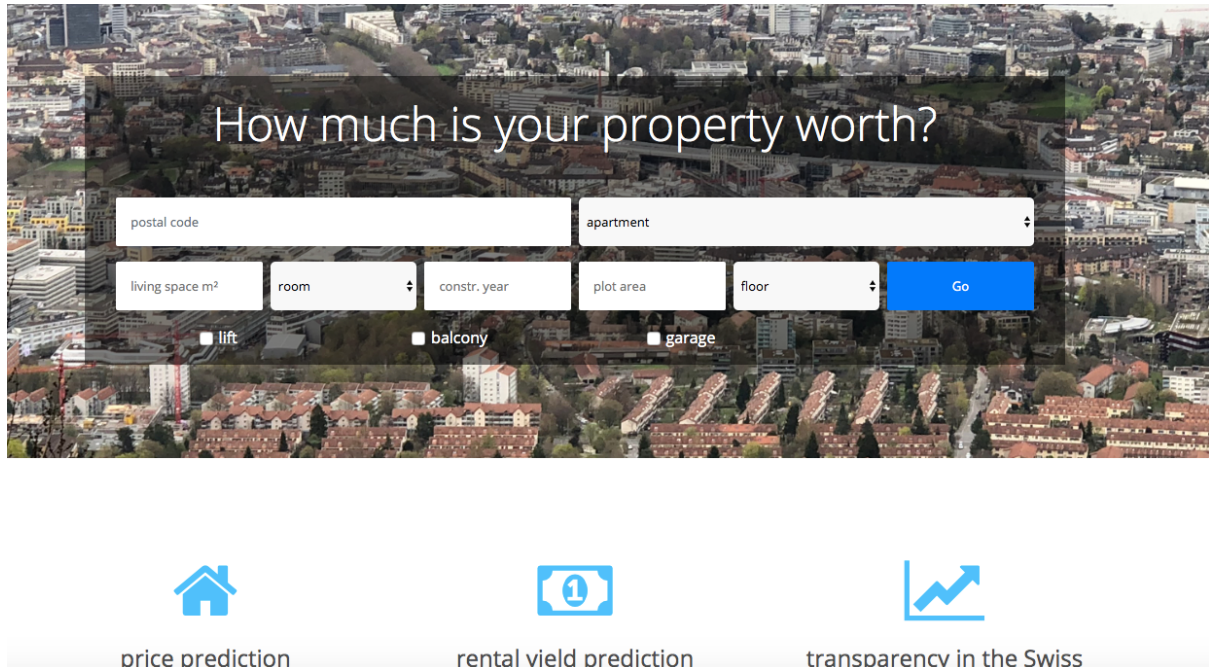
Fixed-rate 2 years

Provider	Interest rate	Extra costs
MoneyPark	0.42%	CHF 0.00
ALSA PK	0.42%	CHF 0.00
Banque du Léman	0.45%	CHF 300.00
Basellandschaftliche Kantonalbank	0.51%	CHF 900.00
	0.57%	CHF 1'500.00
Baloise Bank SoBa	0.60%	CHF 1'800.00
Baloise Bank SoBa	0.60%	CHF 1'800.00
Allianz Suisse	0.65%	CHF 2'300.00
Vontobel	0.67%	CHF 2'500.00
Bank Thalwil	0.70%	CHF 2'800.00
Bernische Lehrerversicherungskasse (BLVK)	0.70%	CHF 2'800.00
Graubündner Kantonalbank	0.73%	CHF 3'100.00
Bank SLM	0.75%	CHF 3'300.00
Generali	0.75%	CHF 3'300.00
Bank BSU	0.85%	CHF 4'300.00
Bank EKI	0.85%	CHF 4'300.00
Clientis Spar- und Leihkasse Thayngen	0.88%	CHF 4'600.00
Bank Zimmerberg	0.90%	CHF 4'800.00
Clientis Bank Toggenburg	0.93%	CHF 5'100.00
Cantonal Bank of Neuchâtel	0.95%	CHF 5'300.00
Freiburger Kantonalbank	0.97%	CHF 5'500.00
Credit Suisse	0.99%	CHF 5'700.00
Basler Kantonalbank	1.01%	CHF 5'900.00
	1.05%	CHF 6'300.00
	1.05%	CHF 6'300.00

Property evaluation

For quick and reliable property evaluation, go to <https://immostat.ch/>

Here you can get an estimate price for the property.



The screenshot shows a web form for property evaluation. The title "How much is your property worth?" is centered at the top. Below it, there are several input fields: "postal code", "apartment" (a dropdown menu), "living space m²", "room" (a dropdown menu), "constr. year", "plot area", "floor" (a dropdown menu), and a blue "Go" button. At the bottom of the form, there are three checkboxes: "lift", "balcony", and "garage". Below the form, there are three icons with corresponding text: a house icon for "price prediction", a coin icon for "rental yield prediction", and a line graph icon for "transparency in the Swiss".

How real estate is valued by banks?

Resource: <https://www.credit-suisse.com/ch/en/articles/private-banking/wie-die-bewertung-einer-immobilie-funktioniert-201810.html>

Knowledge of how real estate is valued is indispensable, especially if you are buying or selling a property. A valuation may also be relevant when renewing your mortgage. However, numerous questions may arise in this regard. Read here about how real estate is valued.

It is not the property itself that determines its value.

The purpose of a real estate valuation is to determine the value of a property. That value is especially important when purchasing or selling property. In Switzerland, the valuation of a single family dwelling or a condominium reveals the market value of the property. The market value corresponds to the price that is likely to be obtained within a year under normal market conditions.

