

FAQ Questions. Re : Properties' loans in Lebanon

Q : What are the conditions of eligibility for a PCH subsidized loan ?

A: The conditions are :

Nationality : The applicant must have held Lebanese citizenship for at least the last ten years.

Age : The applicant must be at least 21 years old and should be able to pay off at least 75 percent of the total loan amount before he reaches retirement age (64 years old).

Income : Income must not exceed ten times the minimum wage. Today the minimum wage is LL 500.000 so the total monthly household income must not exceed LL 5 million.

The household income is considered to be the income of the wife and husband combined. It is possible to include the salaries of children of working age. However, such would deny them the possibility of applying for a PCH housing loan when buying a home themselves.

Eligible persons may benefit only once from its subsidized loans.

Size of Unit : The maximum surface area of a residential unit excluding common areas, terraces, and balconies is determined by the PCH based on household income as per the following table :

Monthly household income	Maximum surface area allowed
Up to LL 1 million	Up to 120 sqm
LL 1 million – LL 3 million	Up to 150 sqm
Over LL 3 MILLION	Up to 210 sqm

The household purchased by the applicant must not be the property of a direct relative (parent or sibling). The loan applicant, the spouse, and children (if included in the household income estimation) should not own any other residential unit within a 25 kilometer radius of their place of employment. The residential unit to be purchased must constitute the applicant's primary residence and may not be let out, mortgaged, or used as collateral for any other financial commitments. The applicant shall be also vacate any leased primary residence during the whole loan repayment period.

Q : What are the advantages of purchasing a house through the Banque de L'Habitat ?

A: Loans through the Banque de L'Habitat have the following advantages :

- A higher loan ceiling up to LL 600 million
- No maximum ceiling on household income.
- No restriction on the square area of the property to be purchased
- An applicant can benefit from the bank's housing loan twice in a lifetime provided the old loan has been settled.

- Households with monthly incomes under LL 5 million are exempt from registration fees.

Q : What are the conditions of eligibility for a Banque de L'Habitat housing loan ?

A : Nationality : The applicant should hold Lebanese citizenship, and have held it for at least the past ten years.

Income : Applicant must have a minimum salary of LL 1.5 million.

Age : The applicant should repay the entire loan amount before reaching retirement age (64 years old).

Q : Before and after the purchase, what are all the administrative steps that a buyer need to take and what will it cost in time and money ?

A : See table

Net Annual Rental Value (in million of LL)	Percentage of rental value paid as tax
Below 20	4 %
20 – 40	6 %
40 – 60	8 %
60 – 100	11 %
Over 100	14 %

Q : Is the rental valuation (Al Qima al ta'jirya) made before buying and registering a property, an accurate indication of what the registration fees will be ?

A : The rental valuation is not an accurate indication of what the registration fees will be offer purchasing the property. Such valuation is provided by the Department of Built Properties at the Ministry of Finance based on predetermined charts that fix rental value per area were labeled 'not valid for registration estimation.' The head of the Cadastral Register had the right to reassess the valuation and raise it if he considered the rental valuation or the declared amount of the sale to be too low. However on September 14, 2011 the Ministry of Finance issued a decision stipulating the following :

- The rental valuation issued by the Ministry of Finance should be labeled as ' Valid for registration evaluation.'
- The registration fee should be based on the sale amount, or on the value of the property calculated by multiplying its rental value by 12.5, which is very higher.

However, it appears that this decision is not being fully implemented in practice yet. (For details of registration fee calculation, refer to the table).

Q : Does the concerned department evaluate the annual taxes to be paid on built properties based on personal or subjective criteria or is it based on objective parameters ?

A: Estimating annual tax due on property starts with an evaluating of the rental value of the property, i.e. how much the property can generate in rent for its owner if it was leased. This valuation should be done by the concerned directorate at the Ministry of Finance based on principles defined by law :

- If the property has been let out previously, the exact rent agreed upon between the tenant and the landlord is adopted as a basis for the calculation of the tax.
- In the absence of verifiable rent contracts or if the property has not been let out before, the rental valuation is made based on net revenues generated by surrounding properties in similar conditions and of similar specifications.
- If the comparison with similar properties is not possible, then the rental valuation is made based on the assumption that the property should generate no less than five percent of its value as annual rent for its owner.
- The net annual rental revenue is calculated after deducting expenses such as electricity and water paid by the landlord on behalf of the tenant, maintenance expenses, and concierge and security fees.

The tax on built property is calculated as a percentage of the net rental value as follows :

Net Annual Rental Value (in million of LL)	Percentage of rental value paid as tax
Below 20	4 %
20 – 40	6 %
40 – 60	8 %
60 – 100	11 %
Over 100	14 %

Q : Can one postpone registration a property after buying it ? Is it risky ?

A : One can postpone registering a newly purchased property but as long as the property is not registered at the Ministry of Finance, in the eyes of the law, the old landlord is the legal owner and can still sell it to a third party. However, one could perform a protective procedure known as ‘ Tasjil Ihtiyati’ or provisional registration, by which a mark is placed on the property deed at the Cadastral Register upon payment of a stamp fee that is less than the full registration fee. This stamp fee will be deducted from the full registration fee when the official registration procedure is completed. But this temporary registration lasts only ten days (Tolerated for up to one month) and should be renewed. Another drawback of postponing registration is that the registration fee increases year after year, as it is calculated based on the value of the property on the date of the registration, and not the date of the initial sale contract.

Q : Where can one find information about a developer or landlord to make sure they are honest and fairly professional ?

A: Information about a developer can be found through two main sources :

- The Urban Planning Department which holds copies of the construction permit and the blueprint of the building.
- The Order of Engineers has information regarding materials used in construction and the building's specifications.

These two sources give the buyer an idea of the quality of the developer's work. But information about the developer in the market would be more useful. Also useful would be the confidential information which one could get through their bank form BDL's credit information department (Centrale des Risques), and from companies that specialize in providing consumer and business credit information.

Q : What are the risks when buying off-plan? How does one minimize these risks?

A : Buying off plan offers buyers some flexibility in deciding on the layout of their apartment and sometimes they benefit from discounts offered by the developer. The risk of buying off plan is that the developer could come up with an altered (i.e. undesirable) architectural design, or run out of financing and stop the project midstream, or run away with money. As long as the property is not legally parceled (Moufrazeh) the buyer cannot put a hold (Ishara) on his property to safeguard his right.

Q : Can a homeowner legally install glass and aluminum windows, shutters, and partitions to close off an apartment's balconies and terraces ?

A : The property owner can use the common sections of a building according to their needs provided this does not impede other owners from using these sections.

A property owner may not make any changes to common areas at all even in the case of renovation. In the non-common areas of an apartment a property owner is not allowed to make any changes that would affect the homogeneity of the building, such as modifications to the building's entrance, windows, balconies, or terraces unless at least 75 percent of the building committee members agree on these changes.

However, five years ago the Ministry of Interior and Municipalities issued a decision amending the above stipulation to make allowances for the "tough economic conditions of the Lebanese families." The ministry allowed home owners to expand the living space in their homes at minimum cost. The decision allowed them to close off terraces and balconies with glass and/or aluminum partitions.

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