

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 percent. You must then fund the 15 percent deposit plus the notary costs. Non-EU residents may only be able to borrow up to 70 percent. The loans can be for up to 30 years, depending on your age and the bank.

Notary fees work out to approximately 6.3 percent in government taxes (like stamp duty), plus 1 percent in notary fees and approximately 1 percent of the mortgage amount (if you are taking a mortgage) to assign the bank's legal interest in the property. Estimate 8 percent 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.

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 percent Interest Only loan and invest the deposit (minimum of 20 percent) 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 percent Interest Only product that simply requires you to provide proof that you hold other net assets valued between 120 percent and 150 percent 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 percent 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.

Peter Brooke is a financial adviser and mortgage broker with The Spectrum IFA Group and is our "in house" finance expert.

Meet Peter Brooke

Pebbles' mortgage broker and financial advisor

I moved to the Cote d'Azur in the Autumn of 2003 after four months of travelling around France and Italy with my Australian girlfriend. I initially had no idea how many English speaking expatriates lived or owned property in the area; in fact I didn't really know much about the Riviera. We found a tiny apartment with million dollar views up above Villefranche-sur-Mer and took a month's extensive French course at the excellent l'Institute de Français.

I started to look for work and very fortunately was introduced to The Spectrum IFA Group in March 2004. I had been an investment manager for a big financial advice firm in London for 5 years and wanted to continue to



use my knowledge and qualifications in a more "cross border role" and the profile of Spectrum and attitude of the team sat well with me. At the time there were some questionable characters providing non-regulated advice to the English speaking community here and I felt

that working for a regulated and legal structure was the best way to go, even if the playing field wasn't exactly flat at the time.

I worked hard to make contacts with local banks and insurers as I could see that the British and Irish appetite for Riviera property was on the up. With the surge in buyers came the arrival of companies set up to help them buy and manage their properties, just like Riviera Pebbles; I was keen that Spectrum would become invaluable as an expert service provider to this group of clients.

Since 2004 I have built a network of contacts who I trust and who can help my clients with all matters relating to property ownership and moving to and living in France. I constantly learn from this network and hope that my experience and knowledge will help my clients feel confident about making the move here; I am confident that they will all fall in love with this very special place as much as I have.

Over the past 6 years I have helped nearly 170 buyers secure loans for approximately €35 million but many people still ask why they should bother using a mortgage broker.

Firstly, it's free! Spectrum receives a commission from whichever bank provides the loan and I am remunerated from this. This means that I am only paid if I actually get the loan agreed; my interests are directly aligned with my clients. Secondly, I know the market and can not only find the best product but can give a very good indication as to whether the buyer will actually qualify for the loan in the first place. Thirdly, due to the extensive network of legal and tax contacts I can provide a central contact for all property issues before, during and after the sale has gone through. Finally, as a regulated financial planner with knowledge of both the UK and French systems I am able to offer a full "financial relocation" service should my client decide to move to France permanently.

From a personal perspective the Riviera has been wonderful, the lifestyle is incredible, the weather fantastic and the links to the rest of Europe superb. In addition France has the best health system in the world and the area has great schools and facilities.

My Australian girlfriend is now my wife and we have two wonderful children, a daughter of 4 and a son, 1. They will grow up in this international, bilingual environment and we feel that this is one of the best starts we can give them in life. When I am not discussing mortgages, pensions, investments, currency and tax I can be found strapped to my snow board up at Isola 2000 or Auron or sipping rosé in the sun watching my kids playing on the beach... not a bad way to spend the time off!

I continue to strive to help my clients by offering the best advice and highest quality service and am delighted to be involved with a company as professional and serious (in a good way) as Riviera Pebbles and their affiliates.

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