


 Expat Counsel

HOME FINANCE IN THAILAND III: The Banks

In the past couple of articles we've been looking at the legalities of home financing for foreigners in Thailand. What we did last week was contact several of the big banks and ask them whether they provided foreigners with loans to purchase real estate and, if so, on what terms.

Of course, the following should not be taken as written in stone as the banks can change what they offer the public whenever they want as long as they conform to the requirements of the Bank of Thailand as discussed in an earlier article. Also, we contacted individual officers at these banks and there's no guarantee what they said was 100% accurate. In other words, there is no substitute for talking to the banks one on one when you're seeking a loan.

But we think you'll get a pretty good idea of what's out there by reading on.

Only a few Thai banks lend to foreigners. Those we spoke to who do are HSBC, UOB and the Bank of Ayudhaya. Foreign borrowers will have to be working legally in Thailand at the time they lodge a loan application. Other banks we contacted — Siam Commercial, Standard Chartered, Kasikorn, Thai Military and Bangkok banks — will extend credit to the Thai spouse of

a foreigner, even if he or she isn't credit-worthy, if repayment is guaranteed by the foreign spouse.

The banks that extend credit to foreigners will only do so for the purchase of condominiums for which the foreigners have freehold titles. Financing is available to foreigners for free-standing houses only where they stand as guarantor for their spouse.

Rates vary. Some banks, such as HSBC and UOB, have a fixed rate, now 5% or 6%. Others, such as Siam Commercial, offer an introductory rate for the first year (now 4%), rising to a higher fixed rate (now 6.5%). The majority are adjustable. For example, with Bank of Ayudhaya, if the loan is above 1.5 million baht the interest rate will be 4% for the first year and the MLR (minimum loan rate — an interest rate Thai banks set periodically for certain types of loans and now 7.5% for Bank of Ayudhaya) less 0.25% thereafter. Standard Chartered bases its adjustable rates on the MSR, a standard rate based on the MLRs of several banks.

The loan repayment period varies from

seven years, for HSBC, to a maximum of 30 years for Kasikorn Bank, Bank of Ayudhaya and Thai Military Bank. Banks such as Siam Commercial and Standard Chartered have maximum periods of 25 years but reduce this by one year for each year the borrower is older than 35 years — so that for a 40-year-old it would be 20 years (25 years less the difference between 40 and 35, five years); for a 50-year-old, 10 years. A 60-year-old, therefore would not qualify for a loan.

All the banks have minimum income requirements. Some, such as HSBC and Standard Chartered, are fixed at 30,000 baht a month for a condominium. Others use a formula. Siam Commercial, for example, requires an income of three times the monthly installment. Still others base on the total loan amount.

The loan amount depends on the market or asking price of the property. Each bank has its own criteria for determining the market price. Standard Chartered and Bang-

kok will lend 80% of the market price. Bank of Ayudhaya will lend 90%. Thai Military bank will lend 90% of the asking or market prices, whichever is less. Kasikorn Bank will lend 80% of the lower of these two prices.

All banks penalise those who pay off the loan in less than three years. Typically this is 2% or 3% of the total loan amount.

Some banks, for example, Kasikorn, Bank of Ayudhaya and Thai Military, 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. ■

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