

A STEP-BY-STEP GUIDE

# Buying a home in Switzerland



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# Who we are

**Banque Cantonale Vaudoise (BCV) has been proudly serving the people of Vaud Canton since 1845. During this time, we have grown into a key player in Lake Geneva's banking industry and are now Switzerland's 5<sup>th</sup> largest bank. However, we have remained true to our roots as a community bank, building close ties with local residents and firms, and growing our business as we always have – one customer at a time. Today, half of all individuals in Vaud bank with BCV, as do over half of all local businesses.**

BCV is one of Switzerland's cantonal banks, and our main shareholder is the Canton of Vaud itself. As a cantonal bank, we have a corporate mandate to contribute to the development of all areas of our canton's economy. Here, one of our key missions is to help meet demand for mortgage lending in the Canton. This is a role we take very seriously, and we are proud to be Vaud's leading home financier.

What's more, our strong local focus means that our advisors have often lived in the region their whole lives and know the local property market extremely well. With us, you know you are in capable hands: we have the local presence, long experience, and extensive knowledge to ensure that your home purchase is a success.

Our role as a community bank is underpinned by a dense network of branch offices. Wherever you are in Vaud Canton, we're never far away when you need us.

## **Because trust matters**

**Whether you've just arrived in Switzerland or have been here for a while, we can help make your dream of owning your own home come true. The idea of buying property in a country that's not yours may seem daunting, since you may not be familiar with the real-estate market and purchasing process. And it's true that things probably work differently here. But that's where we come in.**

This brochure provides an overview of the specificities – and idiosyncrasies – of buying property in Switzerland. It details the various options available to you and takes you step by step through the process, with explanations of our various financing options and advice on deciding which one is best for you. It also provides a glossary of some of the key French terms that anyone buying a home in the Lake Geneva region needs to know.

Of course, a brochure is no substitute for a face-to-face meeting with a BCV advisor. So feel free to make an appointment with us to discuss your plans – that's the best foundation for a secure home investment.



# Getting started

**Owning your home is more than just an investment: it is a major decision that should be carefully considered.**

Just as in other countries, there are several things to think about before you even start looking at properties or plots of land to build on.

Here are a few important questions to bear in mind:

- How much can you afford for the down payment?
- Is your income sufficient to cover loan payments?
- How will you finance your home purchase?
- Would you like to buy a finished home, renovate one, or have one built for you?
- How will you cover ongoing maintenance costs for your home?
- How can you ensure that you and your loved ones will be financially protected from unexpected events?

## Need a hand?

You can contact your BCV advisor at any time to ask questions or set up a meeting to discuss your home purchase.

You can also call our Customer Service Center.

## We speak English!

Monday-Friday  
**0844 228 228**  
7:30am - 7:30pm

In addition, things you thought you knew about buying property might be different in Switzerland. Although mortgage financing is a relatively simple process here, it's important to be aware of certain things specific to Switzerland. For instance:

- House prices are relatively high and a down payment of at least 20% of the value of the property is required, which means you'll need a significant amount of cash at your disposal.
- The tax consequences of owning property in Switzerland are different from most other countries.

Although this brochure will help you answer these questions, it is a good idea to work with your BCV advisor from the very beginning. We will start by listening, guiding you through the above questions, and discussing options that are adapted to your needs.



# House hunting

**newhome.ch** 

## Finding a home starts here

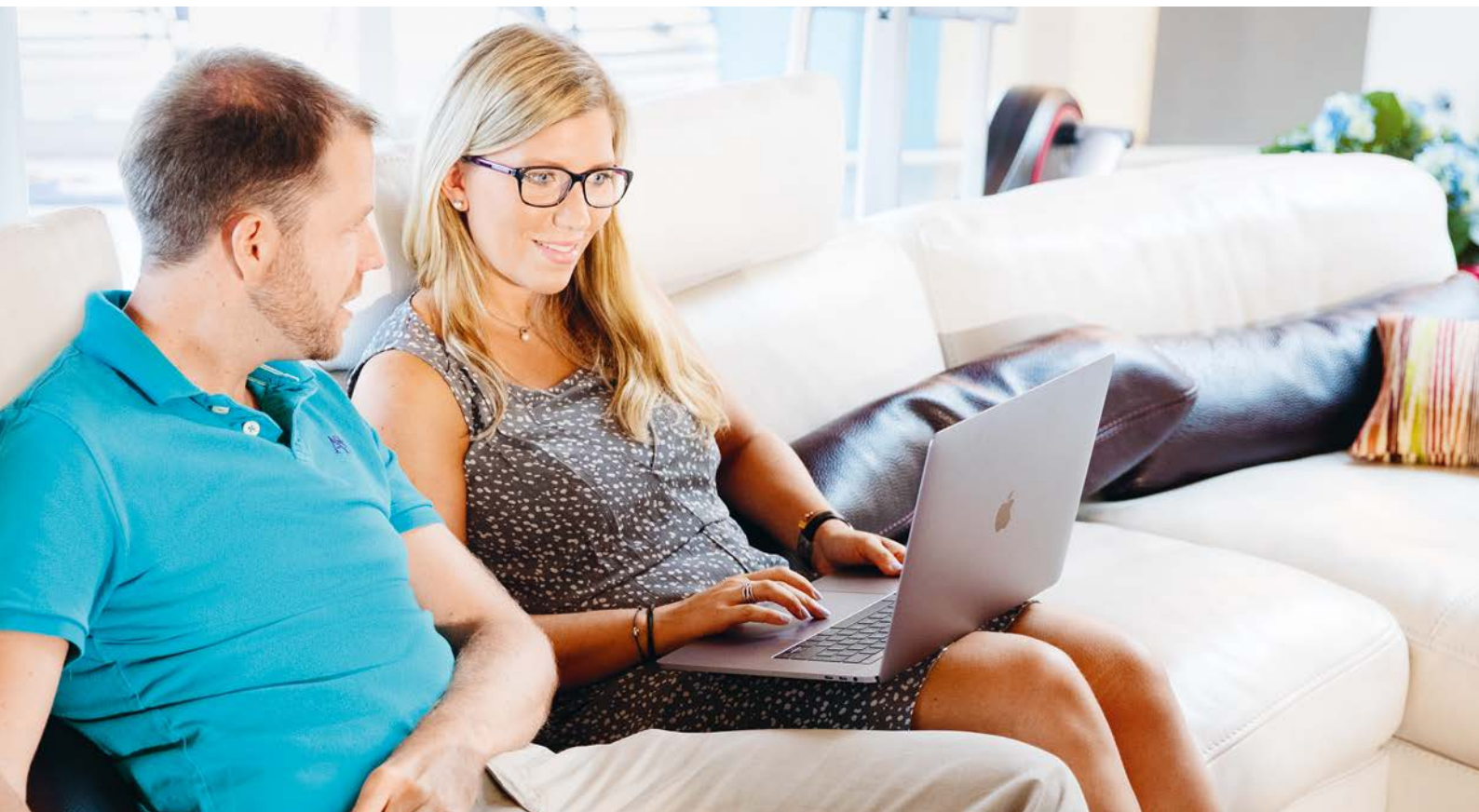
The website newhome.ch provides an extensive range of real-estate listings thanks to the support of 18 cantonal banks.

