



## **Remortgaging In Spain**

Whilst re-mortgaging in Spain is possible in general the costs of doing so far outweigh any benefit you may achieve and it is rarely the right advice for you to do so just for rate. Should you require extra funds or need to move to interest only then re-mortgaging can help you achieve these objectives. All loans are trackers and most loans are also linked to an annual review so if you move loan while Euribor rates are dropping you may link yourself currently into a lower total rate but in fact have overall terms that are worse than your current lender. It is the margin above the relevant Euribor that is important for you to consider not the current overall rate being quoted.

### **There are two ways of moving your mortgage.**

One is to subrogate or transfer existing loan to a new lender. Not all lenders will subrogate but if they do you will have to meet and follow the laid down procedure as per the government legislation of 2006. Subrogation has the benefit of reducing significantly the cost of moving by avoiding mortgage deed tax a cost that is applicable on all new loans in Spain and equates to 1.8% of lending.

To avoid this tax the new lender must offer improved interest rate or an extended term and then via the notary your existing bank must be given 20 days to match the new terms or release you. Movement of the loan to interest only, extra cash out or any other features being provided do not constitute reasons for subrogation being allowed and therefore the mortgage deed tax saving. Your existing bank can match interest rate but refuse to meet any other features to force the subrogation process to be stopped. Whilst you save on mortgage deed tax all other normal costs of a mortgage would apply. These will include a valuation fee, a bank arrangement fee and notary and land registry costs. These will total around 2% of your loan amount and will have to be covered by you or added to loan if loan to values allow.

The second means of re-mortgaging is straight forward closure of one loan and instigation of a new one. In this instance you have no government process to follow and are free to leave your existing lender at will but all costs of moving the mortgage including mortgage

deed tax will apply. In total these costs will be around 4% of lending and include all the costs above and mortgage deed tax.

At 60% loan to value there is a bank that will assist with costs of moving loan by fully covering costs of subrogation.

The Switch and Save product covers, notary and registry fees for mortgage deed, valuation fee and up to 0.50% of existing redemption penalty and has no bank arrangement fee. It does not cover, travel costs or lawyer costs for signing of mortgage deed, existing redemption penalties above the first 0.50% or broker fee. Minimum loan size is currently €140.000

This lender provides the only true cost effective route to re-mortgaging and provides interest only facilities and the possibility of taking out extra cash within their loan to value maximums. The lender will tie you in for 5 years and any costs covered will be repayable to bank if redeemed before first 5 years. After this point the loan is redemption penalty free.

All lenders in Spain require full income documentation no self certified loans are currently available and no buy to let mortgages exist.

If your situation meets the criteria above and you would like more detailed information please fill and return the attached enquiry form and send direct to me or Heather Chambers on [heather@ismmortgages.com](mailto:heather@ismmortgages.com). If you are experiencing payment difficulties or your loan to values are above 60% we would strongly advise you speak to your existing lender about your situation rather than apply for a re-mortgage.

**Beware any brokers that do not explain the costs associated with re-mortgages as they are unavoidable and in the final analysis will be deducted from loan amount at completion.**