



Glossary

This glossary contains relevant terms for those who are buying a house.

Affordability Calculation

Proportion of family income allocated to loan payments, including the new mortgage commitment. This is measured as a percentage. It should not, as a rule, exceed 40% of one twelfth of gross family income and 35% of one twelfth of net family income, for customers of foreign nationality living abroad and who apply for home loans (Live in Portugal).

APR (Annual Percentage Rate)

This rate translates all of the costs associated to the loan such as charges for valuation, interest, insurance (life and building and contents insurance) and other costs payable to the bank by the customer.

APRR (Annual Percentage Rate Revised)

This differs from AER to the extent that it also includes the tax associated with a loan and solely refers to consumer credit.

Bolsa Caixa Imobiliário

An innovative service exclusive to Caixa Geral de Depósitos, providing access to the largest database of properties for sale or rent and simulation of loan costs.

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Deposit

Amount paid by the purchaser to the vendor after making a decision to purchase. It constitutes the beginning of the payment of the house and operates as a guarantee of the purchaser's interest.

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Encumbrance

Any charge or limitation on ownership of an asset. This could be a mortgage, a usufruct or a right of passage.

Euribor (Euro Interbank Offer Rate)

Interbank rate (average funds offer rate between banks), resulting from a panel of 57 European Union and third countries' banks, chosen on account of the fact that they are particularly active in the Euromarket. Caixa Geral de Depósitos is currently the only Portuguese bank on the said panel owing to its preponderance in national money market terms. Euribor is calculated daily for the diverse standard financial market periods and is the reference rate (indexer) used for the calculation of interest rates on home loans.

Fixed-rate Fixed-rates with a spread are formed by adding the announced amount of each fixed-rate maturity with the spread of the applicable base grid. Applicable maturities are: 2, 3, 5, 10, 15, 20, 25, 30, 40 and 45 years plus spread.

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Generic Mortgage

Possibility of re-using the amount already paid off on your home loan, for whatever reason, and as a quicker means of entering into a loan contract without arranging for a new mortgage. It allows you to cover any current or future liabilities with the bank, such as credit operations, overdrafts and credit cards.

Habitation Licence

PA document issued by the local council authorising a house can be lived in, after the required conditions have been inspected (safety, salubrity, size, etc.) and ensuring that it is in conformity with the approved project. The notary requires the production of this document when formalising the promissory contract and sales/purchase deeds. For this latter purpose, when applied for, but still not issued, which is usually the case of property which has just been built (first sale), the habitation licence replaces the construction permit/licence although the vendor should prove that the occupancy licence has been applied for.

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Indexation

A mechanism (agreement) automatically associating the interest rate on a loan to a reference rate known as the indexer.

Indexed rate

Variable interest rate comprising an indexer (reference rate) plus a spread (margin).

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Land Registry

Records entered at the tax offices setting out the composition and area of the property, its taxable value and the identity of its owners and any usufructs. Properties to which a property registration number has not been allocated in the registry are referred to as being “omissive”.

Loan Contract

A contract registering an agreement between the bank (lender) and customer (borrower) in respect of a loan and specifying all of the respective conditions (amount, period, interest rates, etc.). It may take the form of a public title deed or “private document”.

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Margin

Percentage added by the bank on the reference interest rate (indexer).

Mortgage

A real guarantee under which the creditor is entitled to receive payment for the value of the property belonging to the debtor, with preference over other creditors. This type of guarantee is usually required by banks for long term loans such as home loans. To guarantee your loan, you can usually arrange for a specific mortgage. As an alternative you may take out a generic mortgage for the purpose of simultaneously or latterly taking out loans for any purpose.

Mortgage Records

An entry of the constituting of a mortgage on an item of property in the Property Registry Conservatory. To obtain a home loan a mortgage must be provisionally registered and definitively converted after the loan and mortgage contract have been entered into. The provisional record, if not converted in the meantime, expires after six months.

Municipal Property Tax (IMI)

Annual municipal tax levied on the taxable value of homes. Housing for use as permanent place of residence may be exempt from this tax for a number of years, depending on their taxable value and should be effectively used for the said purpose within a period of 6 months from signing the title deeds. The owner should, for the said purpose, apply for the exemption to the tax authorities in the property's area, within 60 days from the said period.

Municipal Sales Tax (IMT)

Tax payable on a single occasion before signing the title deeds and levied on the amount specified in the act or contract or taxable value (whichever higher).

Municipal Tax

Altered by Decree Law 287/2003 to Municipal Property Tax (IMI).

Notary

A public entity coming under the Ministry of Justice with the task of performing certain acts and contracts or verifying the legal conditions attached thereto, namely sales/purchases of property and constitution of mortgages, which must be performed in a public act.

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"Private Document" Contract

A document regulating the sale and purchase of property for housing, on the basis of a loan made by an authorised banking institution. This replaces public title deeds on purchases made with loans and does not require the involvement of a notary public.

Promissory Sales/Purchase Contract

A contract in which the parties undertake to enter into a future sales/purchase agreement, similar to an exchange agreement.

Property Registry Conservatory

A public service, coming under the Ministry of Justice, in which essential information on (urban and rural) property, namely location and boundaries, composition and identification of the successive owners, is recorded. There are Property Registry Conservatories in all municipal districts in Portugal. Major cities have several such conservatories.

Public deed act

An act (contract) in which an item of property is conveyed from one owner to another in the form of a written document drawn up and signed by both parties in the presence of a notary or his/her representative. In this act, it is current practice for the vendor to receive the outstanding amount in the form of a certified bank cheque, bank transfer or cash. Under the law, the sale/purchase of property must always be performed as public title deed acts. Contracts in the form of "private documents" are the sole exception.

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Record of Purchase

An entry of the purchase of a certain item of property and its respective sale in the Property Registry Conservatory.

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"Sisa" (former sales tax)

Altered by Decree Law 287/2003 to Municipal Sales Tax (IMT).

Subsidy

State support for the purchase of house through its part payment of interest.

Surety

A personal guarantee by which a third party (guarantor) undertakes to make payment of the amount owed to the creditor, if the debtor (guarantee) fails to do so at the proper time.

Taxable Value

Amount attributed to a house or property and recorded in the urban land registry. It is recorded in the "Tax Registration Document" by the tax authorities and used as the base for calculating Municipal Tax (IMI).

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Usufruct

A usufruct's right to use an asset which does not belong to him/her. Most usufructs are constituted for life (i.e. the usufruct's life). For example: an owner gives a house to another person and reserves his/her own right to use the house during his/her lifetime (right of usufruct). Mortgage loans on such houses are only possible with the usufruct's authorisation.

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