



# A GUIDE TO SPANISH MORTGAGES AND THE BUYING PROCESS

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# SPANISH MORTGAGE GUIDE

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## DECISION IN PRINCIPLE

It is vitally important you get both a mortgage decision in principle and a mortgage quotation to completely understand your future outgoings connected with the purchase.

We will liaise both with the relevant banks and yourself to ascertain the most appropriate product for your purchase, explaining the maximum level of borrowing, monthly outlay and early repayment penalties, etc.

This will also prove very helpful with property price negotiation.

## FULL MORTGAGE APPLICATION

Having established your intended property we will then discuss the application process together with the necessary documentation needed from you as this varies from bank to bank.

## VALUATION OF THE PROPERTY

Once the bank has given full pre-approval they will ask you to open an account with them and deposit sufficient funds for the valuation report.

This report is critical to the mortgage application and assuming it is satisfactory with all the criteria then a formal offer will be issued.



## **FORMAL OFFER**

The formal personalised offer will include all relevant terms and conditions of the proposed mortgage.

## **PRE-COMPLETION**

Once all parties are happy to proceed the bank will liaise with the vendors agents to calculate the exact funds required from you to go to completion.

## **COMPLETION**

All parties will then agree an appointment date at a chosen notary to sign the deeds of the property. The deed outlines all the exact terms and obligations of both lender and borrower.

Even though the notary oversees the transaction either the mortgagee or their representative and the representative from the bank must be present.

The notary requires that the person signing either speaks Spanish or has an interpreter with them to ensure total understanding.

All monies are now taken to finalize the mortgage including the bank arrangement fee which is deducted from the gross loan amount.



## DOCUMENTATION REQUIRED

Each specific bank has its own requirements but in general these will be:

### FOR EACH APPLICANT

- Coloured passport copy
- Proof of address
- Proof of deposit
- Latest 6 months bank statements
- Experian credit report (full report)

### EMPLOYED APPLICANTS

- Last P60
- Last 3 months payslips
- Employment contract.

### SELF-EMPLOYED APPLICANTS

- Last 2 years tax returns
- Last 3 years audited accounts
- Accountant's reference



## **HOW MUCH CAN I BORROW?**

Amount of borrowing is dependent on a maximum of 60% - 70% of valuation or purchase price, whichever is the lower.

In addition the Spanish Banks use your affordability ratio based on net income not gross shown on your tax returns.

In general your monthly outgoings on loan and debt payments including the new Spanish mortgage will need to be less than 35% - 40% of net income.

## **MAXIMUM TERM OF MORTGAGE**

Maximum terms range from 20 to 30 years.

Age restrictions vary from age 60 to 75 years.

## **COSTS OF BUYING A PROPERTY IN SPAIN**

The costs vary due to price of property / region / Taxes / agreed solicitors fees, etc.

We would advise you to budget for 15% of purchase price to ensure no last minute surprises.



# PURCHASING A PROPERTY IN SPAIN

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## THE BUYING PROCESS

Buying a property abroad is a big decision, however the buying process in Spain need not be any more daunting than in the UK.

Once the preliminary contract is signed, the seller and the vendor are both legally bound to complete the sale.

However, there is a right way of going about this and there are ALL THE OTHER WAYS!

This guide is designed to lead you down the path of a stress free transaction.

First things first: **Do not let the dream get in the way of reality.**

Many people come to Spain and throw all caution to the wind when buying a property – don't be one of them.

### APPOINT A SOLICITOR

This is an absolute must – unless you speak fluent Spanish find one who speaks English and can translate and explain the legal documents.

Your solicitor should first of all obtain a NOTA SIMPLE of the property to confirm ownership and legality, etc.

Do not pay any funds or deposits before you have checked this easily obtainable and very important document.

## **OBTAIN YOUR NIE NUMBER**

The Numero de Identification de Extranjeros (foreigners identification number).

It is a legal requirement that you have this before you carry out any transaction which has tax implications such as buying a house, etc.

It is obtained by visiting the foreigners department of most Spanish National Police stations.

Your solicitor can arrange this if needed by use of power of attorney.

## **ARRANGE YOUR MORTGAGE**

It is vital to get full bank pre-approval before paying deposits, etc.

You need prior knowledge of any unforeseen problems in getting the required funding needed to proceed with the sale.

Sign preliminary sale contract/pay deposit to secure property.

Once the preliminary legal work has been done, the private contract is where the seller and purchaser agree the details of the sale – price/terms/completion dates, etc.

This is the point when you pay deposits and both sides are committed to the transaction.

Normally the deposit is non-refundable so it is vital all funds are in place before signing this contract.

