

Housing Loan Guide



**The journey to
your future home
begins with us**



SPUERKEESS

[SPUERKEESS.LU/logement](https://www.spuerkeess.lu/logement)

Building, buying, or renovating/ converting a home is a major project.

Such an endeavour requires a substantial financial and personal investment and calls for careful preparation and a trusted financial partner.

There are various possible financing solutions depending on the nature of your project, the scale of the investment, and your personal situation.

Our Housing Advisors are available to work with you to develop a **tailored financing** plan perfectly adapted to your needs.

They will also guide you through the government assistance, insurance, and tax optimisation options available to you, and offer helpful tips.

So, don't hesitate to make an appointment with one of our Housing Advisors at the Spuerkeess finance centre or branch of your choice.

Find out which time slots are available and make an appointment on www.spuerkeess.lu/rdv !



The housing loan:

the start of a great journey...

Good reasons to choose Spuerkeess

1

A trusted partner

When you are making a long-term commitment, it is essential to be able to count on a financial partner with solid foundations. Spuerkeess is your key trusted partner in this effort.

2

Number 1

Spuerkeess has always been the leader in the Grand Duchy of Luxembourg in housing loans.

3

Experience

Spuerkeess has been active in housing loans for more than 90 years.

4

Particularly attractive terms

Our housing loan interest rates and handling fees are very competitive and disclosed transparently.

5

A full range and a customised offering

Spuerkeess offers a full range of housing loans so we can create an individual financing plan, specifically adapted to your personal situation and your project.

6

Complete advice

Our Housing Advisors will gladly advise you on how to structure your financing and on your various insurance and tax optimisation options. They can also guide you through the various forms of government assistance.

7

A quick decision

Given that time is an important factor when buying a home, you can count on our responsiveness.

8

Flexibility

When you make a long-term commitment, there is always the risk of unforeseen events. Whatever the uncertainties in your life, we always try to find a common solution.

9

Proximity

Spuerkeess has the country's most important branch network.

10

Transparency

Spuerkeess promises to provide clear, complete housing loan offers that comply with Luxembourg's laws on pre-contractual disclosures relating to housing loans.

11

Availability

We accommodate your schedule by offering advice outside of our branches' business hours, from 7:00 a.m. to 7:00 p.m.

Tip

A commitment as big as a real estate investment should be made exclusively with a trusted financial partner.

When and why should you apply for a housing loan?

Buying, building, or even renovating/ converting a home requires significant capital.

Given that financing the entire project with one's own funds is the exception rather than the norm, the solution is a housing loan.

A housing loan allows you to finance

- the purchase of an existing house or apartment,
- the construction of a home,
- the conversion/renovation of your current or newly purchased home,
- the purchase of land to build on.

Spuerkeess finances all your real estate projects, whether in Luxembourg or abroad.



How much can you borrow? What is your maximum budget?

Before you actively embark on your real estate project, find out how much you can borrow.

This will allow you to avoid unnecessary steps and target your search to real estate within your budget.

The amount that you can borrow will depend on several factors, including your repayment ability and your own funds to be invested in the project. Looking at these two factors, our Housing Advisors will establish a financing plan to determine the maximum amount that you can borrow and therefore the maximum price of the real estate to be purchased.

Tip

The simulation tools available at www.spuerkeess.lu/en/housing will give you some idea of the amount you can borrow and of your monthly instalments. However, they can never take account of your very personal situation. Because each real estate project is unique, it should be handled individually.

How should you finance your project? with your financing plan

To calculate your borrowing amount, our Housing Advisors will work with you to establish your personal financing plan.

In simple terms, a financing plan can be summarised as follows:

1. Calculate the costs related to your real estate project

Add up all the direct costs (e.g., purchase price of the property, construction/renovation costs) and indirect costs (e.g., deed of sale and insurance costs) related to your real estate project.

2. Establish an inventory of your personal financial contribution

Sum up your own resources that you can invest (e.g., savings, gifts, sale of a property).

3. Determine the amount to be borrowed

If you deduct your own resources from the real estate project costs, you get the amount to be borrowed.

4. Determine your repayment ability

Your repayment ability corresponds to the sum of your regular income (wages, family allowances, etc.) minus your total regular expenses (monthly instalments on existing loans, etc.). Your housing loan repayments should leave you enough disposable income to cover your household expenses and maintain the best possible quality of life.

