



## Finance and Mortgages

Finance of Spanish property in San José, and Spain in general, is a field that is changing constantly, particularly at the moment when “The Crisis” is with us. For that reason, we recommend that you obtain several offers before purchasing your new home. Your lawyer can help in this respect and we would be delighted to introduce you to several of the better financial experts in the region. You can have a mortgage up to the age of 75.

Recent re-structuring through mergers has brought about changes in mortgage terms, conditions and products available. There is an excellent range of both capital repayment and interest-only mortgages available to non-Spanish residents who are purchasing holiday homes but the finance houses, which are principally banks, tend to favour capital repayment at the moment. Interest-only products are less prevalent than their capital repayment counterparts, as they were only introduced to the market recently. Some lenders don't have any interest-only offerings. We can help you to find interest-only lenders, if that is your requirement. However, interest rates for such products can be higher than rates for capital repayment. Interest-only mortgages are available usually for the first 1 to 5 years.

Fixed-rate mortgages are available usually at a higher rate.

There are no building societies as such. The banks offer the mortgage loans and there are a range of Spanish and overseas banks operating in the market.

As a non-resident, the amount you can borrow will be 60%-70% of the bank's valuation of the property and the bank's valuation will probably not be too far away from the actual market price. 60% would be the norm. If you're resident, you can get up to 90%.

### Interest Rates

Euribor (12 month) is the interest rate most commonly used to calculate mortgage payments in Spain. It is used for both variable and fixed rate mortgages in Spain, though the vast majority of mortgages in Spain are variable rate.

Euribor stands for Euro Interbank Offered rate. These rates are based on the average interest rates at which a panel of more than 50 European banks borrow funds from one another. There are different maturities, ranging from one week to one year.

Euribor rates are freely available on the internet but as at 23 May 2011, the rate is 2.150. You can find up-to-date rates on the internet at:

<http://www.euribor-rates.eu/euribor-rate-12-months.asp>

Typically, banks offer flexible rate mortgages (tracker mortgages), based on Euribor + a percentage, which varies with lender but is typically 1.25% to 2%. However, if the Euribor rate increases, the interest to be paid also increases and vice versa.

There's a table of repayments for various sums of money at various rates following this page.

## The Spanish Banking System

At present, it would appear that, unlike other countries whose financial sectors have been decimated, in Spain there has barely been a need for the large-scale bailing-out of banks by the taxpayer, though the Bank of Spain has ordered some mergers. This is likely to remain the case, as Spanish banks have tended to take a cautious approach to lending money. Nevertheless, Spain is a victim of the global crunch, of course, and banks have inevitably been tightening their lending criteria. These are difficult times and nobody can be 100% sure that Spain's establishment has yet declared all.

## Documentation Required for a Spanish Mortgage

Basically, you will have to prove income and that you pay taxes. Typically, these are the documents that banks will be looking to see

1. Passports of all borrowers
2. Proof of UK residence - utility bill, driving licence etc
3. Three most-recent payslips, plus your P60
4. Details of any pension you may be receiving
5. Proof of any other sources of income
6. If self-employed, 2 years' audited accounts
7. Last two years' tax returns
8. Credit Report (Experian or similar)

The lenders will take into account your income against any debt in the UK and Spain and allow you to have no more than 30% debt to income ratio.

## Interest Calculator

Interest Rate	5 Years	10 Years	12 Years	15 Years	20 Years	25 Years	30 Years
3.00 %	17.97	9.66	8.28	6.91	5.55	4.75	4.22
3.25 %	18.09	9.78	8.40	7.03	5.68	4.88	4.36
3.50 %	18.20	9.89	8.52	7.15	5.80	5.01	4.49
3.75 %	18.31	10.01	8.64	7.28	5.93	5.14	4.63
4.00 %	18.42	10.13	8.76	7.40	6.06	5.28	4.78
4.25 %	18.53	10.25	8.88	7.53	6.20	5.42	4.92
4.50 %	18.65	10.37	9.01	7.65	6.33	5.56	5.07
4.75 %	18.76	10.49	9.13	7.78	6.47	5.70	5.22
5.00 %	18.88	10.61	9.25	7.91	6.60	5.85	5.37

This chart is provided by one of our best Financial Advisers, Mortgage Solutions in Mojácar, and we would be delighted to introduce you whenever you wish.

