

# A Guide to the French Mortgage Market

October 2018



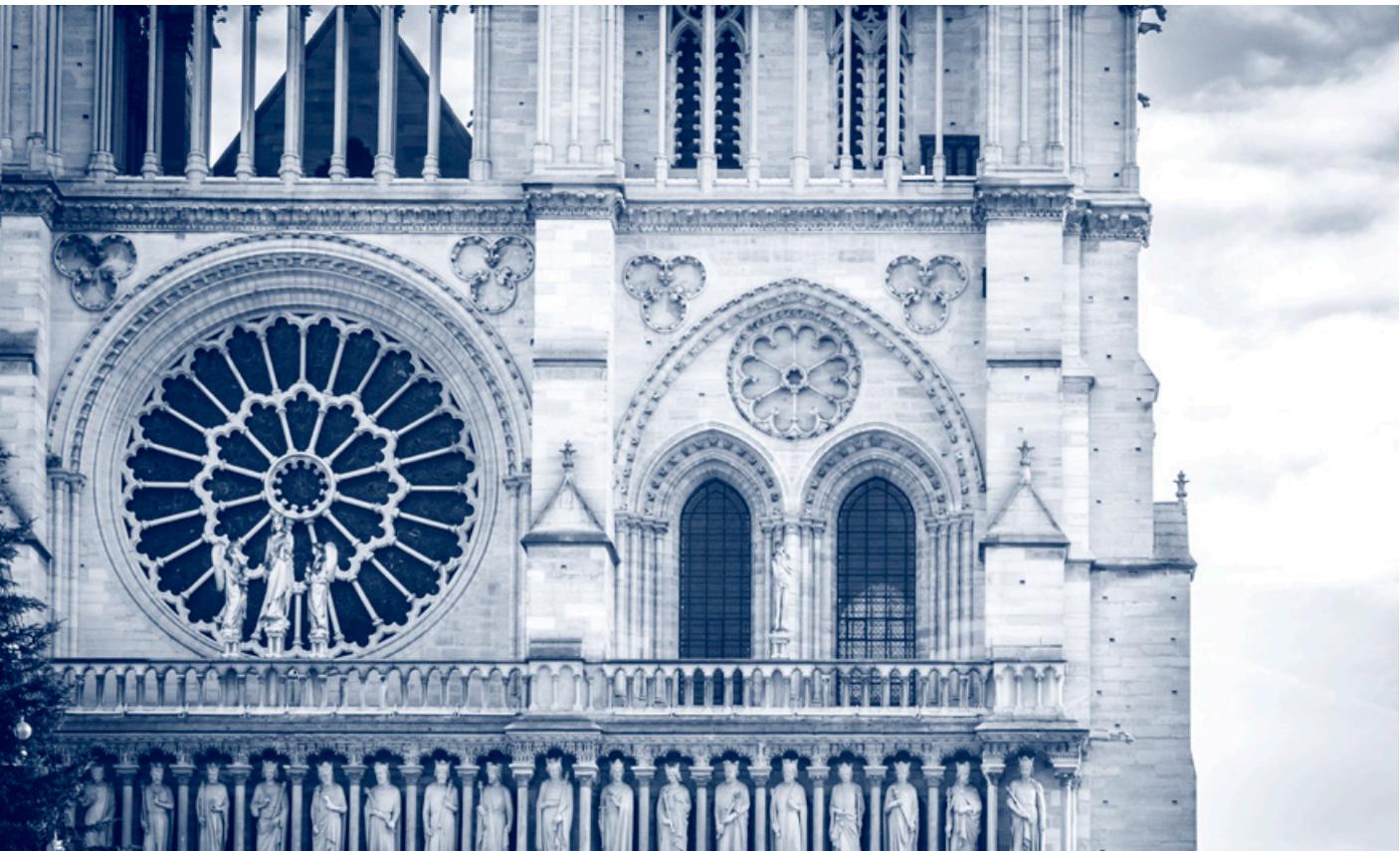
## Why are French Mortgage rates so low & fixed for so long?

As with many aspects of life, the French do things differently. Nowhere is this more evident than in the lending sector. In turn for sacrificing the ability to make more money in the short term as UK banks do by offering fixed rate mortgages over terms less than 10 years, French banks offer long term rates that are fixed for the en-tire term of the mortgage. This means the financial system and property market both benefit by being more stable and secure in the long term.

Both domestic and international buyers can secure low rate, long term fixed mortgages over

15-25 years. This means that they know exactly what their mortgage will cost, all the way until the mortgage is paid off. This offers the buyer peace of mind and considerable financial foresight and the same is true for the banks providing these products.

This is one of the reasons why the French property market wasn't affected in the same way as the UK and Spanish markets were during the downturn. It is also why the country is attractive to investors as a stable destination to place money for long term growth.



## What's happening in the French Mortgage market?

French mortgage rates are just above their all time lows and offer incredible long term value for money.