What makes newhome.ch so useful?

- Backed by the local expertise of Switzerland's cantonal banks
- Top provider of online real-estate listings in 14 cantons, and third-largest countrywide
- Wide range of properties in Vaud Canton
- A steadily growing number of listings
- Easy to use and free of charge
- Works on all devices



[www.newhome.ch/en/home](http://www.newhome.ch/en/home)



## Deciding what you want

What sort of property should you look for? That depends on your personal needs and budget.

The following are some important considerations:

- Your lifestyle: what's important for you to have nearby – cultural activities, outdoor activities, etc.
- Your family situation: whether you're on your own or buying with your partner, and whether you have children
- Services you wish to be close to (shops, schools, public transportation, parking, etc.)
- Whether you wish to build your home or buy a new or existing one
- Whether you are looking for a house or an apartment

	Advantages	Disadvantages
House	<ul style="list-style-type: none"><li>• Full ownership</li><li>• More space</li><li>• More privacy and freedom to set up and decorate as you wish</li></ul>	<ul style="list-style-type: none"><li>• More expensive to buy</li><li>• Maintenance more costly and time-consuming</li><li>• Need to save for future renovation</li></ul>
Condominium apartment	<ul style="list-style-type: none"><li>• Sharing of common-area expenses</li><li>• Managed by a property firm</li><li>• Lower maintenance costs</li></ul>	<ul style="list-style-type: none"><li>• Less privacy</li><li>• Potential problems with other owners</li><li>• Must comply with majority decisions</li></ul>

## Building your house

**The main advantage of building your own home is that you are totally free to make sure it fits your needs and preferences. However, it requires a lot of thought and time during the planning process, and constant oversight during construction to make sure that budgets and deadlines are met, even if you have the help of an architect.**

Once you feel that you've found the perfect plot of land for your dream house:

- check with the municipality that the land can be built on
- find out about any new construction projects that are planned nearby and that could decrease the value of your house (e.g., by blocking the view)
- obtain a land register certificate (*extrait du Régistre foncier*) that identifies the plot and indicates any rights of passage or other easements.

CVI: [www.cvi.ch](http://www.cvi.ch)  
FVE: [www.fve.ch](http://www.fve.ch)

### Buying off-plan

When buying a property off-plan, be sure to:

- find out about the reputation of the property developer and the contractors involved in the project
- request information from the Chambre Vaudoise Immobilière (CVI) or the Fédération Vaudoise des Entrepreneurs (FVE). These websites are unfortunately not available in English.

### Purchasing an existing home

One key advantage of buying an existing home is that you can visit it and make sure it meets your needs. Existing homes are usually available quickly, and their price is set in advance. However, the property may require renovation work.

Once you've found the right property, make sure you know everything you need to know about it so that you can make an informed decision. It's a good idea, for example, to:

- get it appraised by an expert
- ask for documentation concerning any renovation work already carried out
- ensure that sufficient funds have been appropriated for the renovation of the building's exterior walls and common areas
- compare the asking price with those of nearby properties.

### Renovating

Vaud Canton provides subsidies and tax breaks for renovation projects aimed at improving energy efficiency or using renewable energy sources. What's more, the costs of renovating a building are generally tax deductible.

If you decide to renovate, be sure to:

- take the time to plan out your overall renovation project with an expert
- assess the condition of your home in order to determine whether there are any fundamental problems that need to be sorted out before or during the work
- consider the potential benefits of an environmentally oriented renovation
- come up with an overall plan to guide you in your choices, whether you intend to renovate everything at once or step by step.

**Helpful websites**  
[www.vd.ch](http://www.vd.ch)  
[www.minergie.ch](http://www.minergie.ch)  
[www.suisse-energie.ch](http://www.suisse-energie.ch)





# The buying process

## Getting your down payment together

Most people take out a loan to help purchase their home. In Switzerland, you are entitled to take out a mortgage for up to 80% of the purchase price (or up to 65% for a secondary residence/property you rent out). You will have to come up with the remaining 20% yourself, and at least half of that must be in cash.

Minimum down payment: 20%	+5%	<b>Additional cash</b> Purchase-related expenses
	Occupational pension savings	<b>Occupational pension</b> Pension savings Minimum withdrawal amount of CHF 20,000
	At least 10% cash	Savings, investments, inheritance, personal retirement savings, interest-free loan from a family member, plot of land to build on, etc.

