



HSBC Mortgages (English Version) – Step-by-Step Guide HSBC Smart Investment Mortgage Loan (For Non-Resident Customer)

As of 21 December, 2010

Obtaining a mortgage loan in Japan is a very complicated process involving many necessary steps of which is certain documentation required to be submitted in Japanese to the Japanese authorities and other relevant parties.

This Step-by-Step Guide for obtaining HSBC Mortgages (English Version) for HSBC Smart Investment Mortgage Loan (for Non-Resident Customer) has been prepared to help customers, who are non-native speakers of Japanese, navigate their way through the Japanese mortgage process.

Please contact your Relationship Manager if you have any questions.

Please note that there are a number of key risks associated with obtaining mortgage loans using the English Version of the Mortgage Loan Documents. All customers are required to complete the Pre-Application Risks Agreement Form prior to proceeding with the mortgage application process. Please be aware that the Bank reserves the right to discontinue the mortgage application process depending on your answers to the Pre-Application Risks Agreement Form. Particularly, please note that although English translations of key documentation have been made available to you, many steps of the mortgage application process require customers to undertake contractual obligations in Japanese which are governed by the laws of Japan. The English translations (of such key documentation) are provided for reference purposes only and the Japanese language documents shall prevail over the English translations. Please note that all customers have the right to retain independent legal advisor at their own cost as a part of the mortgage process.

What are the key steps of obtaining a HSBC Mortgage (English Version)?

1. Read this Step-by-Step Guide;
2. Understand the HSBC Smart Investment Mortgage Loan (for Non-Resident Customer);
3. Complete the Pre-Application Risks Agreement Form;
4. Complete the HSBC Mortgage Loan Application Form and submit all required documents to the Bank for credit review;
5. Sign Mortgage Loan Documents (with a judicial scrivener present); and
6. Drawdown your Mortgage Loan.

Step 1: Read this Step-by-Step Guide

This Step-by-Step Guide is designed to explain the key steps and important issues to consider when applying for HSBC Smart Investment Mortgage Loan (for Non-Resident Customer) in Japan. If you have any question that is not covered in this Step-by-Step Guide, please contact your Relationship Manager.

Step 2: Understand the HSBC Smart Investment Mortgage Loan (for Non-Resident Customer)

HSBC Smart Investment Mortgage Loan (for Non-Resident Customer) is designed to meet the secondary mortgage loan needs for purchase of a second property in Japan whether as a holiday home or as an investment for non-resident customers.

In Japan it is very common for banks to require mortgage loan borrowers to obtain a “mortgage guarantee” offered by a mortgage guarantee company. A mortgage guarantee requirement adds very significantly to the cost of a mortgage. The Bank has removed the need for a mortgage guarantee as this is often difficult for non-Japanese citizens to obtain, and has aimed to make the mortgage fee structure as simple and transparent as possible with the main mortgage application fee being paid upon approval of the mortgage application. Please see section c) or consult with your Relationship Manager for fee details.

a) Qualifying criteria

Please refer to the Product Outline for details of qualifying criteria.

b) Maximum Loan Amounts

Please refer to the Product Outline for details of Maximum Loan Amounts.

c) Fees and Other Costs

Upfront Fee	2.10 % (tax inclusive) of the loan amount	
English Mortgage Fee	Translation Fee	JPY 105,000
Revenue Stamp	JPY 10MM-50MM	JPY 20,000
	JPY 50MM-100MM	JPY 60,000
	JPY 100MM-500MM	JPY 100,000
Judicial Scrivener Fee	JPY70,000 -150,000+Transportation Expenses	

Registration License Tax

As of November, 2010

	所有権移転 (Title Transfer)	所有権保存(Title Register)	抵当権設定(Mortgage Setup)
土地 (Land)	×1%		
中古建物 A (Second Hand Building A)	×0.3%		
中古建物 B (Second Hand Building B)	×2%		
新築建物 A (New Building A)		×0.15%	
新築建物 B (New Building B)		×0.4%	
融資金額 A (Loan Amount A)			×0.1%
融資金額 B (Loan Amount B)			×0.4%

- (1) Orange zone is calculated by "Assessed value of fixed assets (固定資産税評価額 *koteishisanzei hyoukagaku* または
or 新築建物価格認定基準 *shinchiku tatemono kakaku ninteijijun*) x %"
 - (2) Yellow zone is calculated by " Loan amount (融資金額 *yushi kingaku*) x %"
 - (3) "A" is for discountable rate with "Certificate of Residential Premises (住宅用家屋証明書 *jutaku-you kaoku
shoumeisho*) "
 - (4) "B" is for non-discountable rate without "Certificate of Residential Premises (住宅用家屋証明書 *jutaku-you kaoku
shoumeisho*) "
- Additional cost may be required depending on the condition of the subject property

For more information regarding fees and costs, please contact your Relationship Manager.

