

✉ info@seoullawgroup.com | ☎ 02-318-2554 / 010-7900-0941

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Housing Deposit in Korea | How To Secure Your Wolse and Jeonse Housing Deposit

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Renting a house in your native country can be tough, and the thought of doing it in a foreign one might stir up some negative emotions. What if we told you that renting a house in Korea didn't need to be difficult? This article will introduce you to the process of renting a house in Korea, as well as a detailed description of realtor systems and housing deposits. We'll also look into what to do if you fail to get your deposit back. Whatever the worry, renting a house in Korea can be a fun and rewarding process. Let's find your future home!

Housing Deposit in Korea

SEOUL LAW GROUP



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Renting a House in Korea

So, you want to rent a house in Korea? There are few key phrases you'll need to learn before you do, and it's always important to understand what kind of real estate market you're working with.

First, the good news! Foreigners *are* able to rent apartments in Korea. However, with rental prices increasing every year and houses in Seoul flying off the listings almost as soon as they're posted, it's not always easy to find the place of your dreams. The most important decision is choosing *which* kind of rental system you're going to follow: wolse or jeonse.

1. Wolse (월세)

Wolse is a monthly payment system that typically includes a large deposit (보증금). The tenant pays monthly rent around a twentieth to a tenth of the total deposit per month, as per Seoul standard prices. There are occasionally maintenance fees separate from the monthly price, and gas and electricity are also typically not included.

2. Jeonse (전세)

Jeonse is the rental method of choice for many Koreans, but is unusual for most foreigners. Known in English as 'key money', Jeonse is a leasing system that requires a deposit (보증금) of anywhere between 50%-70% of a property's value. The landlord invests this key money and all the interest made during the contractual period. The entire amount is then returned to the tenant at the end of the contract unless the property is damaged. Utilities are not included in Jeonse contracts.

Both systems have positive and negative aspects, particularly depending on the tenant's unique situation. In addition, it's important to recognize the potential risks of renting a house in a foreign country.

Landlords, although not usually the case, have been known to be dishonest and look for various ways to take the deposit money. Of course, it is important to check your contract carefully with native Korean speakers before signing anything. If you have proof of your innocence included in your contract, this will help avoid any stressful disagreements with your landlord.

Keeping this in mind, let us explore different types of realtors in Korea and the various fees they might charge you (aka: don't get scammed!).

Realtors in Korea

Like all countries, working with a realtor means an additional fee is usually added (one-time fee) when you make your contract. Working with a realtor has many benefits such as honest opinions and advice, free transportation to-and-from the house viewings, and swift contract signings.

However, there have been some cases where realtors have charged too much for contract signings, particularly to foreigners who are unfamiliar with the Korean realtor system.

Let's take a look at the average price of a realtor fee in Korea.

Realtor Fees in Korea

To prevent the realtors from ripping off their clients, Seoul City has set an upper limit on real estate agent fees since 2021.

Transaction Details	Transaction Amount(KRW)	Limit of the Rate	Limit of the Amount(KRW)
Buying and Selling	Less than 50,000,000	6/1000	250,000
	50,000,000~ 200,000,000	5/1000	800,000
	200,000,000~ 900,000,000	4/1000	N/A
	900,000,000~ 1,200,000,000	5/1000	N/A
	1,200,000,000~ 1,500,000,000	6/1000	N/A
	More than 1,500,000,000	7/1000	N/A

Leasing(Wolse / Jeonse)	Less than 50,000,000	5/1000	200,000
	50,000,000~ 200,000,000	4/1000	300,000
	200,000,000~ 900,000,000	3/1000	N/A
	900,000,000~ 1,200,000,000	4/1000	N/A
	1,200,000,000~ 1,500,000,000	5/1000	N/A
	More than 1,500,000,000	6/1000	N/A

As you can see in the above chart, realtor fees are capped at a certain point depending on the value of the house. For example, a 0.5 percent rate cap is adopted on properties with a value between 900 million won and 1.2 billion won. The highest range of properties with the value of 1.5 billion won would take on a cap of 0.7 percent. The real estate agent is expected to follow this formula.

Do not be hesitant to ask them to explain it to you slowly, or to a friend that is a native speaker. There have been instances of real estate agents asking for additional money just because the tenant was a foreigner, but this is a scam and should *not* be tolerated.

