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## Mortgages

### Overview

Buying a property in Israel - particularly if you're taking a mortgage - is a delicate balance of timing. Unlike some other countries, in Israel it's usually the customer that deals directly with the bank or finance company. You'll need to supply an abundance of paperwork to ensure your funding is available by the date of entry. Your purchase contract will penalize you for delays, and banks can be very demanding about their requirements. Despite their "Agreement in Principle" (see below) to provide the loan, they can be sticklers for detail. Your lawyer can help you with problems, as they arise.

There are many types of mortgage available in Israel, some of which are explained briefly below. Further information can be obtained in English from several sources on the internet.

Government-subsidised mortgages play a large role in Israel, offering special rates for new immigrants, young couples, single parents and others.

### **The Bank's "Agreement in Principle"**

You need to get from your lender an "Agreement in Principle to Provide a Mortgage" (ishur ikroni b'dvar kabalat halva'at mashkanta קבלת הלוואת אישור עקרוני בדבר (משכנתא). This is generally not difficult to obtain, but the bank's undertaking to you is "in principle only" and the loan is conditional upon you providing all necessary paperwork and information.

The Agreement in Principle should be acquired before signing the purchase agreement as most contracts include a section stating that failure/delay in obtaining a mortgage are not grounds for cancellation.

Obtaining an Agreement in Principle from one bank does not exclude shopping

around for a better deal from another lending institution.

### Land Appraiser

The bank usually requests a report from a Land Appraiser **שומאי** describing the condition of the building and its conformity to building regulations. Be aware that if the Appraiser's report shows the property to be worth less than the contract price, the bank will probably offer a lower mortgage.

### Mortgage Limitations

To prevent borrowers overstepping their financial limits, the Bank of Israel sets restrictions, as detailed [here](#).

At April 2015, limits are as follows.

Purchaser	Maximum Loan	
First time purchase	75%	Never had an apartment
Purchaser of "single unit"	70%	Upgrading an apartment
Purchase of extra units	50%	Investors

### The Seller's Outstanding Mortgage

During the process of purchase it's highly recommended to ask the seller to exhibit a bank statement showing the balance owing on his/her mortgage. This is significant because you, the purchaser, want to know how and when the seller intends to remove the mortgage that's registered in the Land Registry.

In most cases, the removal of the mortgage is dependent on the sale of the property, so both transactions need to be coordinated. Often, funds are held in trust by a lawyer until everything is lined up.

### Common Mortgages

#### Prime Interest

This refers to the Israeli prime rate, not US or UK. It is 1.5% above the interest rate

set by the Bank of Israel. When the bank rate changes, so does Prime - and consequently the interest on the loan.

#### Fluctuating (variable rate) interest

Fluctuating interest (variable rate) is based on Prime. It is usually not linked to Cost of Living Index (madad). This type of mortgage is best taken when Prime is low.

There are usually no fines for early repayment.

#### Variable linked to cost of living

Variable rate linked to cost of living index. The principle loan is linked to the Index and interest changes at specific points during the term of the mortgage (every 3 years, or 5 years). This type of mortgage may be beneficial when interest is expected to drop.

#### Fixed Interest

Unlinked and not affected by the Consumer Price Index or changes in Bank of Israel interest rates. Interest is usually significantly higher than other types of mortgage.

#### Others

Mortgages are also available in Shekels, or in foreign currency.

### **Shopping Around**

Shopping around for the best mortgage is highly recommended. There are several mortgage broker services available in English online. Such services will usually be able to guide you, but be sure to ask for several quotes from various sources. The fact that a broker operates in English does not mean they offer the best mortgage terms.

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