



From Dream to Doorstep

A Strategic Guide to Buying Your Home in Israel

Navigating the Israeli real estate market is a unique challenge, especially for new Olim. This guide deconstructs the process, providing the financial literacy and strategic framework needed to turn your dream of a home in Israel into a reality.

The Israeli Landscape: A Unique Financial Ecosystem



A Sophisticated & Stable Banking System

Israel features a modern, resilient banking system dominated by five major commercial banks (Bank Hapoalim, Bank Leumi, Discount Bank, Mizrahi Tefahot, FIBI). The system is characterized by a high level of liquidity and stability, actively managed by the Bank of Israel's Banking Supervision Department (BSD).



A Market Shaped by Active Regulation

The BSD implements macro-prudential policies to protect depositors and ensure financial stability. This directly impacts mortgage terms, rates, and eligibility. Understanding these regulations is key to securing favorable financing.



A Culture of Real Estate Investment

Housing and construction credit represent a significant and growing portion of total credit in the economy, reflecting the central role of real estate in Israeli household wealth.

Growth of Housing & Construction Credit (as a % of Total Credit)



Know Your Team: The Key Professionals in Your Corner



Real Estate Lawyer (עורך דין מקרקעין)

Your legal “guardian.”
Verifies the property’s legal status (via *Tabu* - Land Registry), negotiates the purchase contract to protect your interests, and registers the crucial **He’arat Azhara** (warning note) to secure the property in your name.



Mortgage Broker (יועץ משכנתאות)

Your financial strategist.
Navigates the banking landscape, structures the optimal mortgage mix (*Tamhil*), and conducts a “reverse auction” among lenders to secure the best possible rates and terms, saving significant time and money.



Property Appraiser (שמאי מקרקעין)

The bank’s objective valuation expert.
Determines the official value of the property, which directly impacts the maximum loan amount the bank will approve (Loan-to-Value).



Insurance Agent (סוכן ביטוח)

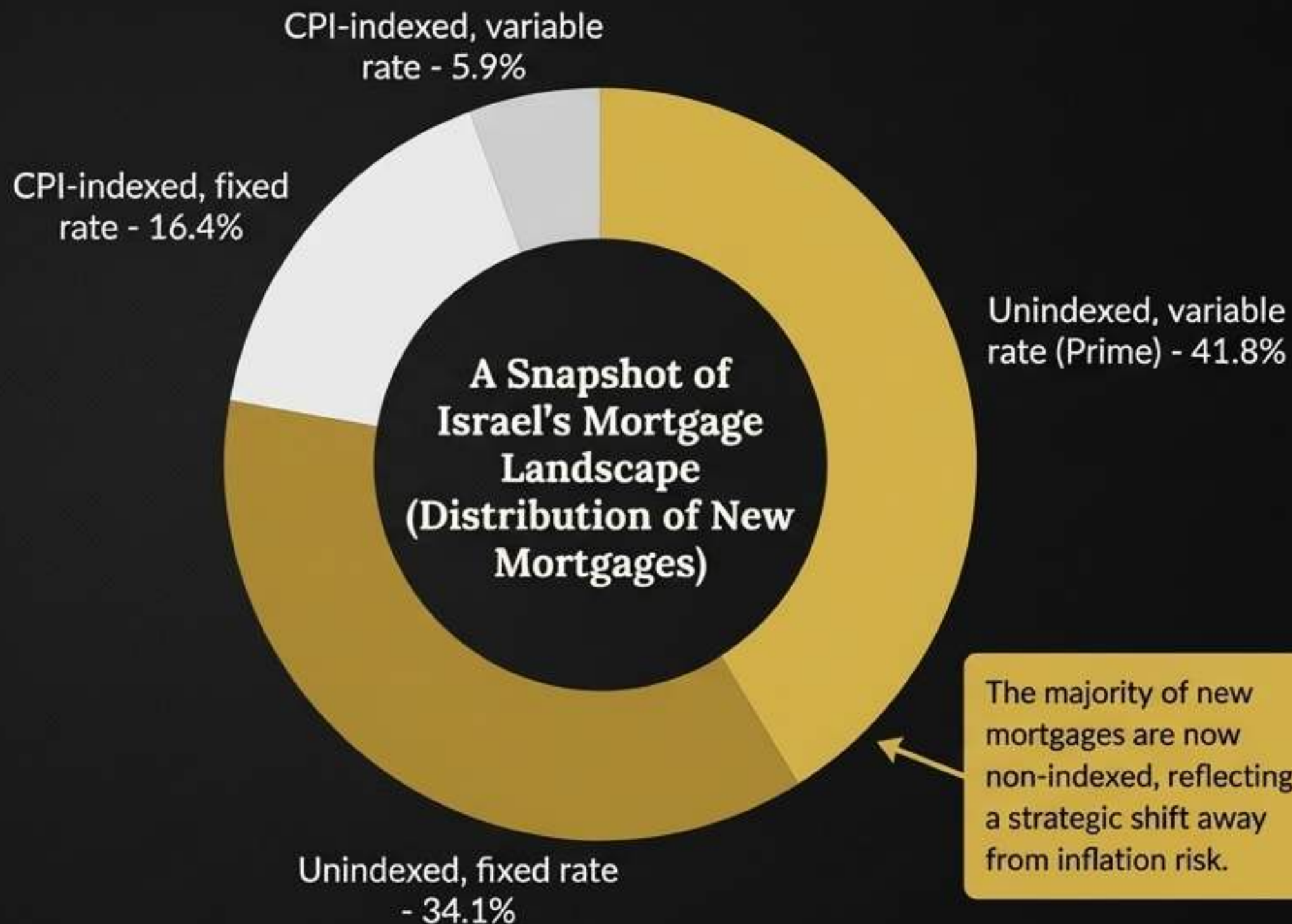
Provides mandatory Life & Building insurance (*Bituach Chaim v’Mivne*), a prerequisite for the bank to release mortgage funds.

