

# Korea 101: Home Purchase and Contract Execution

*Living in Korea*, published by the Investment Consulting Center, provides necessary information and helpful tips for day-to-day life in Korea. Here's what's featured this month.

## 1) Types of Housing



\* According to the classification of the Housing Act

## 2) Types of Rental Agreements

### (1) Jeonse

Jeonse is a rental method unique to Korea. The tenant pays the home owner a lump-sum deposit, lives in the home for a fixed period of time and the whole amount of the deposit is returned at the end of the contract period.

The jeonse agreement is usually valid for two years (one year for an officetel). The home owner is legally required not to terminate the agreement within the two years unless the tenant wants to do so. Therefore, even a tenant with a one-year agreement can live in the house for two years according to the Housing Lease Protection Act.

### (2) Semi-jeonse Agreement

Semi-jeonse agreement refers to a rental method whereby the traditional jeonse is divided into a deposit and a monthly rent. There is also an arrangement whereby the home owner receives a monthly rent by converting the jeonse amount to a monthly rent (usually at the interest rate twice as high as a bank deposit interest rate). For instance, when the jeonse amount for a property has risen from KRW 300 million to 400 million in two years, the home owner receives an additional KRW 400,000-600,000 a month on top of the existing jeonse amount of KRW 300 million.

**TIP** 

### Jeonse Deposit Refund Insurance

The tenant can subscribe to the 'Jeonse Deposit Refund Insurance' offered by Korea Housing and Urban Guarantee Corporation (HUG, [www.khug.or.kr](http://www.khug.or.kr)) in case he/she cannot get the jeonse deposit back.

### (3) Monthly Rent

The tenant pays a certain amount of deposit and a monthly fee for the use of the property each month. Compared to a jeonse agreement, the deposit amount for a monthly rent is far smaller. The deposit and the monthly rent are both negotiable before an agreement is signed. The jeonse agreement and the monthly rent agreement exclude utility bills for electricity, water, gas, phone, the Internet, TV, etc., so they should be paid by the tenant. Rental properties do not offer home appliances or furniture, but many multi-household houses and officetels are furnished with basic home appliances like refrigerators and washing machines.

## 3) How to Find Suitable Housing in Korea: Realtors

You can find housing in Korea in various ways. For instance, you can check ads on the street and directly contact the homeowner. Yet usually people go through a realtor. Doing so is safer: A realtor checks the necessary matters on your behalf before you sign the rental agreement, prepares contract documentation, and solves legal disputes throughout the contract period. When you go through a realtor, you have to pay him/her a brokerage fee determined by law according to the property price.

### \* Real-Estate Brokerage Fees

Currently, real-estate brokerage fees are determined according to the transaction amount. When excessive fees are demanded, you can file a report to the Illegal Brokerage Report Center under the Land Register Division in your city, country or district office. The following real-estate brokerage fees apply to Seoul with different amounts of fees determined by ordinances for other provinces and cities.

You can check the legally binding brokerage fees for the entire country at the website of the Korea Association of Realtors ([www.kar.or.kr](http://www.kar.or.kr)).

*If you have further questions please contact*



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