Don't forget to include a reserve for unforeseen expenses in your budget.

Tip

Fill in the attached financing plan with your own data to get a preliminary idea of the financial aspects of your real estate project and prepare for your interview with one of our Housing Advisors.

Which interest rate should you choose for your housing?

A variable rate, fixed rate or combination of the two?

Different types of interest rates offer specific advantages. Together with your Housing Advisor, determine the most suitable rate for your plans and your personal and financial circumstances.

1. Variable interest rate

- monthly repayments adjusted according to changes in the market interest rate,
- you bear the risk if rates move higher, but also benefit if they decline,
- early repayment (in full or in part) is possible at any time and without penalty fees: you just have to make a transfer to your loan to shorten the term of your loan or lower your monthly instalment.

2. Fixed interest rate

- the interest rate remains unchanged for the agreed term; in other words, the monthly instalment remains the same,
- secures your budget by protecting you against interest rate increases,
- durations of fixed interest rates (until revision): 5, 10, 12, 15, 20, 25, or 30 years,
- option to choose a fixed-rate term that is shorter than the term of the loan. At the end of that term, you can choose a new type of interest rate (variable or fixed) at current market conditions,
- the full or partial early repayment of a fixed interest rate loan without payment of an early repayment indemnity is limited to the interest rate resetting periods,
- outside of interest rate resetting periods, full or partial early repayment will require payment of an early repayment indemnity (breakage cost), calculated on the basis of the terms specified when the loan was signed in accordance with applicable legal provisions. Subject to fulfilling the conditions provided by law, the early repayment indemnity may thus be limited by a ceiling of six months' interest calculated on the repaid amount. Note that the law excludes the financing of rental property from this ceiling.

3. Combination of variable and fixed interest rates:

- By financing your investment with a loan that is part fixed interest rate and part variable interest rate, you can take advantage of the benefits of both forms of interest rates:
 - flexibility of early repayment for the variable interest rate,
 - stability of the monthly repayment amount for the fixed interest rate.

Different forms of housing loans: a solution for every situation!

Every real estate project is unique and is handled individually.

Our Housing Advisors are there to listen and work with you to determine the form of financing suitable for your needs.

Spuerkeess offers different forms of housing loans with terms of up to 30 years. Below you will find the main characteristics of our different forms of housing loans. Multiple combinations of variable and fixed interest rates are available.

“Conventional” housing loan

You pay off your loan in monthly instalments over the entire term of the loan. These include repayment of principal and payment of interest, calculated on the outstanding balance. Over time, the share of the principal repaid increases, while the share of interest payments decreases.

Flexibility Loan

The Flexibility Loan reduces your monthly repayments and gives you greater flexibility when it comes to repaying your loan. It is a flexible formula that is suitable for all ages and all life situations.

For newly-active people, the Flexibility Loan makes it easier to become a homeowner by reducing the monthly repayments at the start of the loan.

For others, the Flexibility Loan provides for degressive monthly repayments, higher during working life and lower on retirement.

Bridge loan

- interim financing solution pending the sale of real estate or the receipt of certain funds (for example, a life insurance payment),
- principal repayable at the final due date of the interim financing.

BHW building savings scheme

In collaboration with our partner BHW, we offer interim financing pending the maturity of your building savings plan. The part of your housing loan financed in this way will thus be repaid when the building savings plan is paid out. In the meantime, you pay interest to Spuerkeess and the amount of savings provided for in the contract to the BHW building savings scheme. This approach is particularly attractive from a tax perspective.

Green construction

This means acting as a responsible citizen, showing respect for future generations, and also reducing daily energy charges.

Spuerkeess supports this approach with its Écoprêt:

Écoprêt loan

- simplifies the financing of your projects to improve the energy performance of your home,
- attractive interest rates,
- no mortgage registration,
- no handling fee,
- loan of between EUR 5.000 and EUR 100.000,
- maximum term of the loan: 10 years.

When do you have to start repaying your loan?

Do you need to continue paying rent, or repay a loan on your current home, while your property is being built or renovated?

Spuerkeess offers the option to start repayments only once you have moved in.

Collateral

The granting of the loan and its amount depend on your personal contribution, your repayment ability, as well as the collateral that you can provide.

As a general rule, bank financing can cover up to 85% of the collateral offered, provided that your financing plan is ensured and your repayment ability is not exceeded.