Deconstructing the Mashkanta (משכנתא): The Art of the Mix

An Israeli mortgage is rarely a single loan. It's a customized portfolio of smaller loans, each with different terms, interest interest rates, and linkage types.

This portfolio is called the Tamhil (תמהיל), or "mix."

The goal of a strategic Tamhil is to balance stability, flexibility, and cost, tailored to your financial profile and risk tolerance.



The Building Blocks: Understanding Your Mortgage Track Options

Track Name	How it Works	Key Characteristic
Fixed Non-Indexed (קל"צ - קבועה לא צמודה)	The safest track. Both the interest rate and the principal are fixed for the life of the loan. Your monthly payment never changes.	Certainty. Higher initial interest rate, but complete protection from inflation and rate hikes.
Prime Rate (פריים)	A variable rate linked to the Bank of Israel's interest rate (Prime = Bol Rate + 1.5%). Your payment changes whenever the Bol rate changes. Per Bol rules, this track can be up to two-thirds (66.7%) of the total mortgage.	Flexibility. Lower initial rate in a low-rate environment, but fully exposed to rate hikes. No early repayment penalties.
Fixed Indexed (ק"צ - קבועה צמודה)	A fixed interest rate, but the principal balance is linked to the Consumer Price Index (CPI). If inflation rises, your loan balance grows, and so does your payment.	Inflation Risk. Lower initial interest rate, but the loan balance can grow significantly in an inflationary environment, making it a riskier choice today.

Insider Insight: The 'Family Cohen' Story

In 2021, with near-zero interest rates, many took large Prime-rate loans. When rates surged from 2022-2024, their payments jumped by ~1,500 NIS/month. **The lesson: a low starting payment is not worth the risk of unpredictable volatility. The goal is a stable, manageable payment for the long term.**

The Rules of the Game: Bank of Israel's Lending Limits

LTV

Loan-to-Value (שיעור מימון)

The percentage of the property's value that the bank is allowed to finance. The value is the lower of the purchase price or the official appraisal.



75%: For a first-time homebuyer purchasing their only apartment.



70%: For an 'upgrade' buyer (*Meshaprei Diyur*) selling their old home to buy a new one.



50%: For an investment property (any property other than a sole residence).