One the most popular mortgages for non-residents is a 20 year fixed rate repayment mortgage, for which rates have dropped from near 4.0% in 2011 to today's rate of 2%.

On a mortgage of €400,000 this drop in rates is equivalent to a saving of almost €100,000 (49% less) in interest over the 20 year term.

### The French mortgage rate drop

Interest payable on a €400,000 mortgage, 20-yr fixed repayment

YEAR	RATE	INTEREST PAYABLE
2011	4.00%	€181,741
2012	3.75%	€169,172
2013	3.35%	€149,390
2014	3.45%	€154,297
2015	2.55%	€111,048
2016	1.85%	€78,857
2017	2.15%	€92,497
2018	2%	€85,648

Saving of €96,093

### Rate shift 2012-2017



Rate for a 20-yr fixed repayment mortgage

## Why is now a good time to get a French mortgage?

There are two main reasons why so many people are using French mortgages for the property purchases in France, even in some case when they could buy outright in cash.

1. By taking out as high a French mortgage as possible, buyers are offsetting the effects of weaker currencies, particularly Sterling, in anticipation that they will improve against the Euro.
2. Buyers want to lock in the ultra long term rates now, before they rise. These rates are incredibly low and offer a once in a lifetime chance to secure an interest rate which in some cases is half that of the rental yield generated by the property.

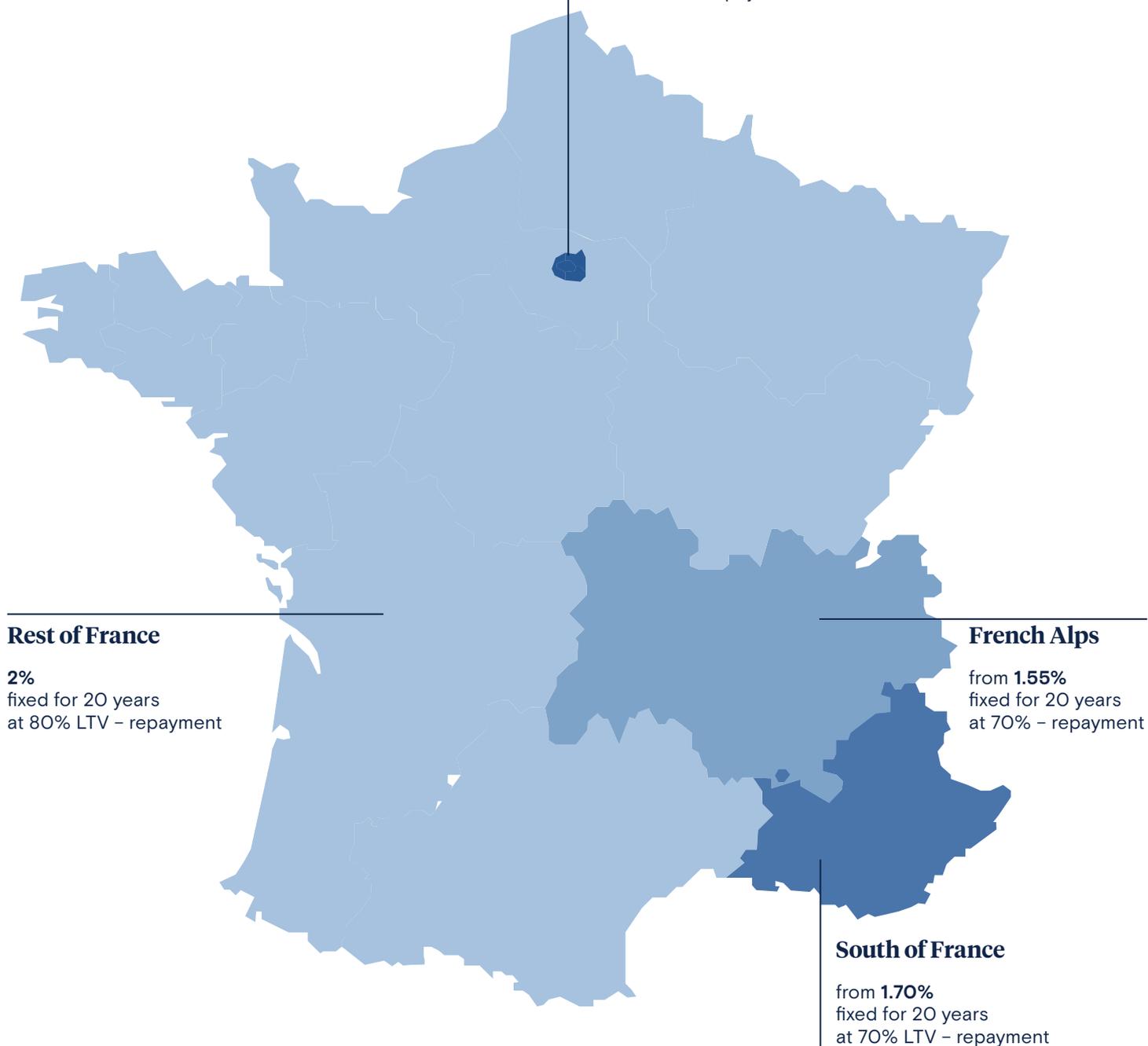
## What mortgage for which location?

