Mortgage

Description

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- # Mortgage Financing in Portugal â€“ Complete Guide

1. What is a Mortgage?

A mortgage in Portugal consists of two key elements:
âœ” **Loan Agreement**: A bank lends funds to be repaid over an agreed term with interest.
âœ” **Property Guarantee**: The purchased property serves as collateral for the loan.

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2. Key Parties Involved

Party	Role
Borrower	Property buyer who repays the loan.
Bank/Lender	Provides funds and holds the mortgage guarantee.
Notary	Certifies the loan deed (publicly registered).
Solicitor	Handles legal paperwork and mortgage registration.

3. Types of Mortgages

- **Acquisition**: Purchase of existing properties.
- **Construction**: Financing for new builds.
- **Renovation**: Funding for property upgrades.
- **Rental Investment**: Loans for buy-to-let properties.

4. Repayment Options

Amortization Methods

- **French System (Standard in Portugal)**:
  - Initial payments focus on **interest**, gradually shifting to **principal**.
  - **Early repayment** (partial/full) may incur fees (1â€“3% commission).

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Payment Plans

Type	Description
Fixed Installments	Constant monthly payments (adjusted only for rate changes).
Progressive Installments	Payments increase over time (agreed with the bank).

5. Interest Rates

Type	Pros	Cons
Fixed Rate	Stable payments; immune to market fluctuations.	Higher initial rates.
Variable Rate	Lower initial rates.	Payments fluctuate with EURIBOR.

Spread: Bankâ€™s profit margin (varies by loan amount, property value, and client risk).

6. Costs & Fees

Cost	Typical Range
Application Fee	â‚¬200â€“â‚¬500 (varies by bank).
Property Valuation	â‚¬150â€“â‚¬400.
Notary/Solicitor Fees	â‚¬500â€“â‚¬1,500.
Early Repayment Penalty	1â€“3% of amortized amount.

APR (Annual Percentage Rate): Includes all fees (interest, insurance, taxes) for easy comparison.

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7. Required Documents

Personal Documents

- ID/Passport + Portuguese Tax Number (NIF).
- Recent IRS tax return.
- Employment contract + last 3 payslips.
- Bank statements (6â€“12 months).

Property Documents

- Land Registry Certificate (*CertidÃ£o Predial*).
- Fiscal Matrix (*Caderneta Predial*).
- Habitation License (*LicenÃ§a de UtilizaÃ§Ã£o*).
- Building Plans + Construction License (if applicable).

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8. Mandatory Insurance

- **Multi-Risk Insurance**: Covers fire, floods, theft (0.1â€“0.3% of property value/year).
- **Life Insurance**: Ensures loan repayment in case of death/disability (cost depends on age/loan amount).

Why Choose ProDirecta for Your Mortgage?

We streamline the process by:
âœ… **Comparing 10+ banks** for the best rates.
âœ… **Preparing documentation** to avoid delays.
âœ… **Negotiating terms** (lower spreads, waived fees).

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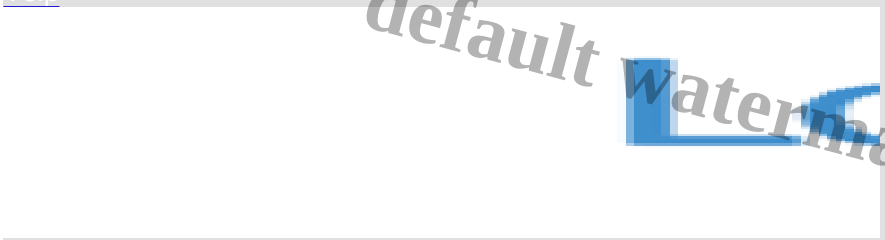

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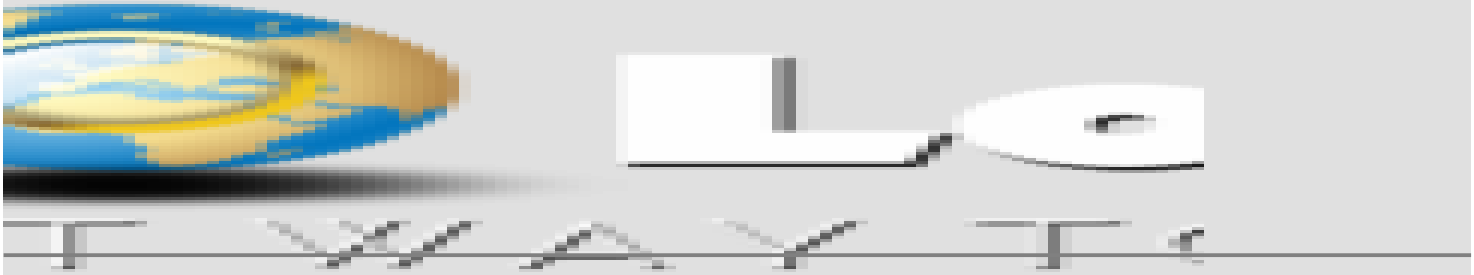

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