DSTI

Debt-Service-to-Income (יחס החזר להכנסה)

The ratio of your monthly mortgage payment to your net monthly household income.

While there's no hard cap, banks are required to hold more capital for loans where the DSTI exceeds 40%.

To get the best rates and ensure approval, aim for a monthly payment that is **30-35%** of your net income. This provides a crucial safety margin.

The Regulator's View: Why These Rules Exist

The Bank of Israel's Banking Supervision Department (BSD) uses these tools not just to regulate individual loans, but to manage the systemic risk of the entire financial system.

Objective

To protect depositors' money and ensure the orderly functioning of the banking system. Housing credit is identified as a major, growing risk.

Mechanism: Risk-Weighted Assets (RWA)

Banks are required to hold more capital against loans considered higher risk. This makes riskier loans more "expensive" for the bank to issue, which is then passed on to the borrower through higher interest rates.

Risk-Weighted Asset (RWA) Requirements by LTV

LTV < 45%



RWA 35%

LTV 45%-60%



RWA 50%

LTV > 60%



RWA 60%

The regulatory framework is designed to remove the 'risky tail' of loans and ensure both borrowers and banks can withstand economic shocks.

Your Roadmap: The 6 Steps from Planning to Purchase

Financial Feasibility: *Your Homework*

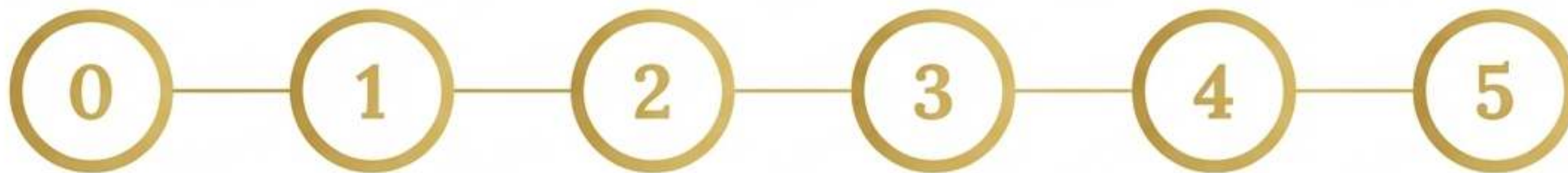
Before anything else, determine your true equity (savings, gifts, *Keren Hishtalmut*) and realistic monthly repayment ability. This is the most critical step to prevent future mistakes.

The Property Search: *The Hunt*

With a clear budget, begin your search. Utilize online platforms (Yad2, Madlan), agents, and community networks.

The Legal Process: *Securing the Deal*

Your lawyer conducts due diligence, negotiates the contract, and upon signing, files the *He'arat Azhara* (warning note) at the Land Registry (*Tabu*).



Mortgage Pre-Approval (אישור עקרוני): *Your Green Light*

Obtain a preliminary approval from a bank. This defines your maximum loan amount and is your "insurance policy" before making an offer on a property. Valid for a limited time.

Negotiation & The *Tamhil: The Bidding War*

Once you find a property, it's time for the "interest rate auction" with the banks. Your broker negotiates the best terms while finalizing your optimal mortgage mix.

Execution & Closing: *The Final Signature*

After the contract is signed, you return to the chosen bank to sign the final mortgage documents. Once all bank requirements are met, the funds are transferred to the seller. Mazal Tov!

Beyond the Sticker Price: Budgeting for Total Acquisition Costs

The purchase price is just the beginning. A successful budget accounts for all associated fees and taxes, which can add a significant percentage to your total outlay.



Purchase Tax (מס רכישה - Mas Rechisha)

A tiered tax based on the property value and whether it is your only home in Israel. This is often the largest additional cost.



Bank Fees

A mortgage file opening fee, legally capped at 360 NIS, and an appraiser's fee (*Shamai*).



Real Estate Lawyer's Fee

Typically 0.5% - 1.5% of the purchase price, plus VAT.



Real Estate Agent's Fee

If you use a buyer's agent, the standard fee is ~2% of the purchase price, plus VAT.