## Conditions for using funds from your pension savings

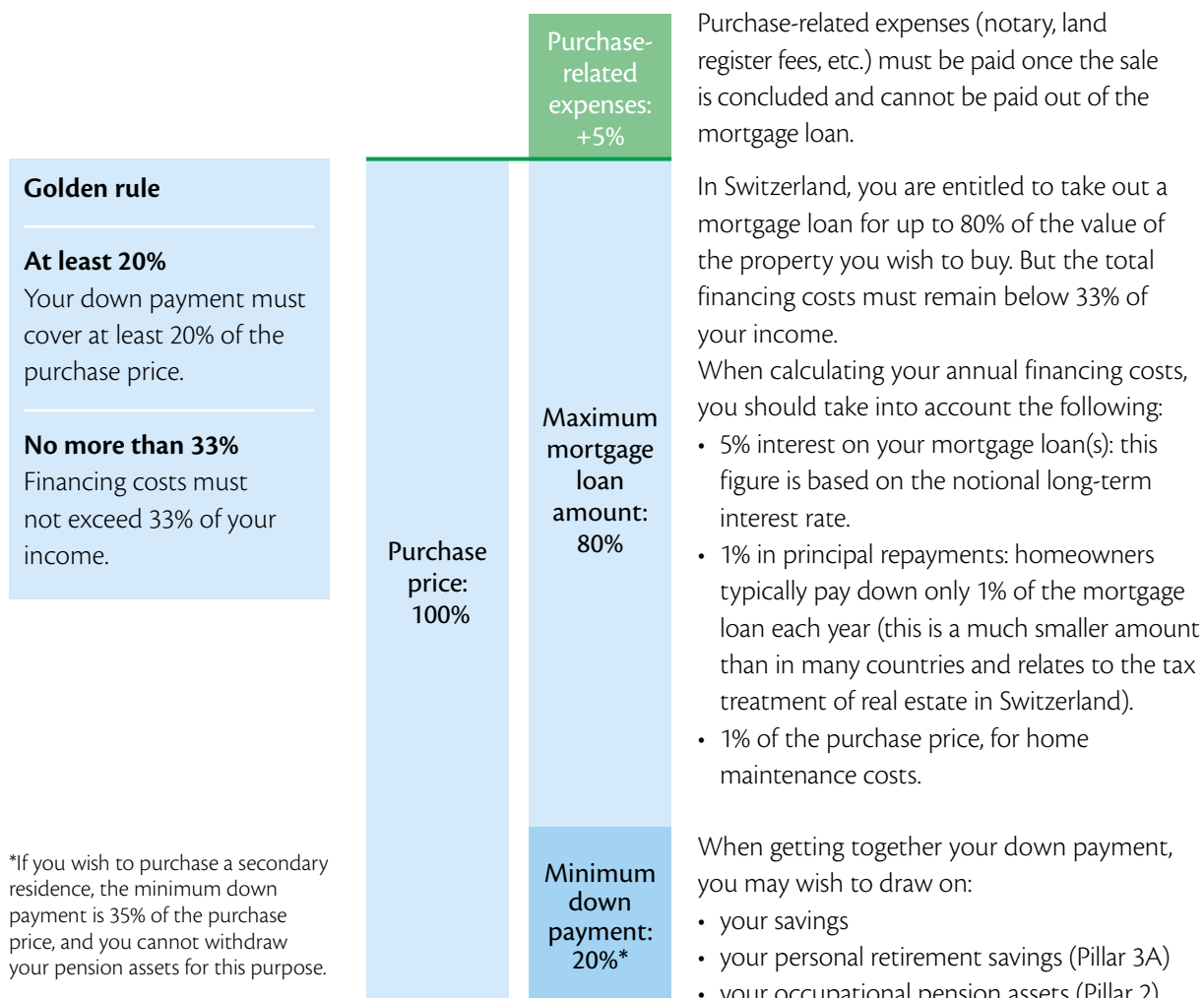
- You can use your pension assets to finance the purchase or construction of your primary residence only.
- If you are married, you will need your spouse's consent to use your pension assets.
- You are allowed to use your pension savings for a down payment only on a property that you will own or co-own.
- Rather than withdrawing the funds from your pension savings, you may opt for pledging them.

### Are you over 50?

If you plan to use your occupational pension savings, you can withdraw only up to the amount of the vested termination benefits you had when you turned 50 or half of the amount of the vested termination benefits you will be entitled to at the time of withdrawal (whichever is higher).

Withdrawal	<p>You will have to pay a tax when withdrawing your assets; it must be paid in cash and cannot be deducted from your pension assets.</p> <p>Withdrawing your pension assets early will reduce the benefits you receive at retirement and may even reduce the death and disability benefits you are entitled to.</p>
Pledge	<p>Pledging (<i>mise en gage</i>) your pension savings rather than withdrawing them will enable you to preserve the benefits you have accumulated, as long as the pledge is not enforced.</p>

Your income should be sufficient to cover the expenses related to your property purchase – without having to stretch. The total financial burden, including interest payments, home maintenance costs, and principal repayments, should not exceed a third of your gross annual income.



\*If you wish to purchase a secondary residence, the minimum down payment is 35% of the purchase price, and you cannot withdraw your pension assets for this purpose.

### Important purchase-related fees

Just as in other countries, purchasing real estate in Switzerland comes with various fees and taxes, such as notary fees and costs, land register fees, mortgage deed preparation fees, and land transfer taxes. However, such ancillary costs may be higher in Switzerland than they are in your home country. In Vaud Canton, these expenses together account for approximately 5% of the total property cost. You will be expected to pay for these costs separately using your savings.

In addition to day-to-day household expenses such as heating, electricity, and water bills, you should also estimate the following costs: insuring your home against the risks of fire, natural hazards and water damage; insuring your personal possessions; property taxes; and moving costs.

You should also put some money aside to cover things like exterior wall renovation, roof repairs, and repainting.

Use our online mortgage simulator to assess your financial situation and budget.



[www.bcv.ch/en/Personal-Banking/Helpful-tools/Hypo-net/Mortgage-calculator](http://www.bcv.ch/en/Personal-Banking/Helpful-tools/Hypo-net/Mortgage-calculator)

## Calculation example

The interest rates used in this example are not actual market rates. They are average, notional figures used for illustrative purposes. This calculation shows whether you will be able to afford a property of a given value.