For our housing loans, with the exception of the ÉcoPrêt, we normally require a first-ranking mortgage registration on the property to be financed and an income transfer. This mortgage may be supplemented with additional collateral, provided by you or a third party, such as:

- mortgage on other real estate,
- bank guarantee,
- pledge of assets (cash or securities),
- assignment of gains from a building savings contract,
- assignment of gains from life insurance,
- third-party security,
- a State guarantee (see page 16).



Tip

Make a list of possible collateral to prepare for your initial interview at the branch.

Insurance to be obtained

Thanks to our partner lalux-assurances, we can offer you all the insurance you need for your real estate project.

For a real estate loan, the following types of insurance are recommended or even mandatory:

Residual debt insurance

Residual debt insurance protects your family from financial worries in case of death since it covers the repayment of the balance of your housing loan.

To obtain residual debt insurance tailored to your needs and your personal situation, work with your Housing Advisor to calculate the principal to be insured, the term of the insurance policy and the payment frequency (annual premiums or a single premium). In addition, the «disability» option covers repayment of the outstanding balance on the loan in the event of total permanent disability. You can also benefit from tax deductions (see page 18).

Fire insurance

Fire insurance is mandatory when you want to take out a housing loan. At lalux, fire insurance is a component of the easyPROTECT multi-risk insurance, which allows you to subscribe to, among other things and depending on your needs, additional guarantees to cover your real estate against a whole series of risks of property deterioration.

Liability insurance

Liability insurance covers the financial consequences of damage caused to a third party.

Builder's all risks insurance

In the event of an accident during the construction phase, taking out Builder's All Risks insurance will avoid conflicts of interest between the various trades and the ensuing delays. As sole manager, APROBAT lalux-assurances will act to make settling the claim easier.

Decennial liability insurance

Decennial liability insurance covers the structural work on your construction project (load-bearing parts, wall cladding and floor covering, etc.) for ten years after completion of the work, and covers minor work (doors, windows, radiators, etc.) for two years. To avoid construction defects and faults as much as possible, the insurance also covers regular checks by specialist engineers from APROBAT lalux-assurances during the important phases of the construction.

Housing assistance

The Luxembourg State and certain municipalities provide financial assistance for those purchasing, constructing or converting/renovating a property.

The provision and amount of some of these assistance grants depend on your family situation.

After receiving assistance, you must continue to occupy your home as your main residence for a minimum period of two years.

Below you will find an overview of the main forms of assistance available. For an exhaustive list and the detailed terms for the provision of State assistance, we recommend consulting our Housing Advisors or the central housing assistance office. The current laws in force apply.

Conseil

Full information about government-backed housing assistance is an integral part of the personalised advice that we offer you at the branch. If, prior to an appointment with one of our Housing Advisors, you want to obtain information about the amounts and terms of such assistance, please contact:

**Guichet unique des aides au logement
11, rue de Hollerich - L-1741 Luxembourg
Tel.: (+352) 8002 10 10 - E-mail: guichet@ml.etat.lu**

Our Housing Advisors will help you with your application for housing assistance.

Direct aids in the form of a capital payment

Each person can benefit from a lump sum of direct aids in the form of a capital payment up to a total amount of EUR 35.000, known as the “capital payment pot”. A beneficiary may receive one or more of these subsidies for several successive homes. Each subsidy is calculated on the basis of the net income of the applicant’s domestic community, i.e. the combined net income of all the members of the household of the home to be purchased. Any principal assistance (including that already awarded in the past) is deducted from the total amount until the capital payment pot is exhausted. If there is more than one beneficiary, each instalment of a premium is allocated equally among them.

- Home ownership bonus: this ranges from EUR 500 to EUR 10.000 and can be increased by 15% for a semi-detached house, or by 40% for a multi-occupancy building or a townhouse.
- Savings bonus: this totals 10% of the increase in the savings per calendar year and can reach a maximum of EUR 5.000 over 10 years. The prerequisite is having received a home ownership bonus.
- Improvement bonus: it can be up to 40% of the total amount (excluding VAT) of invoices for improvement work carried out, with a minimum of EUR 500 per invoice (excluding VAT).

Interest assistance

The interest subsidy is calculated based on the income and composition of the domestic community and is set in accordance with the features of the loan.

