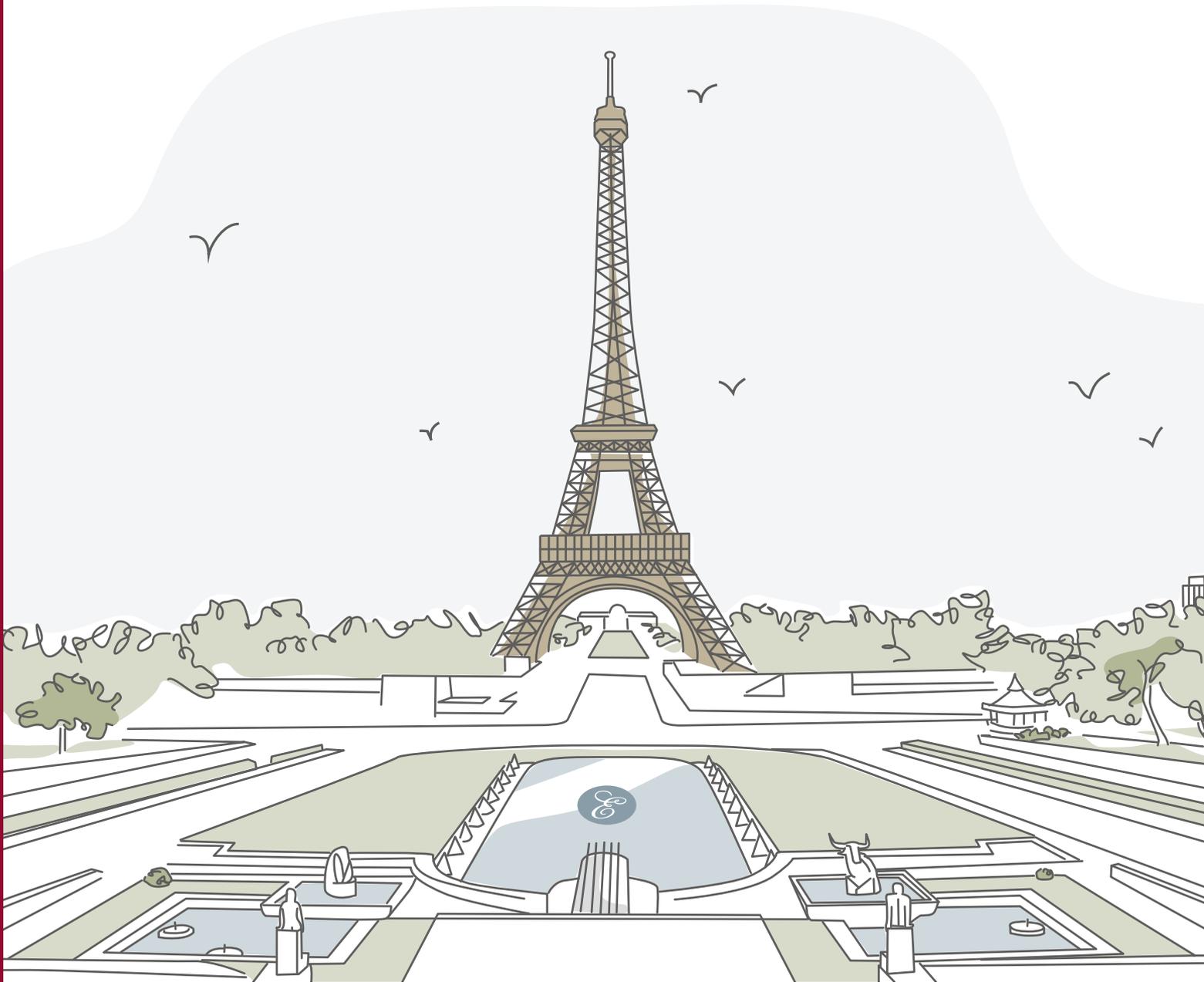




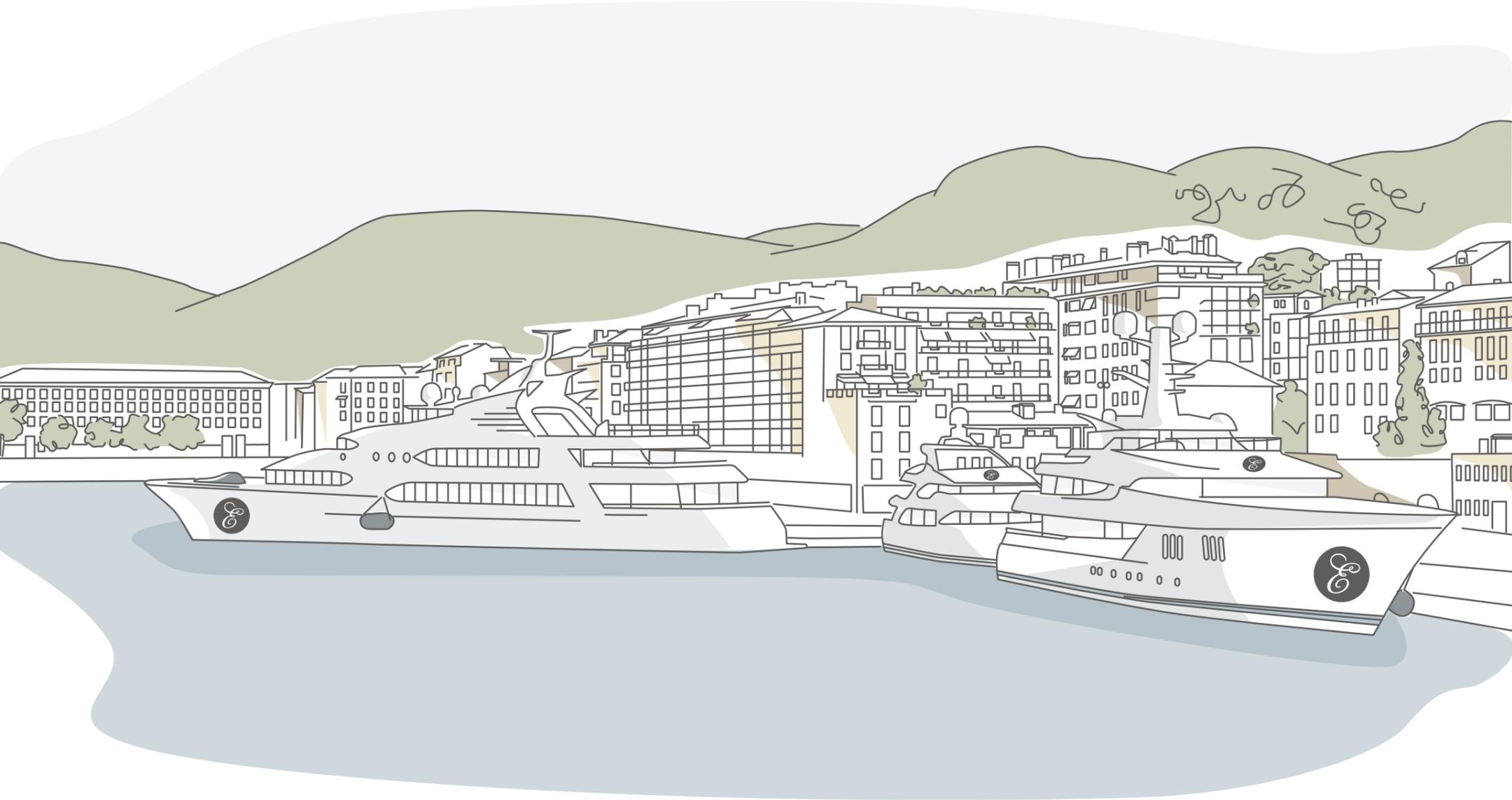
ENNESS INTERNATIONAL



FRANCE MORTGAGE GUIDE

EVERYTHING YOU NEED TO KNOW ABOUT SECURING A MORTGAGE IN FRANCE

Introduction



Combining a high quality of life, a culture and cuisine unrivalled in its richness, an outstanding natural beauty and among some of the most sought-after properties in the world – France remains among the most desirable locations for property investors in the world.