Mortgage Broker's Fee

A fee for securing the mortgage, often around 1% of the loan amount, plus VAT. The ROI is high, with an expert broker saving clients an average of **75,000 NIS** or more on a typical mortgage.



Moving & Renovation Costs

Must be factored into your total budget, especially if purchasing an older property requiring updates.

The Oleh Advantage: Leveraging Your Status



10-Year Tax Exemption

New Olim are exempt from Israeli taxes on foreign-sourced income (passive and active) for 10 years after Aliyah. This can significantly increase disposable income available for mortgage payments.



The Adjustment Year

Within 90 days of Aliyah, you can file for an 'adjustment year' (שנת הסתגלות - Shnat Histaglut). This exempts your foreign income from Israeli tax for the first year, allowing you to decide on residency status without immediate tax liability.



Reduced Purchase Tax

Olim have a 7-year window (from one year before Aliyah to seven years after) to purchase a property with a reduced purchase tax rate (מס רכישה), offering substantial savings.

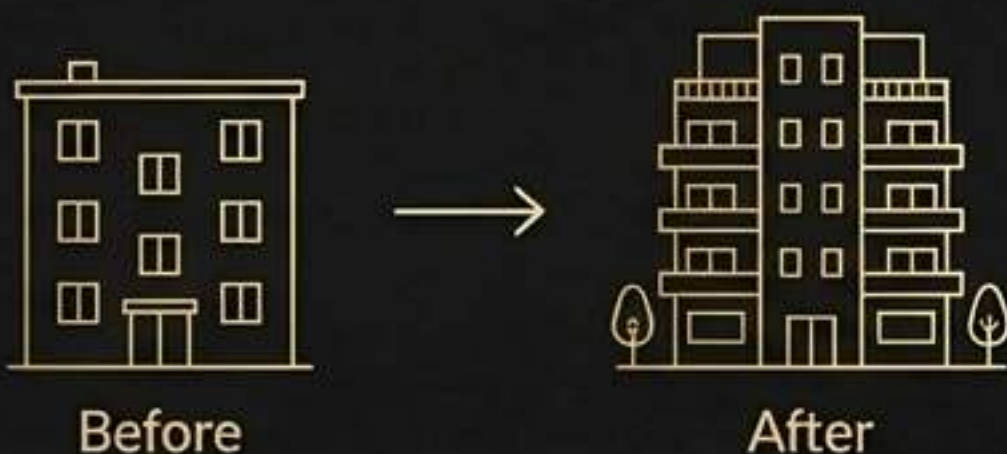


Customs Benefits

An *Oleh Chadash* can import household goods and appliances in up to three tax-free shipments within three years of Aliyah, reducing the cost of furnishing a new home.

Alternative Paths & Future Opportunities

Urban Renewal: TAMA 38 & Pinuy Binuy (פינוי בינוי)



- **Concept:** Nationwide programs to reinforce or replace older buildings.
- **How it works:** A developer adds floors or rebuilds entirely. Original residents receive a larger, modernized, and safer apartment (with a *Mamad* - safe room) at no construction cost.
- **Oleh Consideration:** Can be a way to acquire a new apartment in an established area, but involves a long process and temporary relocation. Property values typically increase significantly.

Government Lotteries: Mechir Matara (מחיר מטרה)



- **Concept:** A lottery system for new-build apartments sold at a significant discount (up to 20% or 300,000 NIS) to eligible first-time buyers.
- **Pros:** Lower down payment required (often just 10%), potential for instant equity.
- **Cons:** Extremely high demand, long construction delays (2-5 years), locations are often in the periphery (North/South), and winners cannot sell the property for 5-7 years.

The Key to Your Home is a Strategic Plan



Understand the Landscape:
Recognize the unique regulatory and financial environment of Israel.



Master the Mechanics:
Deconstruct the Mashkanta and build a Tamhil that aligns with your risk profile.



Execute with an Expert Team:
Leverage the knowledge of a broker, lawyer, and appraiser to navigate the process and secure the best terms.

**Your journey from dream to doorstep is not just possible—
it's achievable with the right knowledge and strategy.**