	CHF
<b>Purchase price</b> (market value or cost to build, including the land)	800,000
<b>Financing</b>	
Down payment (at least 20% of purchase price)	160,000
Mortgage loan (80% maximum)	640,000
<b>Total financing</b>	800,000
<b>Total annual cost of financing*</b>	
Mortgage interest (5% of loan amount)	32,000
Annual principal repayment (1% of loan amount)	6,400
Maintenance costs (1% of purchase price)	8,000
<b>Total annual cost of financing</b>	46,400
<b>Calculating how much you can afford to pay</b>	
Your gross annual income	160,000
Annual cost of financing	46,400
Cost of financing as a proportion of income	29%
Can you afford to buy the property?	yes
Your gross annual income must not be less than	140,000

\*The interest rates here are average figures used for illustrative purposes.

# The convenience of Hypo-net

You can use Hypo-net, our secure website, to get started with your mortgage loan application or find answers to your questions – all from the convenience of home.

If you are taking the first steps towards buying a home, you can use our simulator to calculate your budget and estimate your financing costs.

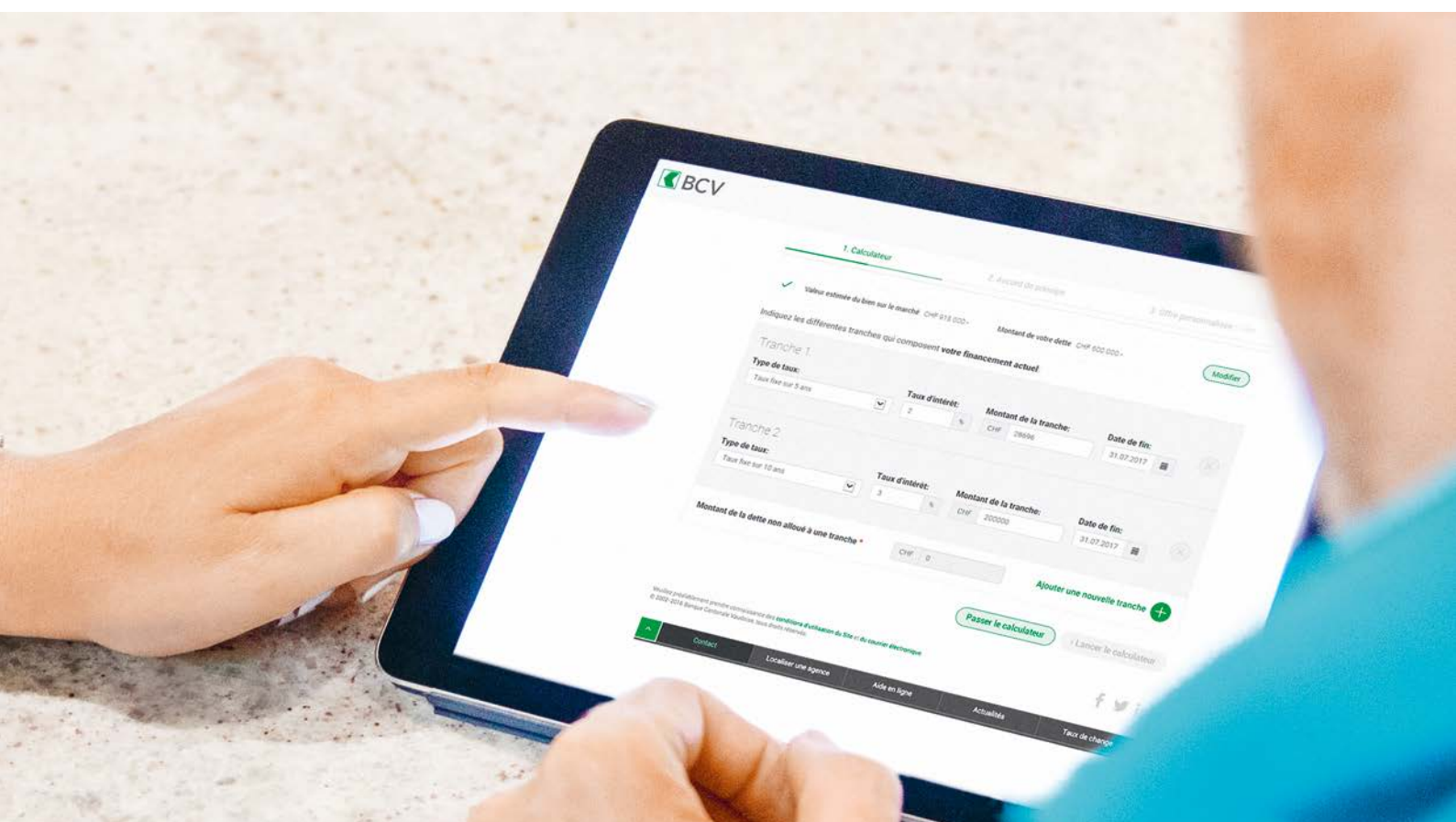
And if you already have your eye on something and you need to provide a guarantee to the seller, you can also obtain an agreement in principle for a mortgage loan – quickly and easily.

You can even use Hypo-net to get a mortgage loan offer online, without having to go to one of our branches.

Regardless of where you are in the home-buying process, feel free to contact your advisor at any time for answers to your questions or to finalize your mortgage loan application.



[www.bcv.ch/en/hypo-net](http://www.bcv.ch/en/hypo-net)







# Our financing solutions

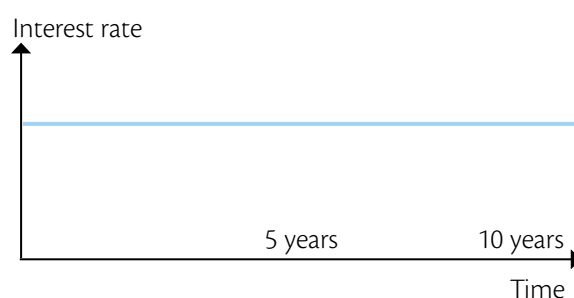
BCV offers a wide range of options for financing your home purchase. Whatever your plans are, we will work with you to find the solution that best meets your needs.

