


 Expat Counsel

HOME FINANCING IN THAILAND I: Loan agreements

Foreigners seeking home loans in Thailand have to do a lot of comparison shopping. To date, home financing for foreigners has, as a matter of practice, been largely limited to those legally working and wishing to purchase condominiums in Bangkok and nearby areas. Lending policies with respect to these loans are loosening, however, so the only way to know whether you will get a loan or not is to ask more than one bank.

In addition to the loan application documents, there are two main documents that a borrower has to enter into with the bank — the loan agreement and the mortgage. The loan agreement sets forth the terms of the loan and the mortgage is such that if the borrower defaults, the bank can take the property. The mortgage is noted on the back of the title deed when it is registered at the land office.

Generally, the banks want to execute documentation in Thai, but several are willing to execute loan agreements in English. There must be a Thai translation of the mortgage because this must be registered with the local land office. Of course, if you don't speak Thai you must have a lawyer or other expert translate all of these documents for you and explain them to you so that you understand and agree with what you sign.

If a document is in both Thai and English your lawyer can specify in it that English is the controlling language in the event of a conflict. The number of conflicts between the two languages in documents we regularly review is staggering, and you might as well pick the language you understand.

Loan agreements between financial institutions including banks and individuals are subject to the Notification of the Consumer Protection Board on Contract, Re: Lending Business for Consumers of Financial Institutions, A.D. 2001. Here are just a few of the requirements of the Notification:

- Loan agreements must include a Thai version with font size of 2mm or more.
- If the lender changes the interest rate under the agreement the

lender must under certain circumstances give proper notice.

- Termination provisions must be highlighted and banks have to notify borrowers and give them the opportunity to remedy their defaults before terminating.
- All penalties and fees must be explicitly specified.
- All notices must be in writing.

Also, banks are subject to the Financial Institution Business Act, AD 2008, by which they must comply with the requirements of the Bank of Thailand concerning their rates of interest, discounts, fees and penalties.

No one should sign a loan agreement unless it has been thoroughly vetted from the point of view of both the Notification and the Act. There is a lot you can do by yourself on these, though, and it will be the subject of future articles.

The interest on home loans at the banks we checked recently was as much as 7.5%, and right now rates appear to be going down. It's good to have in mind that somebody should make sure your loan agreement complies with Thai law, especially where it concerns whether the bank can raise your rates.

Economic "stimulus packages", like those now being implemented by central governments in the US and Europe, are inflationary and this means interest rates will go up everywhere.

We'll discuss the specific eligibility criteria for home loans in a later article.

One important one is that not a single bank of the eight we checked will extend loans to anyone over the age of 65, and a couple of banks set that limit at 60. Thus if you're retiring in Thailand your age alone may limit your ability to get a home loan. ■

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