

What is a mortgage?



Real Estate in Barcelona How to get a Mortgage

What is a Mortgage?

A mortgage is a loan or lien for a property/house which has to be paid within a specified period of time. It is usually a loan of money. A mortgage is a security for the loan that the lender makes to the borrower. Mortgage has many different shapes and sizes each with its own advantages and disadvantages.

Types of Mortgages

Fixed rate Mortgage

This is suitable for those who prefer to know exactly what their monthly outgoings will be.

Discounted Mortgage

This type of loan is cheaper in the beginning and allows you to take advantage of any interest rate cuts. But if interest rate rises then your monthly payments will go up.

Capped rate Mortgage

This mortgage is a combination of fixed and discounted mortgages.

Cashback Mortgage

This is great for first-time buyers or those on a tight budget or has taken out a loan to use as a deposit for the mortgage. Once if the deal is done, your lender will reimburse a certain proportion of your mortgage loan. This could be as much as a couple of thousand pounds, depending on the lender and the size of the mortgage.

Tracker Mortgage

This normally follows movements in the base rate set by the Bank of England.

Flexible Mortgage

This is useful for couples starting a family or for those who are taking time out to study. You have to agree payment holidays with your lender. Taking time off could either increase your repayments later on or prolong your loan period.

Tips to get a Mortgage

Save a deposit

Before getting a mortgage, first thing is to save enough money for a deposit.

Financial Advice

Think about how you want to repay your mortgage. Most people choose repayment loans – also called capital and interest loans – where part is paid back every month. By this, the whole loan is repaid at the end of its term.

Find a lender

Once if you have chosen the type of mortgage and the repayment method, you need to find a lender.

How much can you borrow?

The lender or mortgage broker will be able to tell you how much you can borrow. This is based on the following three factors

- Your income
- Your existing debt
- The size of your deposit

Applying for a Foreign Mortgage in Spain

When applying for a mortgage in Spain you need to make sure you have the following things

- Valid Passport, residence permit or Spanish ID card (NIE)
- New Building
- Resale Properties
- Three last salary slips of yours
- Three last bank statements of yours
- Spanish tax declaration for the last financial year (P60 form in UK) or if you are self-employed you need to provide tax slip for the last two years.

International Banks with Spanish Mortgages

The most straightforward option for a foreign buyer is to look to international banks, many of which have begun to offer special ‘ Spanish mortgages’ due to the large demand from internationals looking to buy in Spain. These are specifically catered to the Spanish housing market and deals with every aspect of translation, lawyers and insurance.

Mortgage checklist

- Save a deposit
- Think about how much you can afford to pay each month on your mortgage
- Go through the different types of mortgages available
- Be prepared to get as much paperwork as possible in advance
- Always read the small print – both on your mortgage and any insurance you intend to buy. It could save you a lot of money in the long run