## Buy or renovate

### Fixed-rate mortgage loan

This type of loan (*hypothèque à taux fixe*) provides stability and security. You benefit from a stable interest rate throughout the agreed term. You are therefore protected against rising interest rates, and you know exactly how much your payments will be each month.

You can choose from a variety of terms – and thus interest rates – when you renew your loans. This can come in handy if you expect to sell your home within a certain number of years.

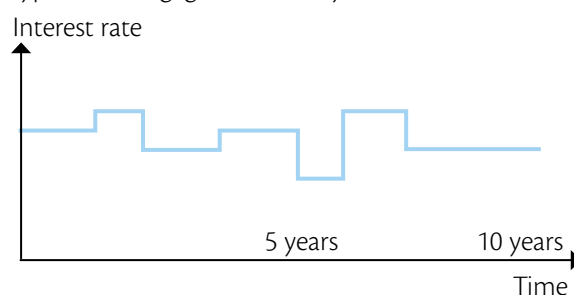


### Forward rate

For a small fee, you can set the fixed rate on your mortgage loan up to 18 months in advance.

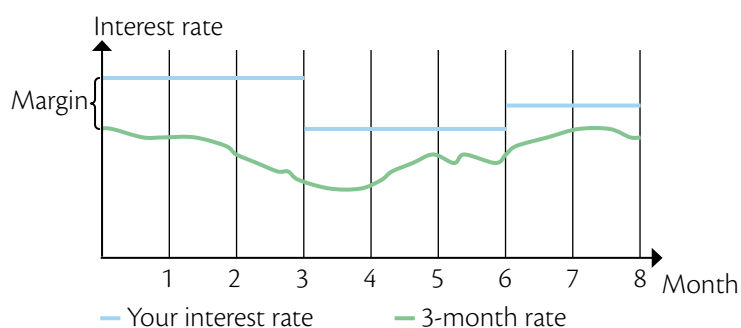
### Variable-rate mortgage loan

This type of loan (*hypothèque à taux variable*) provides maximum flexibility. There is no term on the loan and the interest rate will track market rates. You will benefit if interest rates fall but will also need to have sufficient financial resources in case rates go up. In that event, you can switch to any of our other types of mortgage loans at any time.



### Rollover mortgage loan (1–12 months)

With this type of loan (*hypothèque à court terme*), the interest rate on your loan will be regularly adjusted to match market conditions. At the end of each term, the interest rate will be automatically reset to match market rates. If you want to enjoy the benefits of this type of loan while limiting the risk of a steep rise in your interest rate, you could combine this loan with one or more fixed-rate loans with a longer term.



### Choosing the right type of loan for a given interest rate and trend

The table below offers some guidance on whether you should choose a fixed-rate, variable-rate, or rollover mortgage loan in view of potential market trends.

Your advisor will help you consider how your particular circumstances should influence this decision.

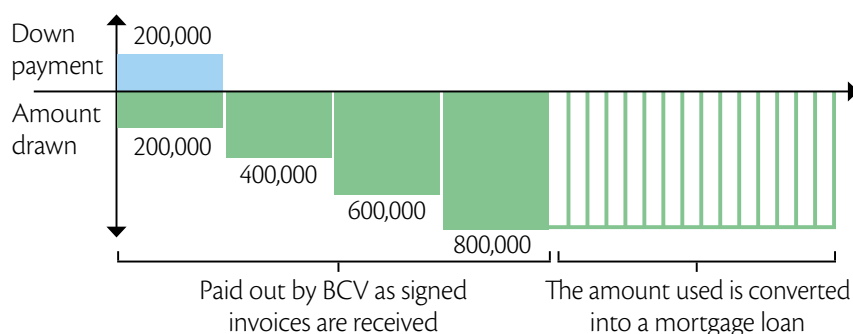
Interest-rate level	Market trend	2-5 year fixed-rate loan	6-10 year fixed-rate loan	Rollover loan
High	⇒ stable	✓		
	⇩ downward	✓		✓ ✓
Medium	⇩ upward	✓ ✓	✓ ✓	
	⇒ stable	✓ ✓	✓ ✓	✓
	⇩ downward	✓		✓ ✓
Low	⇩ upward	✓	✓ ✓	✓
	⇒ stable	✓	✓ ✓	✓ ✓



# Building your house

## Building loan

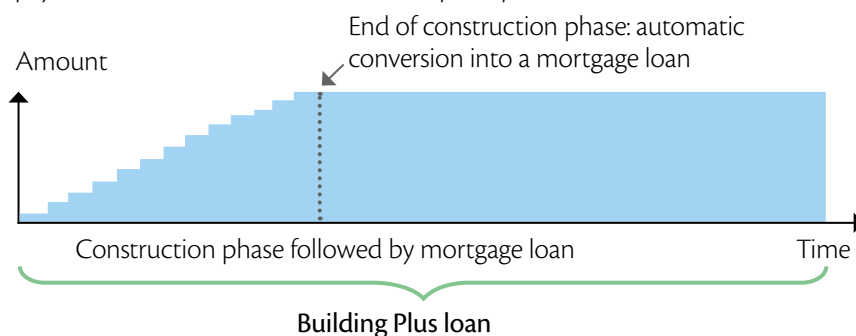
A building loan (*crédit de construction*) can be used to build a house from scratch or to renovate an existing one. It is provided in the form of a credit line on a current account that can be drawn down as the work progresses. Payments are made as construction work is completed, upon presentation of invoices signed by the contractor and the architect. Once the construction work is completed, the amount of the credit facility that has been used is converted into a loan.



## BCV Building Plus loan

The BCV Building Plus loan (*BCV Construction Plus*) is the ideal financing option if you plan to have your home built for you. A single loan agreement and a single interest rate cover both the construction phase and the first few years after the building loan is converted into a mortgage loan (a process known as “consolidation”). A fixed-rate loan is set up, with a term ranging from four to ten years.