Continuing economic recovery in Europe has levelled out property prices across the country and inspired renewed confidence to purchase in France. As such, the number of home loans granted has been continuing to rise in recent years.

Looking at the market at the start of 2017, interest rates continue to stand at historic lows, so there has never been a better time to engage in a host of property-related activity in France – from residential or investment purchases, to refinance and equity release, to development and bridging projects.

The appetite for global investment in France’s hotspots among global investors shows no signs of slowing down, so read on to discover the ins and outs of purchasing a property in France, and how Enness International may be in a position to help you secure your seaside villa, snow-topped chalet, rustic chateau, or Parisian penthouse.

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Key Considerations and Challenges

When seeking a mortgage in France, do bear in mind the relatively high set-up costs incurred compared to purchasing a property in the UK. Notary fees, bank arrangement fees, taxes, and if applicable, agency fees can often amount to well in excess of 10% of the value of the property.



In addition, when purchasing property in France, it is essential to consider the hugely burdensome wealth tax to which you are liable for on any equity in the property – providing its net value is in excess of €800,000.

Here at Enness International we always advise our clients to seek expert advice from trusted consultants specialising in French tax structuring and legal processes prior to initiating their property purchase and/or financing. Your adviser will be more than happy to put you in touch with the relevant experts who will ensure the structure of your financing is optimised.

In addition ‘multi-risque’ – basic buildings insurance – is a legal requirement in France, and nearly all banks consider life insurance mandatory and won’t accept external insurance. Through our network of trusted insurance and foreign exchange partners, we can guide you through every stage of your property purchase and financing, and will ensure every base is adequately covered.

Lenders and Rates

As well as working with all the major French lenders operating in France, Enness International works with a huge panel of multinational banks and private lenders who provide a full suite of mortgage products for residential and investment purchases, refinancing, equity release, development and bridging loans.



When acquiring a property in France, the vast majority of lenders are prepared to finance up to 100% of the property price – which is crucial in mitigating wealth tax for non-commercial purchases. However, the lender will require you to place assets under management with them for the life of the loan – usually to the tune of 20%-50% of the amount being borrowed. Your adviser at Enness will negotiate on your behalf to obtain the most competitive proposition available.

Interest rates across France are currently standing at historic lows; it is currently possible to fix the interest rate for the life of your loan at 1.5%, and sometimes even below. In addition to fixed-rate products, variable and EURIBOR-linked products are available – so whether your priority is long-term security against interest rate rises, or avoiding penalties in the case of early redemption, there are products available in France to suit every client, no matter their attitude to risk.

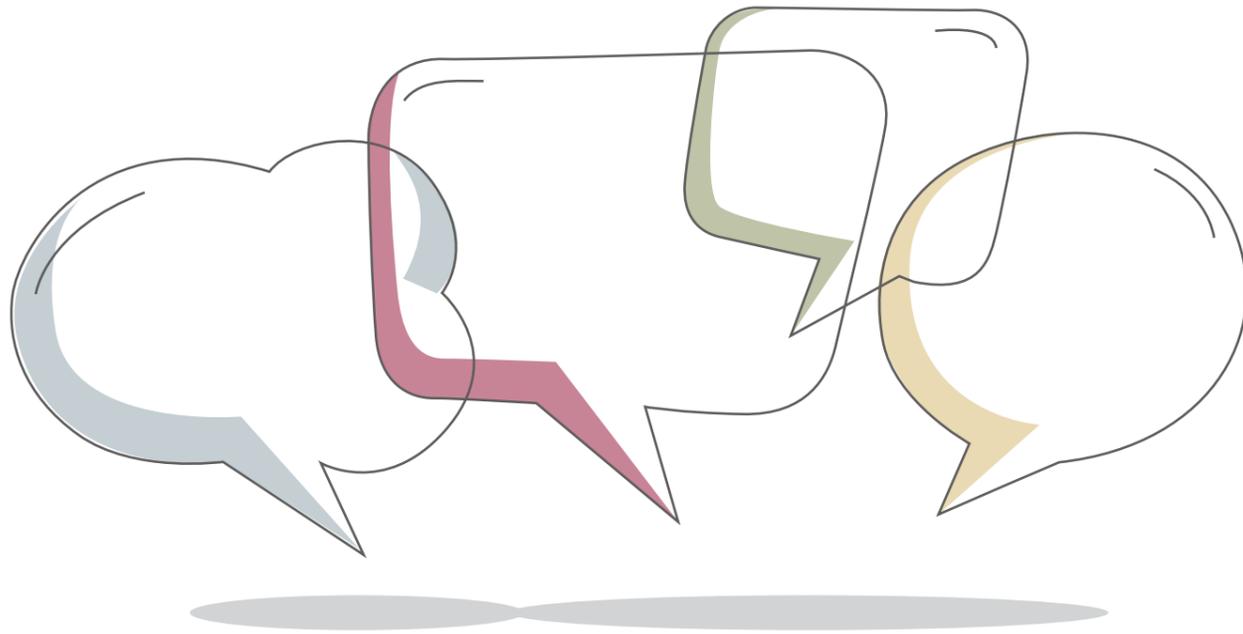
To secure approval for a French mortgage, the lender will undertake a valuation of the property and conduct an affordability check by assessing the prospective borrower’s income, contractual outgoings, overall level of assets. Anti-money laundering (AML) and compliance checks are also imperative in order for the mortgage offer to be issued. The compliance process occurs after the mortgage has been approved, which can slow down the process.