- The interest subsidy is between 0,25% and 2,45% (25-245 basis points) of the mortgage rate.
- A maximum amount of EUR 200.000 is taken into consideration, plus EUR 20.000 per dependent child, the total limit being EUR 280.000.
- Each beneficiary’s entitlement is a total of 300 monthly payments, which may relate to several homes, although not simultaneously.

State guarantee

Those lacking sufficient own funds can apply for the State guarantee. The minimum eligibility requirements for receiving a State guarantee are as follows:

- Having saved the required minimum in a single savings account with a financial institution on the marketplace.
- This savings account must be credited with at least EUR 1.000 per year for at least three years prior to the application for assistance.
- The amount of the loan must cover at least 60% of the cost of the project.

Tax credits on notarised deeds (“bëllegen Akt”)

- Transfer and registration fees total 7%, calculated on the sales price of an existing property or land (with the part already built) for a new-build.
- Physical persons may be eligible for a tax credit to be applied against the registration and transcription fees normally due during the purchase of a home or land to be used as a personal primary residence.
- This tax credit is limited to EUR 30.000 per buyer. For a couple, this amount is doubled as long as the tax credit applies to each buyer individually.
- The tax credit can be used over time for other purchases until it is exhausted.
- Check the balance of your tax credit online at MyGuichet.lu.
- The granting of the tax credit is subject to conditions. More information is available at www.aed.public.lu.

Super-reduced vat rate:

- During the construction or renovation of your own home, you may be eligible – subject to certain conditions – for the super-reduced VAT rate of 3%.
- The total amount of this tax relief cannot exceed EUR 50.000 per home.
- When buying a new or not yet inhabited home, you can request a partial refund of the VAT. More information is available at www.aed.public.lu.

Municipal assistance

- Certain municipalities offer acquisition and/or construction subsidies, grants, and assistance for energy-related renovations for an existing home. Please enquire with the municipality where you intend to establish your residence.

Tip

If you are considering purchasing an existing home requiring renovation and/or conversion work, ask the owners beforehand whether they have already received the super-reduced VAT rate for the property in question in order to determine the limit still available.



BHW building savings scheme

To encourage you to save for your personal housing needs (purchase, construction, renovation, repayment of a real estate loan), the legislature grants tax deductibility for annual premiums paid up to:

- EUR 1.344/household member if at least one of the taxable persons in the household is between 18 and 40 years of age on 1 January of the year of taxation,
- EUR 672/household member if all the taxable persons in the household are over the age of 40 on 1 January of the year of taxation.

Insurance

The single premium for residual debt insurance is tax-deductible. The amount varies depending on your age and the composition of your household. The annual premiums paid for residual debt insurance are also tax-deductible up to EUR 672 per person in your household (as special expenses).



Tip

Consult your Spuerkeess Housing Advisor about tax optimisation for insurance products related to your housing loan!

Helpful tips

Below you will find a non-exhaustive set of questions that people generally ask themselves when undertaking a real estate project.

Our Housing Advisors are available to provide further information on the subject as well as relevant helpful tips for your personal real estate project.

If you are buying land

- Is the land in a buildable zone?
- What is the buildable land area?
- What type of building is allowed?
- Are there construction start time limits to be respected?
- Are there easements (e.g., a passageway, municipal pipe, or spring)?
- Are connections to public distribution networks available (electricity, gas, telephone, water, sewer)? If not, what are the connection charges?
- Is the price in line with prices charged in the region, locality, or neighbourhood?
- What are the building permit charges?
- Do you need to conduct soil tests (stability, pollution, etc.)?
- etc.

If you are buying an existing apartment or house:

- Do you need to plan for any renovations in the near future (heating system replacement, electrical upgrades, etc.) ?
- What will be the costs of these works?
- Have you asked the owners whether they have already received the super-reduced VAT rate for the property in question to determine the limit still available?
- Are permits necessary for these works?
- What is the appraiser's opinion of the price and condition of the property?
- In the case of an apartment:
 - What resolutions were adopted during the last meeting of co-owners?
 - What are the common charges?
 - Is any work being planned? If yes, what is the distribution of charges?
 - What are your rights and obligations under the internal regulations?
- Does the building have an energy performance certificate (mandatory in Luxembourg)?
- etc.