Wait for solicitor to complete legal investigation.

Amongst other things the solicitor will check the owner has authority to sell.

He will also check if the property has the full and correct title deeds and if any outstanding loans on the property. etc.

He will then arrange a date for completion and signing at the notary.

The sale is formally completed when both parties take the private contract to the notary where the balance of the purchase price is paid.

It is then sent to the public deed of registration in the property register.

The public deed clearly specifies the location, features, neighbouring spaces, boundaries, area, price, etc.

You may attend the signing of the deed yourself or, as is quite common, grant a power of attorney to represent you.

Once the public title deed is signed in front of the notary and the final payment made then legal possession is given to the buyer.

Title will then be registered at land registry.





# FAQ's

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## WHAT TYPE OF MORTGAGES ARE AVAILABLE IN SPAIN?

Almost all mortgages are capital repayment offering both fixed rates and variable products.

The amount of loan available is normally based upon 35% - 40% debt/income ratio up to a maximum of 70% of the property's valuation.

Self-certification mortgages are no longer available.

### Non-resident mortgages

Spanish mortgages for non-residents are normally limited to loans of 70% of the bank valuation or purchase price, whichever is the lower.

Terms up to 30 years provided the maximum age does not exceed 75.

### Resident mortgages

Spanish mortgages for residents are generally at more favourable terms and conditions than those for non-residents, with the exception of second homes purchase.

Spanish residents benefit from lower interest rates, lower charges and higher loans to valuation. It is therefore very important to establish whether you qualify as resident or non-resident for that particular lender as early as possible.

Terms up to 30 years provided the maximum age does not exceed 75.

## HOW MUCH CAN I BORROW?

Lending in Spain is based on the purchase price of the property, your residency status, the purpose of buying as well as your income. For urban properties 70% can be achieved although for 'rustic' property only 50% is available.

The amount of mortgage is also based upon your income/debt ratio being between 30%-40% of nett income. So from your net income/s all UK mortgages loans and credit card payments, together with the new Spanish mortgage, repayment must not exceed the income/debt ratio. A few lenders will now offer higher income multiples.

## HOW LONG DOES IT TAKE?

It can take anything from 2 to 6 weeks to arrange a Spanish mortgage so 4 weeks is a good indicator. Remember to allow for this extra time after you have decided on a property and paid the reservation deposit. A month on average is needed to receive your income documents and to instruct and obtain the valuation.

## WHAT ARE THE COSTS?

The costs for buying a property in Spain can be broadly taken as 15% of the declared price. Quite often it is less than this but if you budget for this figure you are unlikely to get any nasty surprises.

The additional costs involved, including taxes and stamp duty, are summarised below. These will vary according to the type of property and region.



## **New Properties**

VAT (Impuesto de Transmisiones Patrimoniales / ITP): 10% plus stamp duty of 1.5% - 2% of declared price.

## **Resale Properties**

Transfer Tax (Impuesto de Transmisiones Patrimoniales / ITP):

8% up to 400.000

9% up to 700.000

10% up to 700.000 and above.

## **Lawyers Fee**

Normally 1% of purchase price + 21% IVA.

## **Notary fees**

In the same way the purchase has to be inscribed in front of a notary, the mortgage deed must also be inscribed and the notary will make a charge for this.

Law establishes these costs as a percentage of the mortgage liability and as such 67.61 euro plus between 0.0338% to 0.023%.

## **Property Register Fees**

These costs also are established as a percentage of the mortgage liability and are 18.03 euro plus between 0.131% to 0.015%.

## **Bank Arrangement Fees**

Normally between 1% to 1.5% of the mortgage amount.

## **Valuation Fees**

Paid to bank. Based on sliding scale and calculated as a percentage of the valuation, it is normally in the region of 300 to 700 euros. For larger properties the rate can become 1% of the valuation.

## A Note on Currency Exchange

When planning your Spanish purchase it is vitally important to plan the timing and movement of your deposit monies from the UK to Spain – maximizing exchange rates makes your money go further.

To maximise your deposits please [contact us](#) for details.

## THE NEXT STEP

We hope you have found this guide both useful and informative however please do not hesitate to contact us on [info@sm4u.es](mailto:info@sm4u.es) if you have any queries not covered here.

Our aim is to make your buying experience straightforward and stress free.

We cannot stress the importance of mortgage pre-approval before you begin any actual property negotiation, simply because:

1. You will know the amount you can borrow and all the costings.
2. Being armed with the knowledge that you qualify for the actual mortgage will help with price negotiation on the property.

**Good luck with your property search, we look forward to your custom and please be assured of our very best service.**

