

Mortgages on Costa del Sol properties

Mortgages on Costa del Sol Properties, frequently asked questions:

Are mortgages available on Costa del Sol Properties?

Yes, mortgages of up to 80% are available.

Who offers mortgages?

Mortgages are available from most of the major Spanish banks and savings banks [Caja], International banks and lenders in Gibraltar.

Also the developer as a means to raise capital to fund the construction already mortgages many new properties under construction on the Costa del Sol.

A purchaser, under the direction of an abogado [Spanish lawyer] can take over such a mortgage when purchasing such a property.

By agreement with the bank holding the mortgage the amount of mortgage taken can be increased up to a maximum of 80% of the valuation of the completed property

This is probably the cheapest way for an individual to obtain a mortgage, as the setup costs will have been already paid by the developer.

Sometimes resale properties are also offered for sale with a mortgage in place, your abogado, should check out the terms and conditions applying to the mortgage, if you are to consider taking it over.

Important Note: Mortgages in Spain are attached to the property and written into the escritura [tile deed], not to the person who takes out the mortgage, which is one of many good reasons to always use an abogado [Spanish lawyer] when purchasing.

For more information **contact us**.

What is the cost of arranging a mortgage?

Unless you are purchasing a property with a mortgage already in place [see above] the cost to arrange a mortgage will be between 1% and 1.5% of the amount advanced.

Apart from the valuation fee from around 200 euro, you will have to pay the notary costs, taxes, property registration and legal fees of the lender, these will all be itemised on your mortgage offer, and they will all be paid by the bank on your behalf.

You will also be required to take out building insurance and life insurance to cover the amount of the mortgage; you can take either straight life insurance, or an endowment style policy with the appropriate life insurance attached, which will give you a cash lump sum when the policy matures.

How much can I borrow?

As a general guide a non resident will be able to borrow 70% - 75% of the valuation of a property, residents can borrow up to 80% of the valuation, the key to obtaining the maximum mortgage offer, is in achieving the maximum valuation, which is the job of the Tasador [valuer]

There are independent tasadors, some banks will accept valuations from a variety of companies, others have their own tasador, but the resulting valuations can vary considerably.

You can usually borrow up to 3 times your gross annual income, but generally the monthly repayment should not exceed 30% of your net disposable income.
 On purchases of land the maximum will usually be around 60% of the valuation, which also applies to county houses constructed on land classified as "rustic".
 On land which you own outright, an approved architects project, with the building license paid, can be mortgaged at up to 60% of the valuation of the completed project [construction and land].
 This figure is more than sufficient to cover 100% of the building costs of normal residential construction. Lenders will not finance construction on land that already has a mortgage attached.

Which Currency should I borrow in?

Mortgages are available in most major currencies.
 You should be aware that if you borrow in a currency which does not have a fixed value against the euro/peseta, currency fluctuations could make your borrowing more expensive, or less expensive depending on whether your chosen currency weakens or strengthens against the euro/peseta.

What Interest rate will I pay?

Interest rates will again depend on the currency you choose to borrow.
 Interest rates for mortgages in euros/pesetas are based on the Euro Interbank Offered Rate, or EURIBOR for short, which has largely taken over from the older MIBOR, the current EURIBOR rate [December 2002] is 2.99%. for the latest rate see todays [EURIBOR](#) rate.
 The lenders rate will be a margin over EURIBOR generally EURIBOR + 1.25% but individuals circumstances can dictate higher or lower rates.
 Fixed rate mortgages are available at slightly higher interest rates
 Some lenders offer a lower Start up interest rates of for the first year or interest only mortgages ideally suited for funding new construction.

How often will interest rates be reviewed?

Usually once a year, fixed rate mortgages are available at a higher interest rates.

What is the maximum repayment period?

Most commonly 10, 15 or 20 years, but up to 35 years can be arranged.

What will the repayments be?

Interest rate	Monthly repayments per 1000 euro borrowed			
	Period on loan in years			
	5	10	15	20
3%	17.97	9.66	6.91	5.55
3.5%	18.19	9.89	7.15	5.80
4%	18.42	10.12	7.40	6.06
4.5%	18.64	10.36	7.65	6.33
5%	18.87	10.61	7.91	6.60
5.5%	19.10	10.85	8.17	6.88



What is the cost of early repayment of the mortgage?

From zero to 1% depending of the loan, some lenders on charge for cancellation only in the first 5 years, others make no charge at all, it is important to choose the your lender carefully if you are considering an early repayment option.

What information will the bank require:

Banks vary in the amount of information that they will require, it is wise to prepare as much of the below as possible in advance.

If you are employed: Last 3 wage / salary slips.

Last Income tax declaration [P-60 in the UK] or evidence of latest annual tax assessment.

Copies of current bank statements.

Bank reference letter from your employer confirming date of employment and proof of income. [not always essential but helpful, especially if you want to achieve the highest possible percentage]

Copy of passport / residencia

If you are self employed:

Latest income tax declaration.

Copies of the accounts for the last 2 / 3 years

Chartered accountants company report, confirming your annual personal drawings from the company

Copy of your passport / residencia

Personal bank statements.

Bank reference letter

You will also need:

In relation to a specific property, the nota simple from the property registry, offer letter or sales purchase contract, we will provide the relevant document

NIE number from the local police station, which your lawyer or we can arrange.

You will also need to open a Spanish bank account, which we can also help you with.

Note:

Bank charges for maintaining an account, and commissions for transferring money the account vary considerably from bank to bank, some provide good online banking, which is useful to check if the bills have been paid in your absence and transferring funds with zero commission.

Which lender should I choose?

Spanish national and regional banks are generally the best bet, unless you have a bad credit history. Because of the many variables that need to be considered, not least being the location and type of property, a banks current special offers, the terms and conditions.

We work with well-known banks in this area. Our ability to introduce you to the relevant bank with all the paperwork complete will speed the mortgage process to a successful conclusion.

GOOD LUCK.