Typically, larger loans of €1 million or above, are often found at international private banks, rather than with French lenders who don’t offer interest only products – which can be the most attractive option, subject to assets under management. Furthermore, these lenders benefit from low interest rates and are often better positioned to take a more nuanced view of how to structure a client’s income and wealth, and are more accustomed to working with clients of different nationalities who may struggle to work with more conventional lending institutions.

How Can Enness Help?

Our international team at Enness thrives on the challenge of helping clients achieve their financing goals.

Our multilingual team is fluent in not only French, but Russian, German, Spanish, Italian and Swedish, fully equipping us to look after clients of multiple nationalities and removing the language barriers which can cause delays. We've welcomed people from all jurisdictions and arranged finance on a number of Europe's most unusual, complex and high value properties.



We are dedicated to providing a value-add service, whereby the depth and breadth of our longstanding relationships with lenders provide a competitive advantage in negotiating the most favorable terms from our clients. We speak directly with decision makers at financial institutions, ensuring that the mortgage process is both speedy and streamlined. Our panel comprises over 200 institutions including private banks, specialist lenders, funds and Family Offices. This enables us to source funding for any position within the capital structure from senior lending, second charges, bridging and development finance.



CASE STUDY

€12 million Paris property equity release

A client was recently referred to us from a Monégasque estate agent. They were looking to release €12 million worth of equity from a property in Paris in order to refinance an existing loan (€10 million) and renovate two properties – one in the UK (€1.5 million) as well as the property in France against which the original loan was secured (€500,000).

In France, the culture of releasing equity is not the same as it is in the UK, so it was a struggle to find a lender who would agree to finance this case. A further obstacle to overcome was that there was a commercial venture being completed in the building, rendering the lenders even more apprehensive due to the element of risk that this inherently carries. The final challenge was that the client was very specific on the rate they wanted, a rate fixed for the life of the loan – a very optimistic ask.

Thanks to our unusually wide network of lenders, we were able to find a bank who were willing to release equity for the renovation of the clients' properties, going above 50% loan to value if the valuation came back significantly higher than €30 million.

Due to the high loan amount and the specific requirements of the client, we knew exactly which bank to approach. We opted for a private bank who was flexible in terms of assets under management requirements, allowed the client to bring in a relatively modest amount (€2.5 million), with the option of borrowing extra and placing funds back with the lender. They are allowing the client to choose their own asset manager, and the funds do not have to be in the custody of the bank.

I was able to negotiate an extremely competitive rate of 1.5% fixed for the life of the loan, with AUM of €2,500,000 – an extremely competitive deal.



CASE STUDY

€6.7 million St Tropez villa refinance

After having our services recommended to him, my client approached me wishing to secure funding for a luxury St Tropez villa refinance. My client was a highly successful Internet entrepreneur and Portuguese national, with three children under the age of 18.