France is the most visited country in the world and one of the most popular destinations for retirement. The main reason for this is its varied mix of geography, from warm beaches and effervescent cities in the south, to snowy mountains in the east, Paris in the north and a melting pot of countrysides, cities and towns in between.

This means that one person's reasons for buying in a certain location can be very different from the next. There is a pattern though as our map of the most common mortgage type per area below shows.

### Paris

from **1.3%\***  
fixed for 20 years  
at 70% LTV – repayment



### Rest of France

**2%**  
fixed for 20 years  
at 80% LTV – repayment

### French Alps

from **1.55%**  
fixed for 20 years  
at 70% – repayment

### South of France

from **1.70%**  
fixed for 20 years  
at 70% LTV – repayment

## How much can I borrow?

As a general rule of thumb, you can borrow **five times** your individual or combined (spouses/partners) income for a repayment mortgage in France, less the value of your existing mortgage balances.

With interest only mortgages you can borrow **10 times** your income, **less outstanding mortgage balances**. To obtain an interest only mortgage in France you must have net assets

outside of your main residence which at least equal the value of the mortgage.

Of course, each buyer's application is looked at individually to see what they could potentially afford to borrow and there are variations depending on mortgage payments and how income is considered. Whilst this is a good rule of thumb it is worth contacting us for a no obligation consultation.

## Example purchase today

Annual salary X 5	—	<b>REPAYMENT</b> Value of existing repayment mortgages	=	Guideline budget
Annual salary X 10	—	<b>INTEREST ONLY</b> Value of existing interest only mortgages	=	Guideline budget

[REQUEST DECISION IN PRINCIPLE](#)

## Example purchase today

property price	deposit
<b>€500,000</b>	<b>€100,000</b>
mortgage	buying costs
<b>€400,000</b>	<b>new-build (2.5-3%) €12,500</b>
duration / rate	<b>resale (7-8%) €35,000</b>
<b>20 years/2% fixed</b>	
monthly repayment	
<b>€2,024</b>	



## Two popular French mortgages

### 1. LONG-TERM VALUE

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2%	Fixed rate repayment
80% LTV	20 year term

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**Type:** Very low lending rate secured over a 20 year term (15-25 year terms also available).

**Benefits:** Fixed rates over long terms allow for excellent financial security and easy forward planning.

**Drawbacks:** The capital of the interest only loan does not decrease over time.

### 2. MINIMISE EARLY REPAYMENT FEES

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2.3% & 2.45%	Fixed repayment & variable interest
80% LTV	20 & 14 year terms

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**Type:** Mixed mortgage of 40% (50% of the 80% LTV) on a fixed repayment mortgage with an interest rate of 2.45% and the other 40% on an interest only mortgage on a 14 year variable basis at 2.3%.



**Benefits:** Most long term fixed rate mortgages come with early-repayment fees, so having an interest-only element to the overall loan on a low variable rate allows for a portion of the loan to be paid off early and it keeps the monthly repayment amounts low.

**Drawbacks:** The capital of the interest only loan does not decrease over time.

## How much will a French mortgage cost each month?

Per €100,000 borrowed

### Repayment

TERM (YRS)	RATE*	MONTHLY REPAYMENT
15	1.8%	€634
20	2%	€506
25	2.3%	€439

### Interest only fix

TERM	RATE	MONTHLY REPAYMENT
7	2.75%	€229
Interest only capped		
14	2.3%	€191

\*Interest rates here are nominal

## What's the process?

Contrary to common belief, getting a French mortgage is quite simple. The only thing that can phase some property buyers is the amount of documentation required for the application

process. With the assistance of an experienced French mortgage broker, you can use their knowledge and connections to achieve a smooth and positive result.

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### STEP 1

#### Decision in principle

Find out your affordability profile and decide on the most suitable mortgage option.

### STEP 2

#### Build your application

Collect the paperwork required to complete your mortgage request

### STEP 3

#### Approval process starts

We leverage the best possible deal through our connections with over 50 French banks.

### STEP 4

#### Life insurance & bank account

A must-have for all French mortgages. We can assist you in finding a suitable solution.

### STEP 5

#### The offer

You receive, complete & sign the paperwork, after which a 10 day cooling off period starts.

### STEP 6

#### Completion

We follow up with the bank and the French Notaire to organise a completion date.

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## Required documentation

### FINANCIAL

- Last 3 months bank statements, all accounts
- Evidence of any additional income (rental income, pensions & dividends)
- Last 3 months payslips & tax returns
- French mortgage application form
- Life insurance questionnaire (may be sent to you by post at a later date)
- French bank account application form

### PERSONAL

- Passport copies
- Marriage certificate copy
- Home address proof



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