



OVERSEAS MORTGAGE FINANCE

overseasmortgagefinance.co.uk | info@overseasmortgagefinance.co.uk | 00 44 (0) 207 923 7181

Purchase Guide - France

When purchasing property in France it is important that you understand the way in which the process is structured. This guide will give you a brief introduction to the market and the criteria that needs to be taken into account when making an application to a financial institution.

We feel it is important that before you make a decision on a property you discuss your ability to qualify and the set criteria for borrowing with one of our international mortgage advisors.

Process

French property is sold in a variety of different ways; privately, via estate agents and via notaries. Once you have found the right property and you have an understanding of your lending capability, you will be in a position to make an offer. This does not have to be a full asking price. However, it is worth noting that when an offer is made at the asking price, the seller is legally bound to accept.

Some agents will ask you to sign into a preliminary non binding agreement confirming your offer at this stage. Once the purchase price has been agreed, both buyer and seller sign the preliminary sales agreement, normally this document is known as 'Compromis de vente' (First contract) or 'Promesse de Vente', which can be drawn up by a 'Notaire' or registered French estate agent. This document forms a contract between the buyer and seller and will stipulate all terms and conditions pertaining to the property transaction. It is possible to add conditional or annulling clauses (suspensives) to the agreement. These can relate to a range of subjects for instance, to make the contract dependant on your ability to obtain a mortgage. The 'suspensive' clause will protect you should your mortgage not be approved. You should discuss with your legal representative (notary/solicitor) whether this or any other conditional clauses are necessary.

Upon signing the 'compromis' the buyer is usually required to make a deposit of 10% of the agreed purchase price, and the 'Notaire' will normally hold these funds on behalf of both parties. Some agents also maintain secure accounts to hold deposits, it is important that you do not pay any monies before signing the 'compromis' and particularly not to an agent personally. After signing into the 'compromis', you will have a 7 day 'cooling off' period in which you are able to withdraw from the purchase without penalty. If you withdraw from the transaction for any reason other than those detailed in the 'clauses suspensives', you will forfeit any deposits paid. The seller is bound by similar terms, but has no 'cooling off' period.

A government official 'Notaire' is responsible for the legalities of the purchase itself and acts on behalf of both the buyer and seller although, you may appoint your own 'Notaire' and the cost can normally be split between the two. If you do not speak French, it is sensible to instruct an English



OVERSEAS MORTGAGE FINANCE

overseasmortgagefinance.co.uk | info@overseasmortgagefinance.co.uk | 00 44 (0) 207 923 7181

speaking solicitor to act on your behalf, to oversee the whole process in addition to the 'Notaire'. You can give your lawyer or anyone else power of attorney to sign documents on your behalf, but you should closely follow the steps being taken.

At this stage you will discuss a suitable date for signing the 'Acte de Vente' (Final contract) on the day of signing the 'compromis', you will confirm the anticipated completion date. Ideally you should aim for this date to be at least 8 weeks ahead, to allow for any complications that could occur during the purchase or loan application process.

We will at this point be in a position to submit a full mortgage application to a lending institution. Typically lenders require either a draft version of a 'compromis de vente' to begin the assessment of your case. Once assessed, you will be expected to provide a final 'compromis de vente' signed by all parties (buyer and seller) before any offer is granted.

Reports

Lead, Termite, Asbestos, Gas, Electricity and Energy reports are combined in a single report known as the 'Dossier de diagnostic technique' or 'DDT' (Technical diagnostic file). These reports are required by law and is the obligation of the vendor to commission and pay for up to date reports to be attached to the 'Compromis de Vente', your 'Notaire' will ensure that the law is complied with, although termite reports are dependent on the area of France. Once your mortgage has been submitted to the chosen lender, they will also carry out a valuation report to assess the property.

Deposit Funds

You will be expected to deposit funds plus any additional monies in Euros. If you would like to speak to one of our preferred currency exchange partners please notify your international mortgage broker.

Eligibility

The majority of mortgages that we source are in Euros and the banks legal charge is secured against French residential property. French banks require all prospective clients to provide supporting documents to accompany a full status application, this is to provide total transparency of your financial circumstances. Financial institutions in France assess your ability to repay the mortgage by measuring 35% - 40% of your gross monthly income, this should be sufficient to cover your existing outgoings (Mortgages, rent, personal loans, higher purchase agreement's etc) in addition to covering the monthly cost of your new mortgage commitment. Should you receive any additional incomes from buy to let property, investments, bonuses etc, a percentage of this income will be used to increase your borrowing power. There are exceptions to this rule and on these occasions we will discuss your case in detail with the French lending committees.