Now that the rent and realtor fees are clear, it's time to look at one of the most significant aspects of the housing market: the deposit.

Housing Deposit (보증금) in Korea

Nearly every home rental in Korea requires a deposit, and when compared to many countries, it may appear high. Luckily, this is not a sign of a greedy landlord but the norm of Korean society.

Read on to gain a better understanding of the Korean housing deposit system.

1. What is A Housing Deposit

What is a housing deposit? A deposit is a large amount of money that the tenant pays to the landlord and will receive in full upon the termination of their contract if there are no problems with the house. If the tenant has caused some damage to the property, the tenant should repair the damage themselves before they leave, or the landlord is viable to take all or part of the deposit to repair the damage.

As already discussed, there is a Jeonse rental system that also acts as a deposit. This typically ranges between 50-70% of the unit's sale price.

For those living in Wolse rental houses, the deposit price may vary. The deposit typically costs around 10-20% of the monthly rental price. For example, if you rent an apartment for 500,000 won per month, your deposit might cost around 5 million won. However, this varies between landlords and you should always determine your maximum deposit amount before looking at houses to avoid disappointment.

In addition, you will be asked to pay *part* of the deposit when signing the contract, which is called 계약금 (means "down payment"), and the rest when you move into the home. This is a form of security for the benefit of the tenant.

What if you need to take out a loan for your deposit?

Several banks in Korea allow foreigners to take out loans. When applying for a loan, the bank will consider several key aspects before offering you a sum: personal information, job status, and annual income. If you are unhappy with the amount offered, we suggest trying another bank.

Be sure to bring the following with you to the bank:

- Alien Registration Card (ARC)
- Proof of your real estate lease contract
- Proof of Employment
- Proof of Salary (Annual tax settlement form or up to three months of pay slips)
- Proof of Alien Registration (collected at your respective Korean Immigration office)
- Marriage Certificate or Proof of Family Relations Certificate (you can obtain this in the community service center near your address)*

**This is only required for those applying for a loan as a family.*

Waiting periods for loan approvals tend to last for around 3-5 days as a member of the bank needs to also assess the property first. In addition, the actual loan deposit can take around a week.

2. Secure Your Housing Deposit

How can you make sure to secure your housing deposit?

When moving to a new home, the first thing to do is change your address (전입신고) at immigration or your local community service center (주민센터). This must be done within two weeks since the starting date on your contract in order to avoid a penalty. At the time of the contract signing, a stamp will be provided on the contract to prove that the move-in date (확정일자) is correct.

You *must* report your new address and get the stamp of move-in date in order to claim the right not only to live in the home, but to have your deposit returned to you in full at the end of your stay. For instance, even if your landlord sells or gives away the house before your contract ends, you can still claim your deposit to the new owner of the house if you reported your new address and got a stamp of your move-in date. But if you did not, you cannot claim the deposit to the new owner because there would be no legal proof that you have been living in that house as a tenant.

For those who don't have an ARC card, report the address of your accommodation in Korea at airport immigration. After entering the country, you can complete the address registration when you receive a housing contract.

Once these steps are completed, your deposit is protected under the Housing Lease Protection Act (주택임대차보호법). This also means that even if your landlord goes bankrupt and the house is put up for auction, you have the right to preferential payment up to 55,000,000 won (in Seoul). But if 55,000,000 won is larger than the half amount of the price of the house itself, your right only covers the half amount of the house price.

What To Do When You're Not Getting Your Deposit Back

Still waiting on your deposit? There may be a couple of reasons for this.

Firstly, some landlords claim the right to keep the deposit until they are able to find a new tenant. If this is the case, the landlord *must* allow you to continue living in the property until a new tenant is found. But if you are considering moving, we strongly recommend you to apply for a “leasehold registration order (임차권등기명령)” to the court before you move away. If you get that order and register your leasehold, then you can still maintain your right to claim your deposit even if you are not living there anymore.

In other cases, some landlords invest poorly and no longer have the deposit money to return to the tenant. In this case, waiting for a new tenant is also necessary so that the deposit can be paid back. In a situation such as this, you can exercise your right to sue. By requesting seizure of the landlord’s account or real estate, you will also need to take a deposit with the court. Due to the stress of a court proceeding, most tenants choose to wait until the landlord has returned with the full deposit. We strongly recommend hiring a professional legal team if your deposit was particularly high.

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