

A Guide to the French Mortgage Market

Q2 2020



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. Instead of trying to make more money in the short term as UK banks do (fixed-rate mortgages over terms of 10 years or less are the norm in the UK), French banks offer long term rates that are fixed for the entire term of the mortgage. This means the financial system and property market both benefit from stability and security over 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 1.4% or below depending on the banks. On a mortgage of €400,000, this drop in rates is equivalent to a saving of more than €120,000 (about two thirds) in interest over the 20 year term.

French Private Finance can now offer US tax residents up to 70% on a repayment basis with a fixed rate of 1.30% over 20 years. 15% of the loan amount will be placed in a savings account for a purchase in Paris.

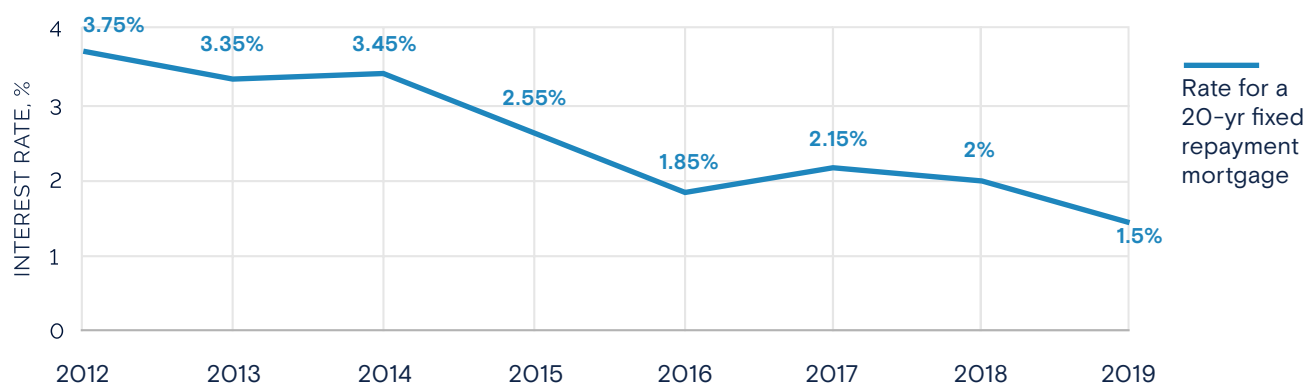
The French mortgage rate drop

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
2019	1.4%	€58,841

Saving of
€122,900

Rate shift 2012-2019



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 their property purchases in France, even in some cases 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.

A map of our banking partners

French Private Finance holds a large and competent network of banks. This network includes retail banks and private banks, foreign or local financing solutions with proposals in Euros, Pound Sterling or Swiss Franc.

United Kingdom

- Higher interest rates
- Fast study of the application
- Access to specialists of the bridging loan

Luxembourg

- Fast study of the application
- Competitive offer for the clients
- Risk of high early repayment charges even on variable rates

Switzerland

- Higher mortgage tax
- Very attractive for French Alps

France

- Very attractive long term fixed rates
- Even lower fixed rates with private banks

Monaco

- Lower requirements for AUM
- Mix of retail and private bank
- Risk of high early repayment charges at the start