OVERSEAS MORTGAGE FINANCE

overseasmortgagefinance.co.uk | info@overseasmortgagefinance.co.uk | 00 44 (0) 207 923 7181

Ownership

There are a number of options regarding the way ownership of a property can be held, the most common being directly in your name although, it may be beneficial to purchase through some form of company entity. The most accepted form is an 'Société Civile Immobilière' (SCI), this type of holding structure may be advantageous for groups purchasing together and can minimise French inheritance affairs. In order to maximise tax efficiency it is essential to consider taking advice regarding the acquisition structure within the early stages, and certainly before signing into any pre-sale contract.

Criteria

In order to supply the French lender with adequate information for them to make an informed decision on your case, you will be expected to supply a number of documents:

- Proof of residence
- Evidence of deposit
- Proof of income & outgoings
- Bank statements
- Notary Details
- Property Details

Each case is individual and specific requests from the lender will be made once the initial underwriting has been carried out.

Types of mortgages

There are a number of mortgage options available that range from **variable**, **fixed** and **capped** rates, these are available on a repayment basis or interest only. The term of your loan is dependent on affordability and individual lenders underwriting policies:

- Acquisition Finance (Purchase)
- Construction Finance
- Home improvement / Renovation Finance
- Re-Mortgage



OVERSEAS MORTGAGE FINANCE

overseasmortgagefinance.co.uk | info@overseasmortgagefinance.co.uk | 00 44 (0) 207 923 7181

Home improvement (Renovation) and construction loans are available however, estimates will be required at the time of application and will only be accepted if they are provided by French registered builders. Once the mortgage is approved, funds will be released by the lender directly to the builders following the submission of invoices. In the case of construction loans, more detailed information on the project will be required. Please speak to one of our advisors for more information.

Re-mortgaging is available although, this will incur costs from both the 'Notaires' and the new lender. We recommend that you check with your existing lender whether any redemption penalties, with early repayment charges, will be payable for cancelling your existing mortgage.

Life assurance

Life assurance is mandatory with the majority of French lenders, they require customers to accept assurance policies from their chosen provider/s that meet the lenders specific requirements. In some instances, an existing policy may be accepted to accompany your new loan (at underwriters discretion).

Buildings insurance

This is a compulsory requirement when taking any mortgage and must be in place for completion. This will be detailed in your mortgage offer.

Bank account

You will be required to open a French bank account before completion, in many cases the lender will be able to offer you this service (if they are a retail bank), if not, we can put you in touch with a reputable bank who will be able to help. You should note that if you purchase via a company (SCI) you must have the account opened in the name of the purchasing company (SCI).

Completion

Mortgage funds will be released by the lender to your 'Notaire' for completion of the purchase.

Time frame

Following an initial discussion with you including confirmation of your personal and financial information, we will source a number of options from a panel of French lending institutions. Once we have discussed these options and you have decided on the way you wish to proceed, we will require you to sign the completed mortgage application form and any other necessary documentation. We will then forward this to the lender, who will assess the file and return with any queries or requests for further information.



OVERSEAS MORTGAGE FINANCE

overseasmortgagefinance.co.uk | info@overseasmortgagefinance.co.uk | 00 44 (0) 207 923 7181

Costs

English speaking solicitor: 1-2% of the purchase price. (This is not compulsory)

- Notary Fees: 2 - 8% of the purchase price. This is dependent on whether the property is a new build/off plan or a resale. The Notary will pay mortgage taxes and stamp duty on your behalf, further costs will be passed onto you for registering the charge of the lender with the land registry (1-2%)
- Bank arrangement fee: Depending on the lender, allow anywhere between €750 - 1% of the loan amount.
- Property agent fees: 4 - 10%, although the price in a French property agents window should include their fee. If this is the case, the price will be followed by the letters 'FAI', it is often negotiable and this cost can be split between buyer and seller. You should note, even if you buy through a 'Notaire' you will still pay them an agency fee according to a government scale. (In some instances this fee may be included in your mortgage amount at the discretion of the lender).
- Overseas Mortgage Finance fee: We charge an administration fee once we have all requested supporting documents and feel confident to submit a full application. Our broker fee is based on the successful completion of your loan and typically 1.5% of the loan amount.
- TVA (French VAT) is charged at 20% and is payable on most fees and commissions.

Wealth tax (l'impôt sur la fortune immobilier):

Tax Threshold	Rate of Tax
€0 - €800,000	0%
€800,001 - €1,300,000	0.50%
€1,300,001 - €2,570,000	0.70%
€2,570,001 - €5,000,000	1.00%
€5,000,001 - €10,000,000	1.25%
€10,000,000+	1.50%



OVERSEAS MORTGAGE FINANCE

overseasmortgagefinance.co.uk | info@overseasmortgagefinance.co.uk | 00 44 (0) 207 923 7181

Name (PRINT):

Signature:

Date:

Disclaimer

The above information is provided for guidance only, Overseas Mortgage Finance Ltd accepts no liability as to the accuracy of the information detailed. You should obtain specialist legal and tax advice relating to your circumstances.

Your home may be repossessed if you do not keep up repayments on your mortgage.