Step 3: Complete the Pre-Application Risks Agreement Form

The Japanese mortgage loan process is very different from that of many other countries. The mortgage loan process is based on Japanese Law and must comply with the requirements of the relevant Japanese authorities and other bodies. All relevant documentation must be prepared and registered with authorities in the Japanese language. It is important that all customers understand and agree to the key risks associated with applying for a mortgage loan in Japan using HSBC Mortgages (English Version).

All customers applying for HSBC Mortgage Loan must complete the Pre-Application Risks Agreement Form prior to starting the mortgage application process. Please be aware that the Bank reserves the right to discontinue the mortgage application process depending on your answers in the Pre-Application Risks Agreement Form. Particularly, please note that although English translations of key documentation have been made available to you, many steps of the mortgage application process require customers to undertake contractual obligations in Japanese which are governed by the laws of Japan. The English translations (of such key documentation) are provided for reference purposes only and the Japanese language documents shall prevail over the English translations.

Step 4: Complete the HSBC Mortgage Application Form and submit all required documents to the Bank for credit review

a) Application Documents

The HSBC Mortgage Loan Application Form is relatively straightforward and can be completed in English. Your Relationship Manager can assist you in the completion and/or if you have any questions. Please also refer to the Sample Loan Form for easy guidance.

In addition, all customers must submit a number of key supporting documentation in order for the Bank to verify their identity, income, and type of property they would like to purchase.

For more information on supporting documentation, please contact your Relationship Manager.

As the Bank is unable to process your mortgage application without having the full supporting documentation on hand, please ensure all requested documents are

submitted together with the Mortgage Loan Application Form in order to avoid delay in the mortgage review process.

Provided you submit all requested supporting documents and a fully completed Mortgage Loan Application Form, the Bank will complete the processing of your application within 10-25 business days from the date of receipt of all requested documentation. Please be aware that there may be some circumstances, such as non-standard supporting documentation, lack of credit history, high financial leverage on the part of the customer, amongst other matters that may lengthen the application approval process significantly.

Please also note that there is no guarantee that your application will be approved as it is subject to credit and other reviews.

b) Other Key Points

- Please note that the applicant for HSBC Mortgage Loan and any Joint and Several Guarantor(s) or Joint and Several Debtor(s), if any, are required to visit an HSBC Premier Centre in person on the following two occasions:
 - a) When applying for the mortgage and submitting his/her ID for verification. Please show original identification document of which the Bank will make a copy; and
 - b) Signing the Mortgage Loan Documents in the presence of a judicial scrivener (for details, please see below).
- Please submit your application and supporting documents to your Relationship Manager or an HSBC Premier Centre in Japan.
- Please note that the customers might be required to submit further supporting documentation should the original documents be deemed insufficient. Please also note that documents will not be returned to the customer after application.

c) Fire Insurance

In principle, all the borrowers of HSBC Mortgage Loans are required to obtain and maintain a fire insurance policy for the subject property. The general practice in Japan is that fire insurance is maintained for the full duration of the mortgage and the insurance

premium for the full duration of the insured period is paid upfront by a lump-sum payment. The Bank is following this practice.

If you cannot find an insurance company which will offer proper fire insurance policy to you, the Bank can refer to Tokio Marine & Nichido Fire Insurance Co., Ltd (“**TMNF**”). In that case, as TMNF does not offer fire insurance to non-resident customers, the Bank will subscribe and maintain a fire insurance policy as the policy holder in relation to the subject property and you will be the insured. If such insurance policy is to be subscribed, the customer shall pay directly to TMNF the insurance premium.

