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*a place to relax  
a place to enjoy  
a place to live*

This information pack has been designed to give a generic, working knowledge of property purchase and mortgages in Spain. It is not intended as a definitive reference document as changes in processes and local regulations can be introduced at short notice. All information in this document is correct at the time of publication.

## Property Purchase & Mortgage Information



# Your guide to buying property in Spain

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Our friendly staff will be pleased to talk to you in English, Spanish, German, Danish, French

### Appointing a lawyer

Whilst it is not a necessity to have a lawyer to purchase a property in Spain, it is highly recommended. They will be able to check out any outstanding debts which exist on the property as well as help with contracts and NIE numbers. Clients are free to appoint a lawyer of their own or we can recommend one.



For friendly impartial advice visit our head office in the heart of the Costa del Sol.

### Property Purchase Process

Once clients have decided on the property they wish to purchase a reserve deposit of between 3000€ and 6000€ is required immediately, to fix the price and have the property taken off the market. If the buyer changes their mind and pulls out, this deposit is often non-refundable. Once terms and conditions have been agreed with the vendor and the lawyer has completed his searches, checked for debts and charges etc. (usually within 30 days) the private purchase contract is drafted. This includes all terms and conditions of the sale and sets out the completion date for the transfer. A deposit of 10 - 20% of the purchase price may be required at this stage to secure the property and as official confirmation of

intent to purchase. This is usually known as 'going to contract'. The purchase is formally concluded when the title deeds are signed before the Notary Public and the balance of the agreed purchase price is paid to the vendor. At this point the buyer will receive the keys to the property. If the vendor changes their mind before completion they have to return all monies paid, together with compensation (usually an additional 100%)

### Off Plan Properties

If clients are purchasing a new construction, known as 'off plan', the constructor or developer will ask for stage payments to be made on the property. These can vary dependent on the developer, but

are usually 30% deposit and then the remaining 70% on signing of the title deeds. The appointed lawyer will carry out all necessary searches on the property; to ensure that it is owned by the vendor and there is planning permission



Head Office, Riviera del Sol, Mijas Costa, Costa del Sol

### Costs

When purchasing a property in Spain, you will normally need to allow around 10% of the purchase price to cover costs such as; land registry fees, notary fees, legal fees and taxes. When purchasing a property with a mortgage however, it is advisable to allow between 11-13% as there are fees associated with the mortgage as well as the purchase. As a general guide you should consider the following:-

#### For the purchase;

- 7% Tax
- 1% Stamp Duty
- Notary Public from 300€ to 1500€
- Land Registry from 300€ to 1500€
- Legal Fees

#### If buying with a mortgage you will also have;

- Stamp duty from 1.5% to 2% on value of property
- Notary Public from €300 to €1.500
- Land Registry from €300 to €1.500
- Banks opening commission between 1% & 2% of the mortgage amount
- Gestoria charge for mortgage deed and property deed - this is normally in the region of €250

#### Plus Valia (land / capital gains tax)

This is generally paid by the owner when they sell the property. Transfer tax is calculated on the increase in value of the land from when it was last sold.



### NIE Number (Numero de Identificación de Extranjeros)

It is essential to have an NIE number for any financial dealings clients may have in Spain. This is a simple, but sometimes lengthy process which involves completing an application form. You will need 2 photocopies of the passport

along with 2 photos. You will also need to take your original passport. The rules are sometimes relaxed and photos are not required. It is best to check before applying. The NIE can be obtained from a local police station. It can take

anything from 1 to 5 weeks to be processed. The NIE number can be obtained by a lawyer on your behalf. This is done via Power of Attorney and the lawyer will charge a fee.

### The Spanish Mortgage Market

Just like any advanced economy Spain has a developed mortgage market with a number of lenders offering a great variety of Spanish mortgages.

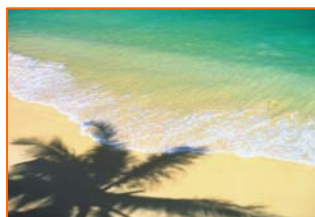
In Spain, mortgages are offered by national banks and savings banks (known as *cajas*) and sold either directly by the lenders or through mortgage brokers. Several international banks, including British banks like Barclays, Halifax and Lloyds TSB, offer mortgages in Spain alongside the national banks and *cajas*.