During the construction phase, the loan amount increases as the work is completed, upon presentation of invoices signed by the contractor and the architect. Interest is calculated only on the amount of the loan that has actually been used. Once construction is complete, the building loan is automatically converted into a mortgage loan. You will then make half-yearly payments that cover both interest and principal.





Lien anglais ???



# Repayment options

**In Switzerland, the amount of mortgage debt on a property must be brought down to two thirds of the original property value through regular mortgage repayments over 15 years. A one-time payment in this amount, such as through an insurance policy, is not permitted.**

Direct repayment (*amortissement direct*) involves regular payments made from your bank account, while indirect repayment (*amortissement indirect*) involves making regular deposits into a restricted personal pension savings vehicle (Pillar 3A).

## Direct repayment

This gradually reduces the mortgage principal over the years, so your interest burden will also gradually decline. This will tend to make your income tax burden rise, since the amount of interest payments you can deduct from your taxable income will drop each year.

The decline in (tax-deductible) interest will thus lead to a rise in your taxable income. Your wealth tax burden could gradually rise as well.

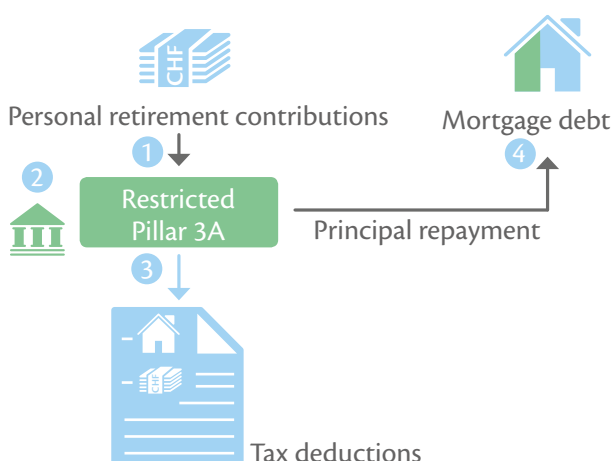
For more information  
on personal pension  
plans (Pillar 3)



[www.bcv.ch/en/Personal-Banking/Produits/Pension-and-disability-coverage/Epargne-3-account](http://www.bcv.ch/en/Personal-Banking/Produits/Pension-and-disability-coverage/Epargne-3-account)

## Indirect repayment

- 1 Indirect repayment is for primary residences only. With this method, you do not make direct payments to the lender on your mortgage. Instead, you make regular deposits into a restricted personal pension savings vehicle (Pillar 3A).
- 2 This vehicle is then pledged as collateral to the lender.
- 3 Your mortgage debt will remain unchanged, allowing you to deduct a higher level of mortgage interest from your income than if you paid off your loan gradually.
- 4 At the end of the agreed term, the money in your personal pension savings vehicle is used to pay down your mortgage.



# Insurance checklist

To protect yourself and your loved ones, it is a good idea to take out liability, property, and death and disability insurance.

## If you build your home

### Owner's liability insurance

By law, the owner of a property under construction can be liable for anything that happens at the worksite. Owner's liability insurance (*assurance responsabilité civile du maître d'ouvrage*) protects you from the financial consequences of any property damage or personal injury that may occur during the construction project.

### Construction period insurance

This insurance (*assurance de construction*) covers damage to your property during the construction work. It covers both damage to the house and damage resulting from a building or material defect, negligence, carelessness, or faulty execution. Basic risks such as flooding, hail, or falling rocks may also be insured upon request. All fixed construction items are also covered against theft.

## Required insurance

### Fire and natural hazard insurance

This insurance (*assurance incendie et éléments naturels*) is compulsory for all properties in Vaud Canton and can be obtained only from the Canton's insurance body (called the Établissement Cantonal d'Assurance, or ECA).

The ECA insures both tenants and homeowners against fire as well as floods caused by natural hazards. There are some limits to coverage, as specified in the Vaud Cantonal Act on Building and Furniture Insurance against Fires and Natural Hazards.

The ECA is directly informed by the local authority that grants the building permit, and the building is then insured from the beginning of the work.

### House insurance

You will have to contact a private insurance company for coverage against water damage caused by a burst pipe, leak, etc. or by negligence (e.g., if you left a tap on) and other household insurance coverage. All the major insurance companies in Switzerland offer this kind of coverage (*assurance privée*).

### Insurance in the event of death or disability

We strongly recommend that you increase your personal insurance coverage so that you can continue to meet your financial obligations in the event of unemployment, disability, or death. This type of insurance (*assurance-vie, mixte*) is available in the form of regular payouts or a lump-sum payment. It will provide additional security if your income decreases and will allow your family to meet its financial obligations in case of untimely death.





The following documents will help your advisor come up with a home-financing proposal geared to your specific needs.

## Personal documents

## Where to get

<input type="checkbox"/> Full copy of your latest tax return	Client
<input type="checkbox"/> Annual salary certificate and most recent wage slip	Client or employer
<input type="checkbox"/> Certificate from the <i>Office des poursuites</i> (showing any debt recovery proceedings underway), issued within the past three months	Debt collection office ( <i>Office des poursuites</i> )

## For all types of property

<input type="checkbox"/> Copy of site plan (if available)	Seller
<input type="checkbox"/> Land register certificate (required for properties outside Vaud)	Seller, land register ( <i>registre foncier</i> ), or notary
<input type="checkbox"/> Fire insurance policy	Seller, ECA, or insurance company
<input type="checkbox"/> Building plans	Seller, owner ( <i>maître d'ouvrage</i> ), or architect
<input type="checkbox"/> Year built and year of most recent major renovation	Client or seller
<input type="checkbox"/> Notarized deed of sale (if with another bank)	Client
<input type="checkbox"/> Sales brochure	Seller, property developer ( <i>promoteur</i> ), or property agency ( <i>agence immobilière</i> )
<input type="checkbox"/> List of rental amounts and rental assessments (for multi-family buildings)	Seller or property management company ( <i>régie immobilière</i> )