The villa my client wished to refinance was located in a beautiful part of St Tropez, a few metres from the beach. It had a breathtaking coastal path and was a short distance from the centre of St Tropez, one of the most popular towns on the French Riviera.

The villa, worth €18 million, possessed a panoramic sea view of the Mediterranean, and was located in a highly exclusive area with less than a dozen other properties. The entire property spanned over 4,500 square metres, and its gardens were immaculately maintained with olive trees, palm trees and cypresses.

My client was looking for a total loan amount of €6.7 million to refinance the villa. He was looking to release €5.2 million for redevelopment, and €1.5 million to create a securities portfolio.

However, as a highly successful Internet entrepreneur, my client was involved in multiple companies, meaning he had a complex income stream. This presented a challenge because it

required a note from an accountant to verify his income streams. In addition to this, the assets under management (AUM) which the lender required, were held in a trust. This hugely impacted his ability to release the money since accessing the trust required signatures from all the trustees.

I managed to resolve my client's complex income problems through Enness's unrivalled network of lenders to find a lender who was happy to accept a way around this issue. I negotiated with the lender to allow my client to secure his mortgage with a letter from his accountant, verifying his income from the last three years. Our close relationship with the lender also meant the lender was comfortable with my client placing only €1 million with them, which on a loan amount of €6.7 million is extremely competitive.

For this deal, I secured a fixed interest only rate of 1.60% for 5 years, and my client was impressed with the favourably low value of €1 million AUM to be brought to the lender.

CASE STUDY

€6.2 million refinance for French national on luxury villa for new business venture

A client recently sought my help as he was looking to refinance one of his properties in order to release equity and fund a new business venture. He was a French national and non-domiciled resident in the UK, who had achieved great acclaim in the communications industry, before founding a number of his own companies.

My client's property portfolio was significant and comprised around 10 properties located in France, the UK, Canada and Morocco. The property in question which he was looking to refinance, was a luxury villa in the South of France, valued at €13 million. My client had already taken a loan against the property at a total amount of €4.2 million, however was not happy with his current terms (1.9% + EURIBOR). Despite having significant assets with his original lender, he was actively searching for a much more competitive deal, as well as a new private banking relationship.

With a view to release equity from his French property to grow a new business venture, my client was looking to secure finance for a total amount of €6.2 million.

This was a particularly tricky case, as although my client had no issue with moving across assets, he wanted the finance secured quickly, and at a very competitive interest rate. I therefore decided not to look at local French banks who tend to be aggressive on asset under management (AUM) levels, but instead searched for blue-chip lenders with more suitable AUM requirements, who had the ability to move quickly and price keenly.

I also needed to find a lender who was happy to allow my client to put his AUM in place after the loan was drawn down, and not before. This was because some of my client's AUM was being

brought across from his existing lender, whose loan needed to be refinanced before he could remove the assets which he held with them.

With all circumstances considered, I approached a private bank with whom Enness have a very strong relationship with, and could fulfil all my client's requirements and more. This particular lender required my client to hold 50% of the loan amount as AUM, could offer an extremely competitive interest rate, and had the capacity to move rapidly from application to completion.

The lender was also extremely proactive in offering a myriad of solutions as to how my client could structure his deal; they provided an illustration for the €6.2 million in euros, another for the same loan in Swiss Francs (which was extremely cost effective), and a final illustration showing a loan amount of €13 million. In this last illustration example, the private bank would take a charge over the whole property and thus mitigate the client's wealth tax obligations.