Basically, the real estate value is determined using two main components: the value of the land and the value of the building. The proportion that each of these two factors contributes to the total value of real estate can vary greatly from region to region. In urban centers, where the demand for residential property is consistently high due to the proximity to

major cities such as Zurich or Basel, the land value accounts for a large part of the value of real estate. Conversely, in more sparsely populated, rural areas, the house or apartment itself will account for a larger proportion of the total value. Nevertheless, the land price is considered to be the main driver of price trends. And land prices, for their part, are influenced by a second factor in addition to proximity to cities: The lower the tax rates, the higher the price of the land and the property on it.

Real estate valuation using the hedonic method

The market value of a property can be calculated using various methods, some of which differ considerably. For example, owners can value their properties themselves using several online tools, by consulting experts from various institutions, or calling an appraiser. To value a single family dwelling or a condominium, Credit Suisse uses the hedonic method. This is a computer-assisted, comparative value method, based on a statistical process.

The hedonic method considers the purchase prices of properties with as many comparable features as possible. Key parameters in this process include the location, applicable tax multiple, property size, age, condition of the building, and other aspects of the property's quality. To calculate the market value of the property, experts analyze the parameters according to their weighting with the help of the valuation software.

Be careful when using online tools

Online tools allow you to assess a property's value for free in just a few clicks. All you have to do is enter details such as the address, floor area, year of construction and state of the property. These online tools provide you with an initial estimate of the value of the property. However, the results do not usually reflect the actual property value. Moreover, it is often unclear on which method the estimate is based.

Calling in an expert

Owners are usually not able to objectively assess a residential property, its condition, and official value. The owner's estimate of the property's market value tends to be too high. Bank experts or professional appraisers can calculate the true value of a property. Using their extensive expertise and experience, they are able to take individual features, such as antique construction elements or an unusual location, into account. A real estate valuation by a certified expert will cost about CHF 1,000.

Get a second opinion

If you have doubts about the initial valuation of the property, you should get a second opinion. Valuations of real estate may differ considerably, depending on the method used. It is better to be safe than sorry. Then you won't run the risk of nasty surprises when you buy or sell the property.

Market value is not the same as purchase price

The market value is the basis for the long-term financing of real estate. Therefore, it plays a crucial role in obtaining a mortgage. If the established market value differs from the asking price of the property, the mortgage will be calculated based on the lower of cost or market

principle. This principle states that the lower of the two values shall always apply if the purchase price and the market value differ. So, if the market value is less than the purchase price, the maximum mortgage amount is lower. This means that purchasers must contribute a greater share of their own capital. This amount increases by the difference between the market value and the purchase price.

Example:

The market value of a single family dwelling was estimated to be CHF 850,000, but the purchase price is CHF 1,000,000. According to lower of cost or market principle, the mortgage will be calculated based on CHF 850,000. The buyer will have to finance the difference of CHF 150,000 between the market value and the purchase price entirely from his or her own funds. That increases the equity capital required from CHF 170,000 to CHF 320,000.

Purchase price
1,000,000
Market value 850,000
Mortgage (max. 80%) 680,000
Equity capital 170,000
Difference: purchase price to market value 150,000
Total equity capital 320,000
All amounts in Swiss francs.

When it makes sense to revalue real estate?

A property's market value changes over time. Basically, the value of the building gradually decreases. In order to maintain the value of a property in the long term, renovations frequently have to be undertaken. By contrast, the value of the property goes up if the price of the land increases or if the building gains added value. For example, adding a conservatory or building a pool can increase the value. The value also increases if demand exceeds supply, for example in urban centers such as Zurich or Geneva.

The bank may be carrying the property on its books at the original purchase price, especially if you have been living in the same place for a relatively long time. However, that is precisely the value on which calculations for repayment, interest, and the maximum loan-to-value ratio are based. If the market value has increased, a revaluation gives the owner more scope to finance any investment that may be required by increasing their mortgage. The market value of a property may also be crucial in the event of inheritance or divorce. Therefore, it can pay off to have a property reappraised from time to time.

Mortgage documents – checklist from Comparis.ch:

<https://en.comparis.ch/hypotheken/hyporatgeber/gebuehren-und-unterlagen/unterlagen>

The dossier you need to prepare for the lender must include the following documents:

Necessary documentation	Supplied by
For Swiss citizens: ID or passport For foreigners: copy of passport and copy of residence permit	Residents' registration office, passport office
For employed persons: salary statements or copies of your tax returns from the last two years	Employer / tax office
List of available funds (bank statements, life insurance policies, pension benefits statement from pension fund etc.)	Banks, insurance companies, pension fund
List of debts (loans, lease agreements etc.)	Credit institutions
Up-to-date debt register information (no older than 3 months)	debt collection office
For self-employed persons: balance sheets / profit and loss statements from the last three years	Trustee
Up-to-date land registry extract for the property to be financed	Land registry office
Building insurance certificate indicating the square metres	Cantonal building insurance, insurance company
Construction plans, SIA cubic calculations, building specification (if available)	Architect, building contractor
Site plan, copy of land registry extract or residential unit plan with net floor space and ancillary rooms	Land registry office, condominium owners' association
In case of condominium ownership: usage and management regulations and condominium ownership foundation file	Condominium owners' association
Statement of 3rd pillar assets (in the case of early withdrawal or garnishment of 3rd pillar)	Pension foundation
Pension fund statement and regulations (in case of early withdrawal or garnishment of 2nd pillar)	Pension fund