



Expat Counsel

By James Finch and Nilobon Tangprasit

# PROPERTY IN THAILAND Part 29

## Mortgages, Part III

For the last two weeks we've been covering the legalities of home financing for foreigners in Thailand. Last week we contacted several big Thai banks and asked them whether they offered loans to foreigners to purchase property and, if so, on what terms.

Of course, these banks can change what they offer whenever they want as long as they conform to Bank of Thailand criteria discussed in an earlier article. Also, we contacted individual officers at these banks, and there's no guarantee what they said was accurate. Thus there's no substitute for talking to the banks directly when looking for a loan, but the information here provides a general idea of what's available.

Most Thai banks don't lend to foreigners. The ones we talked to who would are Siam

Commercial Bank, Kasikorn Bank, UOB and Standard Chartered Bank. And the foreigners who are recipients of the loans have to be working legally in Thailand at the time the loan application is made. The others we contacted may loan to a Thai spouse of a foreigner, even if the Thai spouse isn't creditworthy, so long as the foreign spouse guarantees payment.

The banks that will loan directly to foreigners will do so only for the purchase of condominiums in which the foreigner gets freehold title, not long leases. Therefore, for reasons discussed last week, the only financing available for free-standing houses for foreigners is via the guarantee by the foreigners of loans to Thai spouses.

Rates vary. Here is what we found last week:

Bank	General interest rate
Siam Commercial Bank	5.75% for the first year and MRR (minimum retail rate - set periodically for this type of loan by the bank) - 0.25% (now 7.85%) thereafter.
Kasikorn Bank	5% for the first two years and MLR (minimum loan rate - set periodically for this type of loan by the bank) - 0.25% (now 6.75%) thereafter.
UOB	5.45% for the first two years and MRR - 1.25% (now 7.25%) thereafter.
Standard Chartered Bank	5.45% for the first two years and MHR (minimum housing rate) - 1.25% (now 6.32%) thereafter.



Loan periods range from seven years to a maximum of 30. Banks such as Siam Commercial and Standard Chartered have maximum periods but reduce these by subtracting the borrower's age from 60. For example, let's say the maximum period is 25 years. If the borrower is 40 years old, 40 subtracted from 60, 20 years is the maximum loan period that the bank will offer.

All the banks have minimum income levels for borrowers and won't lend to borrowers with lower incomes. Some are fixed at a monthly income level of 30,000 baht for a condominium. Others determine the required monthly income by a formula. One bank, for example, requires an income of three times the monthly installment. Still others base the required income on the amount of the total loan.

The amount of the loan that will be granted depends on the market price or the selling price of the property. Each bank has its own standards for determining the maximum amount of the loan. One bank, for example, will lend 80% of the market

price, another 90%. Yet another will loan 90% of the selling or market prices, whichever is lower.

All of the banks have pre-payment penalties for paying the loan off in less than three years. This means that if the borrower wants to pay off the loan within three years from when it was granted, he or she must pay a penalty. Typically this is 2% or 3% of the entire loan. Some of the banks, for example Kasikorn, deal directly with developers, so as a buyer you may be may want to ask if you can apply for a bank loan through the developer. ■

James Finch of Chavalit Finch and Partners ([finch@chavalitfinchlaw.com](mailto:finch@chavalitfinchlaw.com)) and Nilobon Tangprasit of Siam City Law Offices Ltd ([nilobon@siamcitylaw.com](mailto:nilobon@siamcitylaw.com)).

Researchers: Arnón Rungthanakarn and Sitra Horsinchai.

For more information visit [www.chavalitfinchlaw.com](http://www.chavalitfinchlaw.com). Questions? Contact us at the email addresses above.