

I·M·M

International Mortgage Management

Professional financing solutions for international property

Is it now time to refinance your European property?

Newsletter - September 2008

Like many people over the past decade you may have brought a property in the sun, such as France, Spain or Portugal and like many UK buyers, you may have raised funds on your UK home or buy-to-lets to finance this. Back in 2000 the exchange rate was around 1.6€ to 1.7€ to the pound. This meant that many people decided to capital raise from the UK as it was a very cost effective method of raising the required Euros. Eight years on the Euro has now been averaging around the 1.26€ to the pound mark since May 2008.

What does this actually mean to you? It means it is the perfect time to consider refinancing your Spanish, Portuguese or French property and to bring the funds back to the UK to repay your UK debt, or use for any other purpose as you see fit, for you are now obtaining more pounds to the Euro.

If you brought an average priced property for around 350,000€ back in 2000 and raised the money from your UK property the likelihood is that you had to raise around 205,000GBP from your UK home. Assuming a 20% increase in the value of your European property then it would be currently worth circa 420,000€ now. It is very possible to raise a 65-70% mortgage on the European property in Euros and then transfer the funds back to the UK to clear your UK debt. At 65% this would be 273000€ and once transferred back to the UK would actually give you £222,330, which would be enough to clear your existing UK debt and easily cover any costs.



What are the real benefits of this to you?

- *You could have a Euro asset with a Euro debt.*
- *It could reduce or clear your primary mortgage on your UK home*
- *It may give you freedom to use your UK property as security for other future investments.*
- *If you don't have a UK debt then the funds could be used or invested as you see fit.*
- *The last time that it was this beneficial to transfer Euro to Sterling was back in August 1996.*

Examples either use historical Euro/GBP figures as quoted or current calculations are as at close 1st September 2008

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Examples

| Original Purchase Price | Year Purchased | Original UK Capital Raise | Est. Current Valuation | Proposed Euro Mortgage | Conversion in GBP |
|-------------------------|----------------|---------------------------|------------------------|------------------------|-------------------|
| 350,000€ | 2000 | £205,000 | 420,000€ | 65% 273,000€ | £222,330 |
| 350,000€ | 2004 | £233,333 | 402,500€ | 70% 281,750€ | £229,456 |

So why has the pound fallen so dramatically since late July last year? The main factors behind the current weakness of the pound can be linked in some way to financial market turbulence. Accounting for movements on currency markets is not easy. According to the Bank of England, long, medium, short-term factors, fluctuations in demand, financial flows and interest rates all appear to play a part. However, the importance of different factors can change over time and this makes it hard to account for exchange rate movements and it makes it very difficult to forecast them. However, it is surely not a coincidence that this latest period of sterling weakness is almost exactly linked with the period of financial turbulence which started last summer. It has also been noticeable that sterling has taken a number of lurches downwards when there has been bad news or unhelpful rumours relating to financial markets or the health of financial institutions.

What to do now? Contact **IMM** to look at your options, as it may be that you have the possibility of refinancing your French, Spanish or Portuguese property. You can contact us on **0845 643 9570** or info@intl-mortgage.co.uk Enquiry forms can be downloaded or completed at www.intl-mortgage.co.uk

Partners Comments – The International Mortgage Market in Brief

European Mortgages -

The opportunity to raise funds on European property and transfer the Euros to Sterling is one not to be missed, with the Euro now hitting 1.22 – 1.26 to the pound; there is a very serious argument for refinancing. As you may have noticed banks are getting more cautious regarding lending across the board, however positive LTVs are still available across mainland Europe and interest only can still be achieved. French banks are very happy to lend to UK nationals and their criteria and product has changed little over 2008. The Spanish market has seen a small reduction in LTV's, most lenders are now offering 70% rather than 80%, although bespoke products are still available. Please contact us for personalised mortgage information.

Euribor-

Borrowers wanting to take advantage of slightly lower rates may wish to consider lenders offering the 3 month Euribor which is currently at is at 4.96% compared to the 12month Euribor at 5.33%. At the last meeting of the Euribor Steering Committee, members announced their overall satisfaction with the performance of the Euribor, notwithstanding the current climate in European money markets. Furthermore, they discussed the possibility of enlarging the panel of contributing banks in the coming months. This should enhance the accuracy and reliability of the Euribor. All things considered, the consensus was and still is that the Euribor serves its purpose in the marketplace.

In closing, I would like to thank you for taking the time to read this newsletter and I hope that it has been beneficial. Should you have any questions or require any further information please do not hesitate to contact us.

Kind regards

Mark

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