## For an apartment or condominium

<input type="checkbox"/> Gross and net living space (m <sup>2</sup> )	Seller, owner, or architect
<input type="checkbox"/> Condominium articles of incorporation (for newly built apartments)	Seller or notary
<input type="checkbox"/> Individual owner contract showing share ownership	Seller or notary
<input type="checkbox"/> Condominium use and management agreement	Seller, notary, or condominium owners
<input type="checkbox"/> Minutes from the most recent owners general meeting	Seller, notary, or condominium owners
<input type="checkbox"/> Extract of the condominium's operating accounts	Seller, notary, or condominium owners
<input type="checkbox"/> State of the renovation fund	Seller, notary, or condominium owners

## For construction or renovation projects

<input type="checkbox"/> Estimate, budget, and cost breakdown by construction trade	Seller, owner, or architect
<input type="checkbox"/> Building or renovation permit	Seller, owner, or architect
<input type="checkbox"/> General contracting agreement (if available)	General contractor
<input type="checkbox"/> Detailed construction specifications	Seller, owner, or architect
<input type="checkbox"/> Proof of total constructed volume	Seller, ECA, or owner

## Down payment

<input type="checkbox"/> Pension fund certificate prior to withdrawal (if occupational pension fund assets will be used or pledged)	Pension fund
<input type="checkbox"/> For a withdrawal from an occupational pension fund: pension fund certificate with a projection of benefits following withdrawal	Pension fund
<input type="checkbox"/> For a withdrawal from personal pension savings (Pillar 3): proof of funds	Pension fund





# Glossary

**Annuité**

See “annual repayment.”

**Annual repayment**

An annual payment made up of the principal repayment and interest. Variable payment: amount to be paid will differ from year to year. Constant payment: amount to be paid is the same from year to year – the proportion of interest decreases and the amount of principal paid down increases.

French term: *annuité*

**Amortissement**

See “principal repayment.”

**Benchmark mortgage rate**

The benchmark rate is used to determine rents in Switzerland. It is based on the average mortgage rate offered by Swiss banks. Since 10 September 2008, there has been one single rate for the whole of the country. More information is available on the website of the Federal Housing Office.

French term: *taux hypothécaire de référence*

**Cédule hypothécaire**

See “mortgage note.”

**Compte de libre passage**

See “vested benefits account.”

**Condominium ownership**

A form of ownership where specified parts of a building, floor, or apartment are individually owned, while common areas are jointly owned by all residents. All owners are jointly responsible for these common areas. Each owner is free to sell or mortgage his or her individual part. This type of ownership is quite widespread for apartment buildings in Switzerland.

French term: *propriété par étage* (often referred to simply as “PPE”)

**Co-ownership**

Several people each own a distinct share of a property that cannot be materially divided up. Rather than each person owning a certain fraction of the property, it is the ownership right itself that is shared. This is often the case for common areas in apartment buildings.

French term: *copropriété*

**Copropriété**

See “co-ownership.”

**Droit de gage immobilier**

See “lien.”

**Droit de mutation**

See “transfer tax.”

**Droit de superficie**

See “surface rights.”

**Easement**

An easement is a right of use over or interest in the property of another.

French term: *servitude*

There are two main types:

1. Easement appurtenant: this type of easement is permanently attached to the land in question. Under such easements, the owner of one property (known as the “servient estate” or “servient tenement”) must allow the owner of another property (known as the “dominant estate” or “dominant tenement”) to use his or her land or must refrain from exercising certain rights inherent in the property (e.g., right of way, right to light, etc.).

French term: *servitude foncière*

2. Easement in gross: unlike an easement appurtenant, there is no dominant estate. Instead the easement is created on a property in favor of a specific person, who is known as the “beneficiary.” Such easements include usufructs, right of habitation, etc.

French term: *servitude personnelle*

### **Extract from the land register**

All the information recorded in the land register for a given property.

French term: *extrait du registre foncier*

### **Extrait du registre foncier**

See “extract from the land register.”

### **Gage immobilier**

See “pledge of real estate.”

### **Hypothèque**

See “mortgage.”

### **Hypothèque légale**

See “statutory lien on real estate.”

### **Intérêt intercalaire**

See “interim interest.”

### **Interim interest**

Interest paid to the bank for a construction loan as the work progresses.

French term: *intérêt intercalaire*

### **Land register**

A public register that maintains records of property. In Switzerland, it consists of the main register, additional documents (e.g., plans, property directories, supporting documents and the descriptive schedule), and the journal. The cantons are responsible for maintaining and supervising the land register.

French term: *registre foncier*

### **Lien**

When real estate is pledged as collateral for a loan, the lien on the property is transferred to the creditor. This entitles the creditor to sell the pledged property to settle the claim should the debtor default. The amount the creditor is entitled to will depend on the ranking of the lien, e.g., whether it is a first or second mortgage. Under Swiss law, there are three ways of pledging property: mortgage, mortgage note, and a land charge certificate recorded in the land register.

French term: *droit de gage immobilier*

**LPP**

*Loi fédérale sur la prévoyance professionnelle vieillesse, survivants et invalidité* (Federal Act of 25 June 1982 on Occupational Retirement, Survivors' and Disability Pension Plans). The LPP is the basic statute governing the second pillar of Switzerland's three-pillar social insurance system. It establishes the minimum requirements for occupational benefits, which apply to all employees working in Switzerland.

**Mortgage**

In Switzerland, the term "mortgage" is often used to refer to three things: the actual mortgage lien, the mortgage document recording the lien, and the loan. The lien: a claim on a property used as collateral to secure payment of a current or future loan. With a mortgage, it is possible to use a building as collateral for various types of loans. A mortgage can also be taken out on a building that does not belong to the debtor.

The mortgage document: the official notarial deed recording the mortgage lien in the land register. This document is not a paper security; it only has evidential value. Synonyms: mortgage deed.

