

BEGINNER'S GUIDE TO MORTGAGES IN SPAIN



Fixed-rate mortgage

When the interest rates stays the same throughout the entire mortgage term.



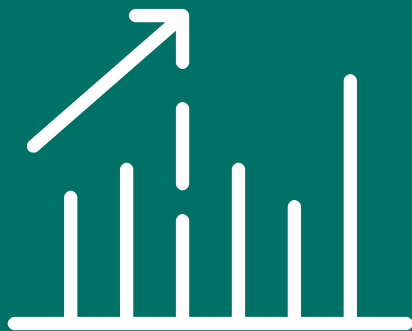
Upside: peace of mind knowing that the monthly mortgage payment will not go up (or down) as the economy gets worse or better. Flexible mortgage terms of 10, 15, 20, 25 or 30 years.



Downside: Higher monthly payments, considering that the agreed interest rate tends to be higher.

Variable-rate mortgage

The interest rate is made up of a fixed **differential (1)** plus a reference rate, the **Euribor (2)** –“What’s that?” you’re probably shouting, so check out our mini **term bank** at the end of the guide.– The amount to be paid each month varies according to the reference rate. The bank adjusts the rate twice-yearly based on the most current Euribor rate. This means you pay **the same amount each month** for a period of six months, then, after the bank’s recalculation, it might go up or down.



Upside: teaser introductory rate (normally a lot lower than fixed-rate) at the start of the mortgage term.



Downside: payments go up and down, so it’s important to have enough income to cover any spikes in the payment.



Mixed-rate mortgage

This is a good option to consider if at the time of buying, **the interest rate** of the fixed portion of the mortgage offers **good value** in relation to the market and if the mortgage is going to be repaid in this period to **avoid the hike in monthly payments** when the loan switches to a variable interest rate.

How much can you borrow from the bank?

This is known as Loan-to-value (LTV) or relación préstamo-valor in Spanish.



This depends on loads of factors, including your age, profession, career prospects, cost of house, etc. The typical LTV for residents in Spain (expats included) can go up to 80% of the property's value. Non-residents are limited to 60-70%.

Another factor to consider is whether it's the buyer's first or second home, given that the amount of money granted by banks for second homes tends to be less. This is important to remember if the home you want to buy in Spain is your second property.

Tips

Check out some of the banks' repossessed properties to bag a deal, with the possibility of being able to borrow 100% of the property value. **The top 4 regions in Spain** with the most repossessed homes are: Andalusia, Valencia, Catalonia and Madrid.



Take a look at the properties on offer through the Spanish bank's 'servicers' (3).

☐

[Altamira Inmuebles](#)

☐

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[Servihabitat](#)

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[Solvía](#)

If you want to get a rough idea of how much your mortgage payments would be, try out one of the following online calculators for mortgages in Spain: **[BBVA's Mortgage Repayment Calculator](#):**

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[BBVA](#)

☐

[ING](#)

☐

[Idealista](#)

Term bank



- ☐ **(1) Differential:** A mortgage differential is a set amount that is added on to the Euribor.
- ☐ **(2) Euribor (Euro Inter-Bank Offer Rate):** This is the basic rate of interest used in lending between European banks. The Euribor rate for the month in which the mortgage is signed is usually applied, and every six months the interest rate is tweaked based on the latest Euribor rate.
- ☐ **(3) Servicer:** When the financial crisis broke out, Spanish banks began to create 'servicer' units to manage and sell their 'toxic' properties at a fraction of the price and with attractive financing conditions.



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