If you are buying on a plan

- Are the specifications exhaustive and complete?
- Have you carefully examined the construction plans and the contract?
- Are details provided in the contract on the various work and its costs?
- Does the developer offer supplemental decennial guarantee insurance?
- Is there a completion bond that ensures that the work will be properly completed in the event of the seller's default?
- What are the time limits for starting and completing the work?
- etc.

If you are building a house:

- Do you prefer to build under your own control or to find a turnkey solution?
- In the first case, do you have the time and necessary skills to carry out this major project?
- In the second case, have you found a trusted architect to carry out your project?
- Do the plans meet your expectations?
- Do you have the necessary permits?
- Have you had an energy performance certificate ("Energiepass") prepared?
- etc.

There is also a whole series of questions not directly related to the property

- What is the geographical location of the property in relation to your usual travels (workplace, school, public transport, etc.)?
- What facilities are located nearby (shops, schools, etc.)?
- Are there any nuisances in the vicinity (motorway, industrial area, dump, etc.)?

Regardless of the nature of your project, before signing anything, go to the site and ask yourself the relevant questions. The municipal administration, the notary public, the land registry, and your potential neighbours can answer some of your questions.

Once you have found a property, make sure that the building and/or land is described as precisely as possible in the provisional sales agreement with the cadastral reference, the exact address, and, for apartments, the exact area measurements.

A provisional sales agreement is normally limited in time (often 30 days), may contain withdrawal clauses to be negotiated, and includes, if a real estate loan is used, a suspension clause providing for the cancellation of the provisional sales agreement in the event that the financing is refused.

If you plan to build a home, remember to prepare an acceptance protocol to be co-signed with the seller, mentioning any defects and work not yet performed.

Tip

Before signing, visit the property several times, at different times of day and on different days of the week. It is better to take the necessary time, even if it means risking losing a good opportunity, than to make a long-term commitment for a property that does not meet your expectations.

Prepare your housing loan application

To submit a concrete offer as soon as possible, it is essential for your file to be complete.

Here is a list of documents needed when submitting your housing loan application.

1) For acquisition or conversion/renovation of a home

- Identity document and social security card of the applicant(s),
- proof of income (payslips, lease agreement, etc.),
- if you are applying for State assistance: annual income for the three years preceding the purchase, if you are applying for State assistance: annual income for the three years preceding the purchase,
- listing of non-Spuerkeess accounts (securities and liabilities),
- signed provisional sales agreement,
- photos of the property to be purchased,
- where applicable, plans and/or quotation concerning the conversion/renovation work.

2) For construction of a home

- Identity document and social security card of the applicant(s),
- proof of income (payslips, lease agreement, etc.),
- if you are applying for State assistance: annual income for the three years preceding the purchase,
- listing of non-Spuerkeess accounts (securities and liabilities)
- notarised land deed, otherwise provisional agreement/reservation contract,
- plans, detailed quotes, and, where appropriate, specifications.

Tip

Prepare your file and, as much as possible, assemble all the required documents for your first interview at the Spuerkeess branch. The more complete your file is, the better we will be able to advise you and the more quickly you will get a response to your application.

Appendix

Your personal financing plan

Your personal financing plan compares the expenses related to your investment with all your resources. It gives you a preliminary idea of the amount that you can borrow and helps you prepare for your interview with one of our Housing Advisors. Simply fill in the relevant boxes according to your project and your personal situation.

Our Housing Advisors will happily guide you in preparing your financing plan to give you a more concrete and precise idea of your borrowing possibilities.

Costs related to your project	Personal contribution
Real estate acquisition or construction cost	Own funds*
Cost of the land	Net proceeds from the sale of real estate
Cost of exterior improvements	Home Savings Scheme*
Cost for any renovation works	Gifts receivable*
Deed and registration charges	Government subsidies and assistance
Mortgage deed charge	VAT rebate
Architect charges	
Building permit charges	
Service connection charges	
Residual debt insurance premium	
Equipped kitchen	
Miscellaneous and contingencies	
Total costs (T1)	Total own resources (T2)
T1-T2 = Amount to be borrowed	

Monthly Income	Monthly expenses
Net monthly income	Existing loans
Monthly rental income	Building savings premium
Family allowances	Food and other ongoing expenses
Other monthly income	Monthly instalment for the new housing loan to be obtained
Total monthly income (T1)	Total monthly expenses(T4)
Available income = T3-T4	
Ratio of Expenses/Income = T4/T3	

* immediately available



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