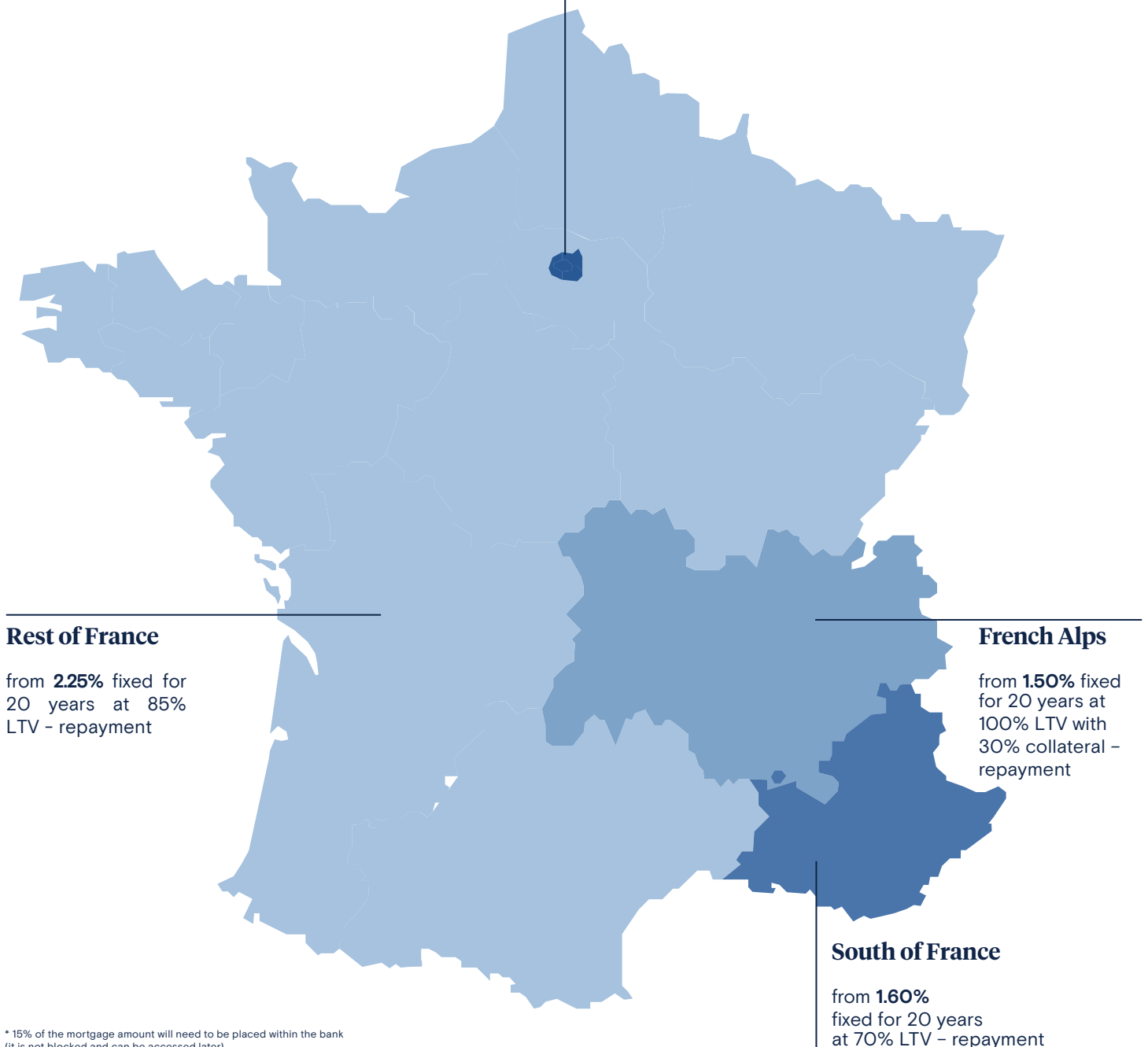
What mortgage for which location?

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 dramatic mix of landscapes, 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 **1.30%*** fixed for 20 years
at 70% LTV – repayment



Rest of France

from **2.25%** fixed for
20 years at 85%
LTV – repayment

French Alps

from **1.50%** fixed
for 20 years at
100% LTV with
30% collateral –
repayment

South of France

from **1.60%**
fixed for 20 years
at 70% LTV – repayment

* 15% of the mortgage amount will need to be placed within the bank
(it is not blocked and can be accessed later).

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	—	REPAYMENT Value of existing repayment mortgages	=	Guideline budget
Annual salary X 10	—	INTEREST ONLY Value of existing interest only mortgages	=	Guideline budget

REQUEST DECISION IN PRINCIPLE

Example purchase today

property price	deposit
€550,000	€150,000
mortgage	buying costs
€400,000	new-build (2.5 -3%)
	€16,500
duration / rate	resale (7-8%)
20 years/1.40% fixed	€41,500
monthly repayment	
€1,911	



Two popular French mortgages

1. LONG-TERM VALUE

1.50%	Fixed rate repayment
100% LTV	30% collateral with 20 year term

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: Higher monthly payments which is more difficult to afford.

2. MINIMISE EARLY REPAYMENT FEES

2.25% & 2.35%	Fixed repayment & variable interest
80% LTV	20 & 14 year terms

Type: Mixed option with of 40% (50% of the 80% LTV) on a fixed repayment mortgage with an interest rate of 2.35% and an other 40% on an interest only mortgage on a 14 year fixed basis at 2.35%.



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	1.3%	€611
20	1.5%	€483
25	2.35%	€441

Interest only fixed

TERM	RATE	MONTHLY REPAYMENT
14	2.35%	€195

Interest only capped

14	2.20%	€183
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*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 surprise some property buyers is the amount of documentation required to complete 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.

You may need to travel to France to open a bank account at the branch. We can assist you during the meeting with the bank.

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 French underwriters.

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.

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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45 Holmead Road, London SW6 2JD
+44 (0) 207 471 4515

Paris

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Annecy

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