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Financial Planning

SPAIN – MORTGAGE AVAILABILITY IN 2011

Would-be borrowers for mortgages on properties in Spain can be confused as to exactly what is the availability of mortgage funding in these tough times; some believe that applying for a mortgage is like trying squeeze blood from a stone, whilst others expect the very high percentage levels seen just a few years ago to still be there.

The reality is mixed subject really to the nature of the transaction.

Funding levels fall in to 4 main types;

- i) Purchases of Resale properties. Lenders still favour these transactions over all other types and the normal maximum is a reasonable 70% of either the contract purchase price or the valuation, whichever is the lower.
- ii) Remortgages – for a better solution or to release funds. The former would have a maximum of 60% of the valuation whilst, subject to what the release is actually to be used for, the latter to 50%.
- iii) Repossessions. Here the lender is already carrying some degree of mortgage risk, often 100% of the value of the property, and hence, assuming the credit worthiness of the new purchaser stands up to scrutiny, then a mortgage of up to 100% can be available.
- iv) Developer-led 'stressed' sales. Again, because the lender already carries the risk, normally on huge parts of new developments or even the whole, they are keen to move that risk from a fragile current borrower, the developer, to the new purchaser. And, once again, mortgages can be available to 100% of the contract purchase price.

So, whilst it is fair to say that mortgage borrowing is certainly tighter now than it has been, for the right applicant (and lenders are particularly keen to ensure that they are not 'jumping out of the frying pan into the fire' when transferring mortgage debt to a new borrower) they are still keen to lend.

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