The loan: a long-term loan secured by a mortgage lien. The funds are disbursed to the debtor (normally in one lump sum) who undertakes to pay the interest and the principal according to the terms of the contract. Most common synonym: mortgage loan.

French term: *hypothèque*

**Mortgage note**

A document representing a personal debt secured by a mortgage lien.

Mortgage notes can be registered or issued to bearer.

French term: *cédule hypothécaire*

**Nantissement**

See "pledge."

**Pilier 3A**

See "Pillar 3A."

**Pillar 3A**

Part of the third pillar of Switzerland's social security system. The third pillar represents personal retirement savings. It is divided into Pillar 3A (restricted retirement savings with tax advantages) and Pillar 3B (unrestricted savings). As a general rule, anyone working in Switzerland can make payments into a 3A product up to the limit specified under Swiss law and in return will receive various tax benefits.

French term: *pilier 3A*

**Pledge**

Contract by which a debtor transfers (i.e., pledges) an asset (generally a financial asset) or a claim to a creditor as collateral for a debt, thereby granting the creditor rights over the asset. If the debtor defaults, the creditor can call in the pledge (i.e., sell the pledged assets) and use the proceeds to satisfy its claim.

French term: *nantissement*

**Pledge of real estate**

Using real estate as collateral for a loan. The pledge is recorded as a claim in the land register. Under Swiss law, there are three types of real estate pledges: a mortgage, a mortgage note, and a land charge certificate.

French term: *gage immobilier*

**Principal repayment**

Gradual repayment of the loan amount in regular installments in order to reduce the mortgage debt. In Switzerland, the principal can also be repaid indirectly by building up funds in a personal retirement savings account.

French term: *amortissement*

**Property-sharing corporation**

A building (normally a rental building) that is owned by a corporation whose shareholders have the exclusive right to rent out all or part of the building without being recorded in the land register.

French term: *propriété par actions* (often referred to simply as “PPA”)

**Propriété par actions (PPA)**

See “property-sharing corporation.”

**Propriété par étage (PPE)**

See “condominium ownership.”

**Real estate value**

Value of a property, taking into account the land, the building, any mortgage taken out, etc.

French term: *valeur immobilière*

**Registre foncier**

See “land register.”

**Rental value**

The notional amount that the owner could charge to rent out the property. It is used for tax purposes. The rental value is considered taxable income in Switzerland.

French term: *valeur locative*

**Réserve de propriété**

See “retention of title.”

**Retention of title**

When buying goods, ownership is generally transferred directly to the buyer at the same time as the object. This is not necessarily the case with real estate: if the seller of a property has agreed to certain payment terms, such as payment in installments, but wants to retain title of the property until the payment obligations have been met, the seller and buyer will have to agree to a retention of title clause. This must be done before the property transfer takes place.

French term: *réserve de propriété*

**Servitudes**

See “easement.”



**Statutory lien on real estate**

A lien securing the interests of a third party with a claim on a property. It is used, for example, to protect contractors who have worked on a property. If their invoices go unpaid, they can call in the claim using the statutory lien. Statutory liens also exist to protect sellers of a property and certain categories of joint heirs, as well as to secure payment of sums due under fiscal regulations. Depending on its type, a statutory lien may or may not be recorded in the land register.

French term: *hypothèque légale*

**Surface rights**

An easement that entitles a third party to build or maintain a building or other construction on another person's land. As a result, the owner of the building is not the owner of the land, but instead is the beneficiary of the surface right. This type of easement must be recorded in the land register.

French term: *droit de superficie*

**Taux hypothécaire de référence**

See "benchmark mortgage rate."

**Transfer tax**

A cantonal tax levied on real estate transfers.

French term: *droit de mutation*

**Usufruct**

The right (limited in time) to use and derive profit or benefit from property that belongs to someone else (known as the "remainderman"). The usufructuary is the person who holds the usufruct for a given property.

French term: *usufruit*

**Usufruit**

See "usufruct."

**Valeur immobilière**

See "real estate value."

**Valeur locative**

See "rental value."

**Vested benefits account**

An account in which occupational pension savings are temporarily deposited while awaiting transfer to another pension fund. A vested benefits account is used when an individual stops working, changes employer, or becomes self-employed.

French term: *compte de libre passage*

# Where to turn for professional guidance

**Before you make a firm commitment, seek the advice of trusted professionals.**

## **Real estate agents/brokers**

A real estate agent (*courtier immobilier*) can help you find a property that meets your specific requirements. The agent's fee is paid by the seller.

## **Architects**

Choosing an architect (*architecte*) to design your home will give you considerable freedom of choice. Together, you can design a house or apartment that reflects your tastes and personality.

The architect will help you prepare the building permit application, seek bids for work, draw up detailed work specifications and select contractors. He or she may also draw up a general contracting agreement. Once construction has begun, the architect coordinates all of the work required to build your home and makes sure it is properly executed – on schedule and on budget.

## **General contractors**

It is possible to hire a general building contractor (*entreprise générale*) who will be responsible for carrying out all of your building work, usually with the help of subcontractors. You will only deal with the general contractor and will sign one contract with one price for all of the work required. This way, you will not have to worry about coordinating the work of the various subcontractors. That is the job of the general contractor, who is responsible for meeting deadlines and will be liable in the event of a construction defect, delay, or legal dispute.

## **Notary**

In Switzerland, the person in charge of all legal aspects of buying and selling property is called a notary (*notaire*). The notary draws up the final deed of sale after examining, together with the seller and the buyer, all of the legal, economic, tax, and other consequences of the property transaction. It is only when this deed has been signed and recorded in the land register that the buyer gains title to the property. The buyer chooses – and pays – the notary.

## **Land register**

All rights relative to real estate are recorded in the land register (*registre foncier*). These rights may involve the land, or building itself, co-ownership rights, condominium rights, surface area rights or access to water sources. Each property has a distinct page and number in the land register. The registrar carefully examines all property documents. In most cases, the transfer of property or the creation, modification, or cancellation of any property right only takes effect when recorded in the land register. In Vaud Canton each district generally has its own land register.

**Legal information**

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