

Mortgage Policy and Real Estate Market in Slovenia

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Legal Base

Mortgages in Slovenia are legally arranged by different laws:

- ! Law of Property Code (2003) - rights,**
- ! Execution of Judgments in Civil Matters and Insurance of Claims Act (2001) - foreclosure,**
- ! Law on Land Register (Jun 2003) - inscription,**
- ! Housing Act (Jun 2003) - restrictions.**



Right to Lien (in general)

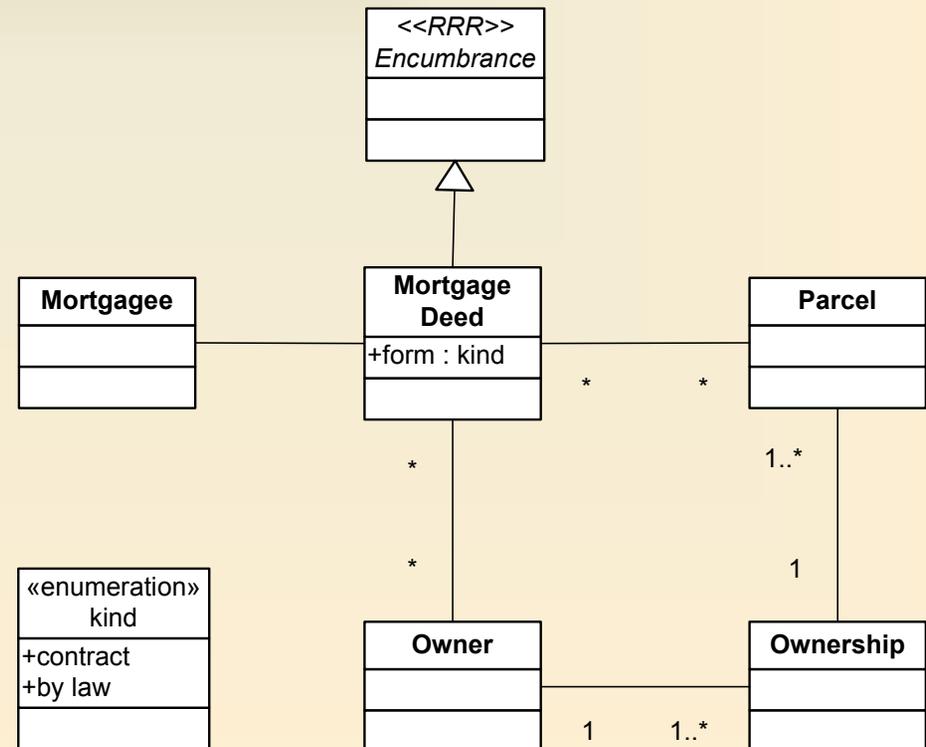
- ☺ A lien is the right of a lienor in the event of the non-payment of a secured claim upon maturity to receive payment together with interest and costs from the value of the pledged property ahead of all other creditors of the pledger.
- ☺ The subject of a lien can be things, rights and securities provided they can be disposed of and have a pecuniary value.
- ☺ A mortgage is a lien on an immovable.
- ☺ The mortgager may establish a mortgage for insurance of his own debt or the debt of another.



Creation of a Mortgage

A mortgage can be created on the basis of a:

- 🤖 legal transaction;
 - 🌐 directly executable notarial protocol,
 - 🌐 contract among parties.
- 🤖 law or
- 🤖 court decision.



Important Facts about the Mortgage System in Slovenia

In accordance with the law the mortgage extends to:

- **the real estate itself,**
- **essential and unessential component parts, the already separated fruits are included,**
- **accessories,**
- **claims arising from the lease of the encumbered real estate.**

The Order of Recorded Mortgages

The successive order of recorded mortgages can be altered:

- ❑ by a new entry in land register or**
- ❑ by a note in the land register (withdrawal from the successive order).**
- ❑ Alternation requires the approval of persons entitled to these rights as well as the consent of the person with the ownership right.**

