



Want to Know how to Increase Your Income by £50,000 Per Annum? (Part 6 of 12)

The Question:

Do you have an overseas property with a mortgage or are you considering buying a property abroad and need to arrange finance to purchase it?

In part 5, last week, we showed you how to increase your income by introducing your existing and prospective clients to the very lucrative and profitable market of overseas property via several partners on Options4Brokers.com.

In this part, part 6 we look at the opportunities for you to help your clients arrange the finance needed to purchase or re-mortgage their dream home abroad.

Do not underestimate the size of this market, *Second Homes Abroad* in its 2007 report claims that the total of UK owned foreign residential property has increased threefold over the past decade, and now values at a staggering £52 Billion, and *Savills* estimate that 56% of this has been funded from borrowings either overseas mortgages or raising additional borrowings on UK owned property. *The Office of National Statistics* estimate that '11 Million Brits could own a property abroad within 5 years'.

Not for you? Well a recent survey carried out by *Mortgage Strategy* on 250 brokers revealed that for 30% of them arranging mortgages for overseas property accounted for up to 25% of their annual business. And for 10% i.e. 25 out of 250 brokers, overseas mortgages represented between 75% and 100% of their business. **So even if you only dabbled in this market it could represent an additional income of £5000 per annum, and taken seriously it could easily be 4 to 5 times this amount.**

Let us look at some of the products available to you.

Re-mortgage Existing Overseas Properties

The rules for re-mortgages vary from country to country. Spain is at the for front of the overseas re-mortgage market with product which will allow up to 70% of valuation with the funds being available for any purpose and Switch & Save product which are virtually fees free. Although Switch & Save facilities aren't available in other countries just yet it is popular to refinance in Florida /USA, France, Portugal, Czech Republic and Turkey. Generally people are either looking for a better rate and capital raising, quite often to purchase another property. Proc fees are available between 0.25% and 0.75% and average cases sizes are £140'000. 4 cases per year based on the average case size and average proc fee of 0.32% would earn you an additional £1792 per year.

Arranging Overseas Mortgages

Usually arranged 3 to 6 months prior to the completion of the property (although in Bulgaria and Dubai it could be earlier as stage payment products may be available) lending is available in over 25 countries. It is common the loan to value is based on the valuation of the property with overseas mortgages; this can be higher than the purchase price, and it is therefore possible to achieve a mortgage advance in excess of 80% and in some instances up to 100% of the purchase price if the property valuation report exceeds the agreed purchase price. Maximum loan to values and rates vary from country to country, average loan to values are 70% to 80% with rates from around 5.15% to 9% (details for specific countries should be checked). Assuming you have 3 client's purchase in a year then with an average mortgage of £140,000 at an average proc fee on 0.32% then you would earn an additional income of £1344 that year. Remember, we do all the

work and package the mortgage, liaise with the client, the lawyer, the lender and the estate agent. Any additional borrowing should be protected in the event of death and / or critical illness, and this is also for you to arrange and could easily double your income to over £2600 PA, and this is without any broker fee you may wish to charge the applicants.

Re-mortgage UK Property for Overseas Property Deposit

When buying new build or off plan overseas it is usual for the developer to want a deposit of between 10% and 25%, and when purchasing a re-sale the lender will require a deposit of between 20% and 30% of the property purchase price. And don't forget that about 10% of the property value will be required to cover costs, fees and taxes. If these funds are not available from savings then using the equity in the UK property is the way ahead. In some countries like Turkey, Caribbean & Bulgaria where interest rates are in excess of 8% then raising the capital for the full purchase may be more suitable as the UK rates are likely to be lower. Assuming a re-mortgage was an appropriate method of raising a suitable deposit and associated costs, then this could add an additional £1800 pa to your income based upon just 3 average re-mortgage advances of £150,000 and an average proc fee from a prime UK lender of 0.4%.

Euro-Flex secured loan on UK Property for Purchasing Euro Land Property

Recognising that it may not always be possible or appropriate to re-mortgage a clients UK property to raise the deposit and fees, we have the ideal solution in the EURO-Flex 2nd charge secured loan. This loan is ideally suited to those clients wishing to purchase an overseas property, who need to raise the deposit from their UK property, but the associated costs with re-mortgaging the UK property are high, such as a current fixed rate mortgage with redemption penalties, coupled with high valuation and legal costs in completing the re-mortgage. The EURO-Flex secured loan is exactly the same as any UK second charge loan, but the further advance is based upon the Euro and is linked to the 3 month Euro Libor rate plus 1.5% making it (currently) extremely competitive, almost certainly more competitive than a UK traditional secured loan. Furthermore, the denomination can be either in Euros or Sterling and can thus be budgeted to suit the client's requirements, for example if they expect a rental income from the overseas property, it may be more appropriate to base the loan on Euros. The average Euro loan is approximately £50,000, and offers the broker a 0.5% proc fee.

Exchange Bond for Overseas 'Off Plan New Built' initial 15% Deposit Funding.

A unique guarantee bond which alleviates the requirement for prospective purchasers to raise the initial deposit required to put down on an off plan or new build property.

Often off plan developments/new builds can take between 6 and 24 months to complete, which means that purchasers have perhaps £15,000 or more tied up and deposited with the developer for a considerable period. In the worst case scenario if the developer breaches his banking covenants, these deposits may be held withheld for some considerable time whilst the development is completed under administration or lost as part of the developer's assets which will be ceased by the bank.

The Exchange Bond is a single premium insurance guarantee bond which provides the developer or the developer's bank with the guarantee that the deposit will be paid upon completion which once met by the applicants concludes the bond. Typically a £15,000 exchange bond to cover 12 months will cost £1132 and whilst this is a unrecoverable cost, consider the peace of mind it offers the purchaser and the interest they could achieve on the £15,000 deposited for say 12 months at 6% i.e. £900. The Exchange Bond pays brokers 10% commission which would be £113 on an average premium of £1132.

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