Just like any other developed mortgage market there are big differences in the costs and terms of the Spanish mortgages on offer, ranging from

inflexible and expensive mortgages to cheaper and flexible ones. Although the interest charged on all Spanish mortgages is calculated as a function of the base rate set by the European Central Bank, beyond that mortgage lenders in Spain are relatively free to set the charges and terms of the mortgages they offer. This translates into significant differences between Spanish mortgages in terms of their costs and conditions.

Not only can Spanish mortgages vary in their attractiveness from bank to bank, they can also vary considerably within the same bank, and even from branch to branch.

It is often advisable to consult with a reputable mortgage broker before deciding on your choice of bank or mortgage product. Mortgage brokers have access to a wide range of lenders and products and are able to advise which is the most suitable for your circumstances. Brokers will often charge a fee for their services.



### Types of Mortgages in Spain

As in other countries such as the United Kingdom the vast majority of mortgages sold in Spain (to both Spaniards and Foreigners) are variable rate mortgages. This means that mortgage repayments vary according to the base rate set by the European Central Bank. This means if the interest rate falls they will pay less, but if it rises they will pay more.

Most lenders also offer a fixed rate Spanish mortgages. These Spanish mortgages tend to have higher interest payments in the short term but if interest rates rise a fixed-rate Spanish mortgages holder might end up paying less than would be the case with a variable-rate Spanish mortgage.

Some Spanish mortgages lenders also offer a mixed mortgage that involves a certain period (for instance 5 years) of fixed interest payments, and a floating rate thereafter.

Most Spanish mortgage lenders now offer an interest only mortgage under which borrowers pay only the interest on their loan, and then return the capital either at the end of the

mortgage or at some point in the future during the lifetime of the mortgage. This kind of Spanish mortgage can be very attractive for foreign investors who plan to rent out their Spanish property to cover the mortgage costs.

Recently Spanish lenders have increased the term of mortgages. Where as in the past most Spanish mortgages were for between 10 and 20 years now many lenders offer mortgages of up to 30 years or even longer (depending upon the age of the borrower).

#### How do Spanish Mortgage Lenders Price Their Mortgages?

Spanish mortgage lenders will decide how much to lend you and on what terms according to your personal and financial profile. They will want to know how much you earn and what your other financial commitments are (your personal balance sheet - assets and liabilities). As a general rule of thumb they will lend according to earnings multiples whereby your Spanish mortgage repay-

ments will not exceed 35% of your net annual income..

In general Spanish mortgage lenders don't like to lend more than 70% of the value of the property to foreign buyers of Spanish property. Nevertheless this is starting to change as Spanish mortgage lenders realise how important foreign buyers of Spanish property are and how big the market is.

In the meantime a good Spanish mortgage broker may be able to get foreign buyers a Spanish mortgage with a loan-to-value of up to 80% (depending upon the circumstances of the applicant). A good Spanish mortgage broker also removes the language problem as they interface between borrower and lender and provide both sides with all the information they need in their respective languages.

#### \*Basic documentation required for a mortgage application

- Passport for each applicant
- Last 3 month's pay slips and P60 for employed applicants
- Last year's trading accounts and most recent tax return for self-employed applicants
- Last 3 months personal bank statements
- Purchase contract

\* The above list is intended only as a guide as further documentation may be required depending on the mortgage lender's company policy and the mortgage product terms and conditions





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**Karina Karlsen**  
**Proprietor & Managing Director**  
**Place 2 Live**

*"Spain has always proved popular with Northern Europeans. In recent years more and more people have made Spain their first choice for holiday homes, retirement or property investment. With one of the best climates in the world, golden beaches and relaxed lifestyle it's easy to see why.*

*With over 20 years experience in Spanish real estate, let me help you realise your dream of buying a home in the sun."*

*Karina Karlsen*

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## Glossary of Terms

Below is a list of terms you will come across on a day to day basis.

### Abogado

Solicitor / Lawyer

### Agencia de Inmobiliaria

Estate Agent

### Disposición de fondos

Provisión of Funds

### Escritura de Compraventa

Property Purchase Deed

### Escritura de Hipoteca

Mortgage Deed

### Euribor

The European Inter Bank Offered Rate

### Gastos

Costs

### IVA

VAT

### Impuestos

Taxes

### Loan to Value (LTV)%

This is the percentage of the loan compared with the value of the property.

### NIE number

A registration document to enable a person to purchase anything in Spain i.e. a house, car, obtain finance

### Notario

Notary

### Nota Simple

Land Registry report

### Offerta Vinculante

Binding Offer

### Registro de la Propiedad

Land Registry

### Tasacion

Valuation



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