Mortgage Varieties

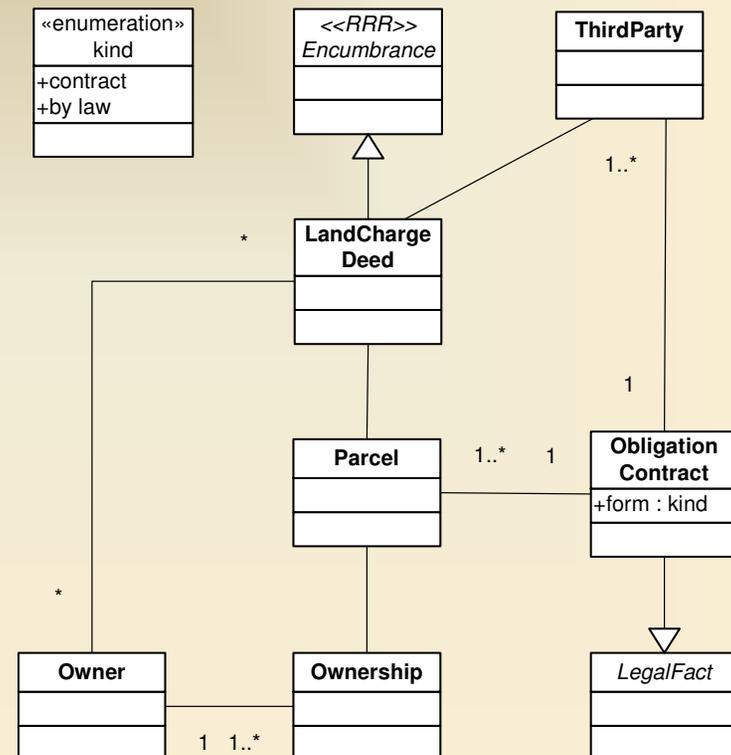
- **Joint mortgage,**
- **Maximum mortgage,**
- **More than one mortgage on the same property,**
- **Super - mortgage,**
- **Indivisibility of a mortgage:**
 - **A mortgage secures a claim until its final repayment.**
 - **If a claim is partly repaid, the mortgage is not reduced.**
 - **On the division of a real estate encumbered with a mortgage each of the parts of the real estate is encumbered with the mortgage in full.**

Land Charge (or Land Debt)

What is land charge (land debt)?

Creation of a land charge:

- ☺ on the basis of an unilateral legal transaction (owner of real estate - notation protocol),
- ☺ with entry in the land register and
- ☺ with the issuing of a land letter (by the court that keeps the land register).
- ☺ A land charge is transferred together with the land letter.



Land Charge Characteristics

Payment of a land charge:

- The owner of an encumbered real estate must pay the land charge on maturity to the entitled holder of the land letter.
- A land letter is an executable title.

Extinguishment of a land charge:

- with its deletion from the land register.
- Can be deleted from the land register upon submission of the land letter.

Creation of Mortgage on Co-ownership

- ☹️ **If any of the co-ownership shares of the real estate is encumbered with a mortgage or a land charge, a division agreement is only possible with the consent of the creditor.**
- ☹️ **The division should not worsen the position of the creditor.**
- ☹️ **A division agreement must determine the individual part of the building in divided co-ownership to which the encumbrance transfers.**
- ☹️ **A mortgage or a land charge that encumber the entire real estate that is divided into co-ownership shall be transfer be to all individual parts.**

Execution of Judgments in Civil Matters and Insurance of Claims Act

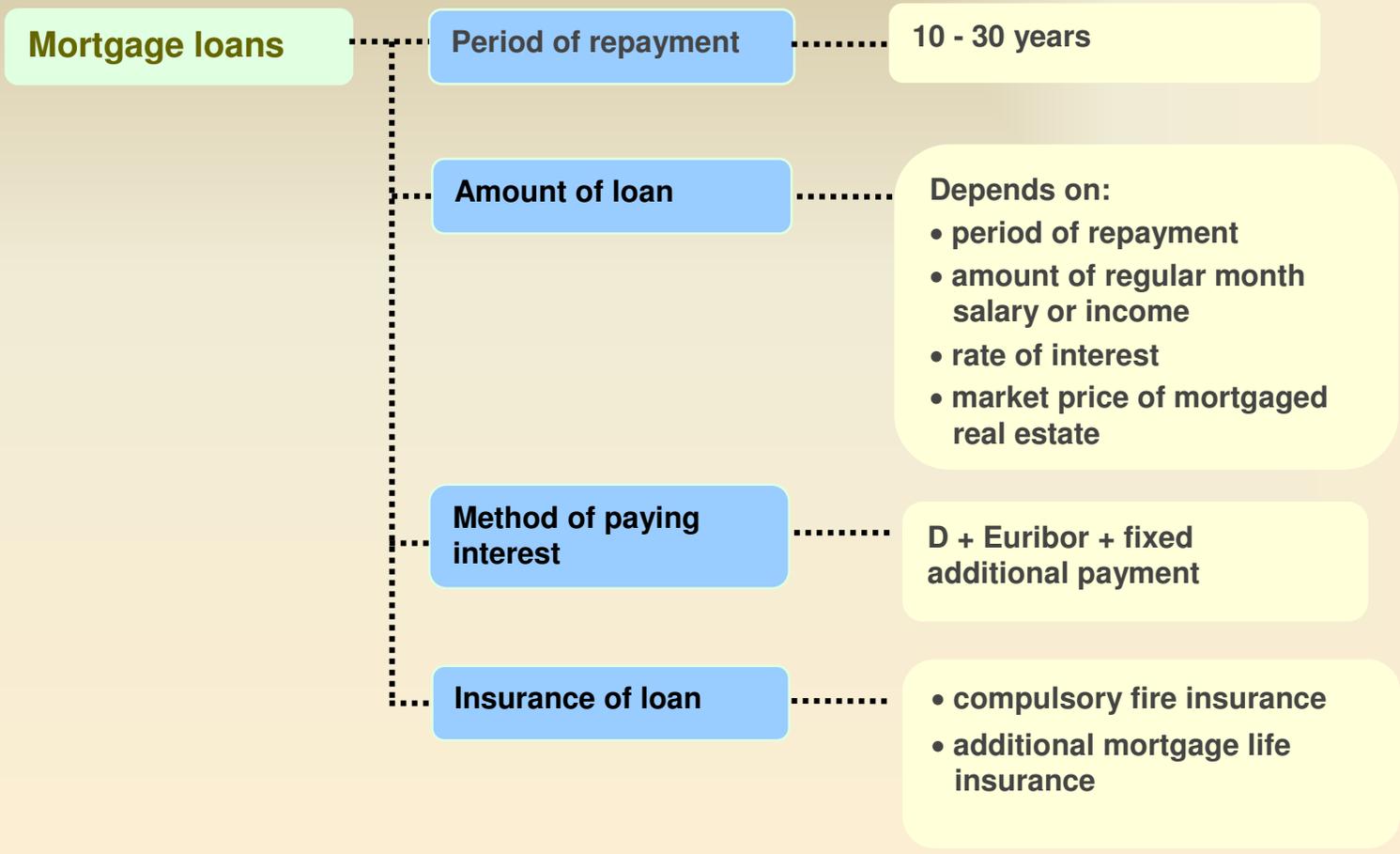
Repayment from a mortgage/land charge:

