

Mortgage financing in Switzerland for foreign buyers

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Swiss mortgage lending is conservative by international standards. Banks apply a standardised affordability test, expect substantial equity and require a large part of the loan to be repaid over time. Buyers who live abroad should prepare for additional scrutiny and for conditions that differ from those offered to residents.

1 The affordability calculation

When assessing an application, Swiss banks calculate the long-term costs of the property with an imputed interest rate, usually around five per cent, together with amortisation and maintenance and ancillary costs of about one per cent of the property value. As a rule of thumb, these costs should not exceed about one third of the borrower's gross income. Because the imputed rate is well above current market rates, many applicants find that the test itself sets the limit on how much they can borrow.

2 Equity requirements

For owner-occupied residential property, the industry's self-regulation requires at least 20 per cent equity, of which at least ten per cent of the property value must come from sources other than Swiss occupational pension assets. For investment properties and holiday homes, banks often require more equity, frequently in the range of 25 to 40 per cent depending on the property and the borrower. Equity transferred from abroad must be traceable, and banks will ask for documentation of its origin as part of their anti-money laundering checks.

3 Amortisation

Mortgages are typically divided into a first mortgage of up to about two thirds of the lending value and a second mortgage above that level. The second mortgage must be amortised to two thirds of the lending value within 15 years, and at the latest by retirement age. The first mortgage need not be repaid under the minimum standards, although some banks require amortisation for older borrowers or for certain property types.

4 Particular issues for non-residents

Many Swiss banks lend to borrowers domiciled abroad only selectively. Some limit lending to clients from certain countries, others require a broader banking relationship or higher equity, and a few do not finance non-residents at all. Income earned in foreign currency is usually valued with a safety margin, and the bank will examine whether the purchase is permissible under the Lex Koller before granting a loan. Commercial properties are financed on the basis of their sustainable rental income or the operating business, which leads to individual assessments.

5 Mortgage products

Fixed-rate mortgages with terms of several years are common, as are money market mortgages linked to the SARON reference rate. Early repayment of a fixed-rate mortgage usually triggers a prepayment penalty, which should be considered if a sale within the fixed term is possible.

6 What pays off in practice

- **Run the affordability test early** with the imputed rate, before signing any reservation.
- **Prepare source-of-funds documents** in advance, as banks will request them for equity from abroad.
- **Approach several banks**, since policies on non-resident lending differ widely.

7 How Ressos Legal helps

I advise foreign buyers on structuring the financing of Swiss property and on preparing the documentation that Swiss banks expect for cross-border clients. [Contact me](#) for a first conversation.

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Online version: helveticaregister.com/swiss-mortgage-financing-foreign-buyers