

# French Mortgages

*The basic facts...by Peter Brooke*

The single most important element in successfully getting a mortgage in France is income. There is no "self certification" in France. Strict Banque de France lending laws state that your total debt cannot exceed more than one third of your total income. In some circumstances it is possible to have a slightly higher allowance. So if you earn €6,000 per month then your mortgages (including the new one), credit cards, rent, and other debt repayments cannot exceed €2,000 per month. The income may be net or gross, depending on the bank.

As a EU but non-French resident you can apply for a loan to value of up to 85%. You must then fund the 15% deposit plus the notary costs. Non-EU residents may only be able to borrow up to 70%. The loans can be for up to 30 years, depending on your age and the bank.

Notary fees work out to approximately 6.3% in government taxes (like stamp duty), plus 1% in notary fees and approximately 1% of the mortgage amount (if you are taking a mortgage) to assign the bank's legal interest in the property. Estimate 8% of the purchase price when preparing to buy and this should cover everything.

All mortgage interest rates in France are linked to the three-month or 12-month Euribor index (Euro Interbank Offer Rate). See [www.euribor.org](http://www.euribor.org).

## Types of loans

### Variable interest rates

Linked to a Euribor Index plus the bank's margin. Some banks offer variable rate mortgages that can safeguard against rises in the interest rates by capping the maximum rate or by extending the term of the loan rather than raising the monthly payment. Most products also give you the option to convert to a fixed interest rate at any time.

### Fixed interest rates

The rate and repayments are fixed for the whole term, so you know exactly what you will be paying each month. Fixed rates are usually higher than variable rates and tend to have penalties for early redemption.

### Interest only mortgages

Hugely popular in the UK and US, interest only deals are becoming more available in France.

There are three main types:

### Assurance Vie Linked (In Finé)

Instead of placing your deposit into the property you take a 100% Interest Only loan and invest the deposit (minimum of 20%) into a French investment scheme that runs along side the mortgage. These schemes can have significant tax planning advantages and can offer flexibility if you are going to buy and sell a lot of properties as they can be kept as the deposit for the next purchase.

### Dual Phase

Some banks offer a product that is Interest Only for five or ten years and then becomes a repayment loan for ten to 25 years. This is particularly useful if you believe you will pay off large sums in the first period.

### Asset Backed

One bank now offers an 80% Interest Only product that simply requires you to provide proof that you hold other net assets valued between 120% and 150% of the loan amount. This is a very good and popular product, especially to those who own other properties.

### Buy to let mortgages

Buy to let loans don't exist in France. Future rent can be taken into account but banks will only take 80 percent of the possible rent as part of their calculation and you must still be able to afford the loan without it.

### Equity Release

More common since the boom in property prices, you can now release up to 70% of the value of the property. Usually a reason for the release is required, but the list of options is broad.

Refinance, bridging loans, renovation costs and loan consolidation solutions are also all available in France.

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