- debtor repays the claim,
- demand in a suit (pledged real estate will be sold),
- on demand (directly executable notarial protocol).

Mortgage / land charge and foreclosure (execution) procedure:

- 🧐 note of foreclosure in land registry,
- 🧐 finding of value real estate,
- 🧐 sells of real estate,
- 🧐 repayment of the creditors from amount got with sale.

Mortgage Loans



Cost to Approve a Mortgage Loan in Si

an example (1 Euro \cong 240 SIT)

Total amount of loan (2000):	5.000.000,00 SIT
Average period of installment:	120 month
Monthly installment:	57.943,00 SIT
Effective rate of interest (EOM):	8,0%
Costs of credit insurance:	129.001,00 SIT
Costs of approval:	40.000,00 SIT
Total amount of loan (2005):	5.000.000,00 SIT
Average period of installment:	120 – 360 month
Effective rate of interest (EOM):	5.0%
Costs of approval:	70.000,00 SIT

Redemption plane

Months	Mortgage loan	Monthly paid interests	Monthly paid loan	Current state of loan	Bank expenses
1	100.000,00	833,33	44,24	99.955,76	41,67
2	99.955,76	832,96	44,61	99.911,15	41,65
3	99.911,15	832,59	44,98	99.866,17	41,63
4	99.866,18	832,22	45,35	99.820,83	41,61
5	99.820,82	831,84	45,73	99.775,09	41,59
6	99.775,09	831,46	46,11	99.728,98	41,57
7	99.728,98	831,07	46,50	99.682,48	41,55
8	99.682,48	830,69	46,88	99.635,60	41,53
9	99.635,60	830,30	47,27	99.588,33	41,51
10	99.588,32	829,90	47,67	99.540,65	41,50
11	99.540,65	829,51	48,06	99.492,59	41,48
12	99.492,59	829,10	48,47	99.444,12	41,46
210	75.231,14	626,93	250,64	74.980,50	31,35
211	74.980,49	624,84	252,73	74.727,76	31,24
212	74.727,76	622,73	254,84	74.472,92	31,14
213	74.472,92	620,61	256,96	74.215,96	31,03
357	3.438,36	28,65	848,92	2.589,44	1,43
358	2.589,44	21,58	855,99	1.733,45	1,08
359	1.733,45	14,45	863,12	870,33	0,72
360	870,32	7,25	870,32	0,00	0,36

Statistical Data (source Ministry of Finance - Si)

- In 2000 long-term housing loans offered by commercial banks were estimated to be \$267 million or 2.5% of Si GDP in 1998.
- Loans are offered for up to 20 years with an average of 5.5% real interest rate above inflation (all together 10-12%).
- Mortgage with a maturity of up to 10 years account for 60% of all loans to individuals (2000).
- Long-term mortgage loans with a maturity over 20 years do not exist in Slovenia (2000).
- The number of mortgage loans increases by 10% yearly.
- The period has increased to 30 years.

It is necessary in any case (demand of Slovene banks) that the real estate, which insures repayment of mortgage fulfils the following conditions:

- **Real estate under the mortgage must have fairly estimated market value and must represent an important share in the entire property of debtor/buyer.**
- **In every moment evaluation of market value must cover the unpaid share of loan.**
- **Mortgage must be always repaid - that means easily received money (purchase) in strong currency and in suitable height directly assigned to the creditor.**
- **Property, which is under the mortgage, must be insured on actual market value against hazards (fire, earthquake, burglary etc.)**
- **Mortgager must as conscientious master maintain the real estate under the mortgage and also keep it in a good state.**

Questions and comments?