In either case, should you need to claim under the fire insurance policy, it is your responsibility to contact the insurance company directly. Please note that the insurance companies recommended by the Bank (including TMNF) currently only support in Japanese, including all required documentation. You will be fully responsible for the dealings with the insurance company and the Bank shall have no responsibility in supporting or mitigating on your behalf such process beyond what is required by Japanese Law as an insurance distributor.

Step 5: Sign Mortgage Loan Documents (with a judicial scrivener present)

The documents and items that the customer and all the Joint and Several Guarantor(s) or Joint and Several Debtor(s), if any, need to bring at the meeting for signing of the Mortgage Loan Documents are as follows:

- ID document (same as provided during application process)
- Certificate of Notarised Signature*
- Revenue Stamp

*** Notarised Signature**

The Bank will require the customer to obtain Certificate of Notarised Signature. The Certificate may be obtained at the Embassy/Consulate in Japan of the country of the customer’s nationality. For details, please contact the relevant Embassy/Consulate.

It is extremely important that all documents in the mortgage application and loan agreement process are verified/signed by the same notarised signature. If different documents are verified/signed by different signature, this may result in the rejection of registration/acceptance of documents etc. by the Legal Affairs Bureau (*homukyoku*) or

other parties.

Please carefully read the Terms & Conditions for the Mortgage Loan before signing the Mortgage Loan Documents.

a) Signing Mortgage Loan Documents

Upon the completion of the evaluation process of your application, you will be informed whether it was approved or not. If approved, you will be asked to visit the relevant HSBC Premier Centre to sign the Mortgage Loan Documents.

The signing process of the Mortgage Loan Documents in Japan is more extensive than in most other comparable countries. Customers will be asked to read and sign the following documents;

- i) **Pre-Contract Supplementary Explanation Document Regarding HSBC Smart Investment Mortgage Loan (for Non-Resident Customer)** – *This document re-confirms that the customer has understood the HSBC Mortgage Loan (for Non-Resident Customer) before signing the Mortgage Loan Documents.*
- ii) **Mortgage Loan Agreement (Loan for Purchase of Real Estate)** – *This document is the main Mortgage Loan Document creating the legal rights and obligations between the customer and the Bank.*
- iii) **Agreement on Creation of Mortgage** – *This document creates the mortgage under Japanese law that is registered by the judicial scrivener at the Legal Affairs Bureau.*
- iv) **Power of Attorney** – *This document allows the judicial scrivener to act as a representative of the customer in the mortgage registration process at the Legal Affairs Bureau.*

b) Presence of a Judicial Scrivener

In order to securely register the mortgage, the Bank requires the judicial scrivener appointed by the Bank to be present at the meeting for signing of the Mortgage Loan Documents. The role of the judicial scrivener is twofold:

- a) The judicial scrivener registers the mortgage at the Legal Affairs Bureau on behalf of

the customer and the Bank. In order to register the mortgage, the judicial scrivener needs a Power of Attorney from the customer and the Bank to empower him to register the mortgage. Secondly, the judicial scrivener needs the “Agreement on Creation of Mortgage” signed by the customer.

- b) The second purpose for the judicial scrivener is to verify the identity of the customer to confirm that the mortgage is created by the customer himself/herself.

The Bank will arrange the presence of a judicial scrivener. The cost of the judicial scrivener shall be for the account of the customer. Please ask your Relationship Manager for the exact cost for the judicial scrivener.

Step 6: Drawdown your Mortgage

Once the customer and the relevant parties have signed all the Mortgage Loan Documents, the loan amount can be drawn down.

Please note that, for the HSBC Smart Investment Mortgage Loan (for Non-Resident Customer) with the Fixed Interest Rate, the dates of both signing of the Mortgage Loan Documents and drawdown should be within the same calendar month as the Applicable Interest Rate is reviewed on the first business day of every month. If the drawdown occurs in the following month from signing, the customer will be required to visit the branch to revise the signing process to readjust the Applicable Interest Rate to the next month's interest, hence the customers are encouraged to schedule their signing accordingly as much as possible.

The money will be remitted to the account(s) as agreed by both the customer and the Bank on the Drawdown Date. The remittance will be conducted by the Bank; the customer is not able to remit the money by himself/herself.

If you have any questions that are not covered in this document please contact your Relationship Manager.