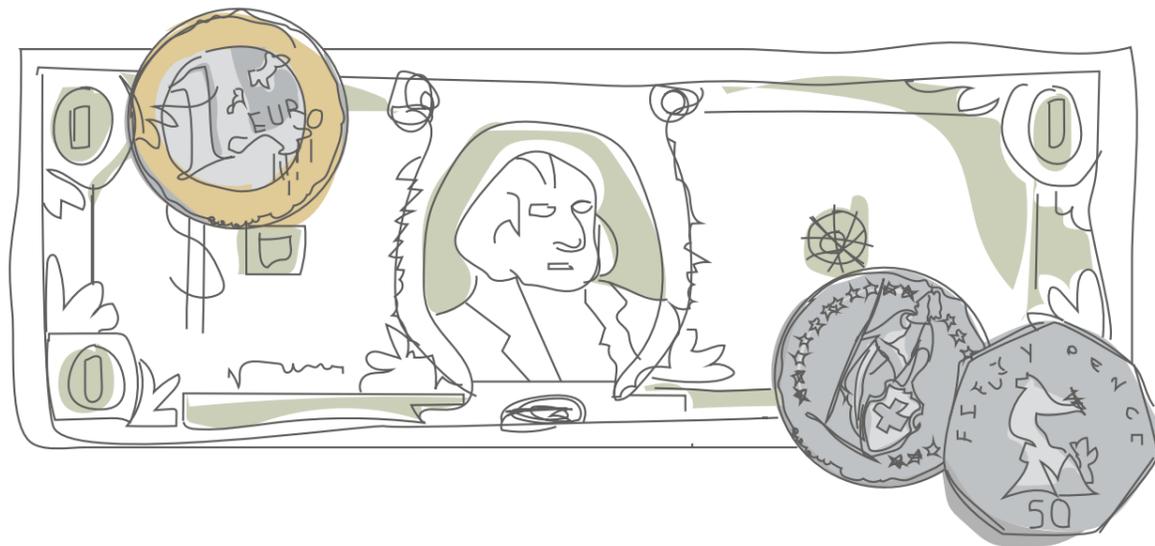
In light of these very generous options, the lender also came to the table with a plethora of offers for my satisfied client to consider:

- 1.46% five-year fixed rate, interest only loan for the full €6.2 million, with €3.5 million AUM requirements
- OR 0.95% five-year fixed rate, interest only loan at 6.7 million CHF loan amount, with €3.5 million AUM requirements
- OR 1.46% five-year fixed rate, interest only loan for the offered €13 million loan amount, with €10.3 million AUM requirements (€3.5 million of which must be fresh assets)



Foreign exchange & currency management

As part of your French investment, we understand that currency exchange is an integral component of the process. Our partnership with Argentex ensures the provision of top-level, cost-effective foreign exchange services to clients across the world.



The way you manage your international transfers will make a considerable difference to the cost of each one and how far your money goes.

Enness works closely with foreign exchange specialists **Argentex** to give clients access to a dedicated currency service for their property purchase and ongoing requirements.

With the global political climate currently somewhat uncertain, exchange rates are likely to fluctuate. Argentex can help navigate these changing rates and prevent unnecessary losses when transferring deposits between currencies.

Typical requirements you may have:

- Transferring funds for your initial French purchase
- Moving savings to your country of residence
- Regular transfers for pension, school fees, or salary transfers
- One-off international transfers
- Monthly transfers towards a mortgage
- Transfers for renovations and developments



Conclusion

We hope you have gained an enriched understanding of property finance and broader legal considerations for investments in France from this guide. If you are interested in exploring an investment into French property, we would welcome the opportunity to assist you in obtaining the finance you require to manifest your plans.

If you have any questions on the contents of this guide, or if you are interested in a free introductory consultation to explore the opportunities available to you, we would love to hear from you.



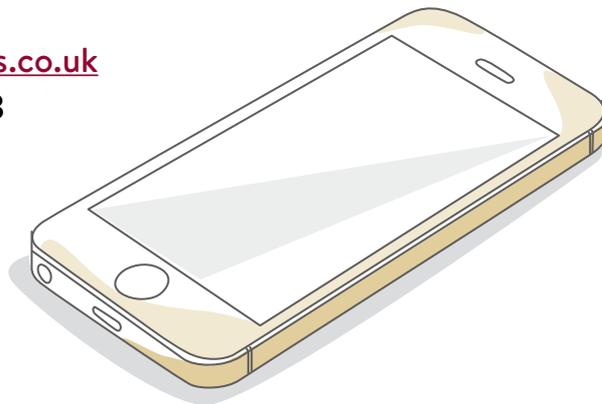
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