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WEALTH MANAGEMENT



PRACTICAL GUIDE · FINANCING · HOUSING

Practical guide to buying a home in Spain

The stages of buying a home with mortgage financing: preparation, checks, completion, costs and taxes.

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FINANCING · HOUSING

Buying a home

Buying a home with mortgage financing involves several stages: determining purchasing capacity, choosing and checking the property, obtaining the financing, completion before a notary and subsequent management of the loan.

This guide describes each of them in general terms for the whole of Spain. Purchase taxes depend on the autonomous community; the rates for the Community of Madrid and Andalusia are given for reference.

AT A GLANCE

80%	Usual financing for a main home on the lower of price and appraisal value.
30–35%	Indicative prior savings: unfinanced deposit plus taxes and costs.
30–35%	Usual maximum share of net income allocated to debt repayments.
10 days	Minimum period between delivery of the binding offer and signing.

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01 · BEFORE BUYING

Purchasing capacity and financing

Budget

The starting point is the difference between the future owners' monthly income and expenses. Lenders usually require total repayments on all debts not to exceed **30–35% of net income**, and assess employment stability, credit history (CIRBE) and available savings.

Maximum financing

Loan to value

Lenders finance a percentage of the **lower of the purchase price and the appraisal value**. Usual percentages:

Purpose	Usual financing
Main home	80%
Main home for buyers under 35	Up to 90%
Second home or investment	60–70%
Non-resident buyers	60–70%

Above these percentages, financing usually requires additional security, such as personal guarantees or public guarantee schemes for first-home purchases.

Savings required

The buyer must provide the unfinanced part of the price plus the taxes and costs of the purchase, which represent approximately **10% to 15%** of the price depending on the autonomous community and the type of property. For a main home, prior savings are, as a guide, between **30% and 35%** of the price.

Term and age

The usual maximum term is **30 years**. Lenders usually require the age of the oldest borrower plus the loan term not to exceed **75–80 years**. The longer the term, the lower the monthly payment and the higher the total interest cost.

02 · CHOOSING THE PROPERTY

Preliminary checks

Legal status

- **Nota simple** from the Land Registry: ownership, encumbrances (mortgages, attachments, easements, usufructs) and tax charges.
- **Certificate from the owners' association** confirming that payments are up to date. Community debts may affect the property acquired.
- Latest **IBI** (property tax) receipt and municipal charges.

Property documentation

- **Energy performance certificate**, mandatory for the sale (Royal Decree 390/2021) and payable by the owner.
- **Certificate of habitability** or first-occupation licence, depending on regional regulations.
- Technical inspection or building assessment report, where required by the building's age.
- Legality of any renovation work carried out.

Condition of the property

It is advisable to check the usable and built area, layout, orientation and natural light, thermal and acoustic insulation, electricity, water, gas and air-conditioning installations, exterior joinery and the condition of the building's common areas.

03 · COMPLETION

Purchase process

Deposit contract (arras)

A private contract under which the buyer pays an amount, usually between **3% and 10%** of the price, which is deducted at completion. Under **penitential arras** (Article 1454 of the Civil Code), if the buyer withdraws they lose the amount paid and, if the seller withdraws, they must return double.

The deposit contract does not secure the financing. It may be expressly agreed that refusal of the loan allows the buyer to recover the amount paid.

Stages

1. **Assessment of the transaction:** personal and financial documentation and affordability analysis by the lender.
2. **Appraisal** of the property by a company approved by the Bank of Spain.
3. **Binding offer:** the lender provides the European Standardised Information Sheet (FEIN) and the Standardised Warnings Sheet (FiAE).
4. **Reflection period:** at least **10 calendar days** between delivery of the documentation and signing.
5. **Notarial transparency certificate:** the notary chosen by the buyer checks that the documentation has been received and advises on the terms, free of charge.
6. **Signing** of the purchase deed and the mortgage loan deed, payment of taxes and registration with the Land Registry.

Buyer's documentation

- **Employees:** DNI or NIE, latest payslips, employment contract, latest income tax return and employment history report.
- **Self-employed:** DNI or NIE, income tax returns, annual VAT and withholding summaries, payments on account for the year and certificates of being up to date with the Tax Agency and Social Security.
- Bank statements, details of existing loans and the deposit or purchase contract.

04 · FINANCING

The mortgage loan

Interest rate

Type	How it works
Fixed	The rate and the payment remain the same throughout the life of the loan.
Variable	Reference index, usually 12-month Euribor, plus a margin. The payment is reviewed periodically.
Mixed	Fixed rate for an initial period and variable for the rest of the term.

Rate discounts

The interest rate may be reduced by taking out other products (salary deposit, life or home insurance). The lender must disclose the cost of the loan with and without those products. **Buildings insurance** on the property is mandatory and may be taken out with any insurer.

Public schemes

The State and the autonomous communities offer guarantee and aid schemes for first-home purchases, aimed mainly at young people and families with dependent children, which allow financing above 80%. Their requirements and availability should be checked at any given time.

05 · COSTS

Purchase costs and taxes

Taxes

New-build home: 10% VAT (4% for special-regime social housing) and Stamp Duty (AJD) on the purchase deed.

Resale home: Property Transfer Tax (ITP).

ITP and AJD are set by each autonomous community, with reduced rates for certain groups (young people, large families, people with disabilities) and value limits. General reference rates:

Tax	Community of Madrid	Andalusia
ITP (resale home)	6%	7%
AJD (new-build home)	0.75%	1.2%

Allocation of costs

Item	Paid by
Notary, registration and processing of the purchase	Buyer
Appraisal	Buyer
Notary, registration and processing of the mortgage	Lender
AJD on the mortgage loan deed	Lender
Municipal capital gains tax on the sale	Seller, unless otherwise agreed

The allocation of loan costs results from Law 5/2019 on real estate credit agreements.

06 · AFTER SIGNING

Life of the loan

Early repayment

It may be full or partial; in the latter case, the borrower chooses between reducing the payment or the term. Maximum fees (Law 5/2019):

Loan	Maximum fee
Variable	0.25% in the first 3 years or 0.15% in the first 5; thereafter, 0%
Fixed	2% in the first 10 years and 1.5% thereafter

In any event, the fee cannot exceed the lender's financial loss.

Subrogation and novation	The loan may be transferred to another lender without the existing lender's consent (Law 2/1994), or amended with the same lender through novation of the interest rate or term.
Payment difficulties	The Code of Good Practice for the restructuring of mortgage debts on the main home (Royal Decree-Law 6/2012) provides restructuring measures for vulnerable debtors, on the terms in force at any given time.
Death of the borrower	The heirs must prove their status and acceptance of the inheritance in order to take over the loan. If there is linked life insurance, full or partial cancellation of the debt is processed with the insurer.

FAQ

Frequently asked questions

What prior savings are needed?	As a guide, between 30% and 35% of the price for a main home: the unfinanced portion plus the taxes and costs of the purchase.
Who pays the mortgage costs?	The lender bears the notary, registration, processing costs and the AJD on the loan deed. The buyer pays the appraisal and the costs of the purchase.
Is it mandatory to take out insurance with the lender?	Only buildings insurance on the property is mandatory, and it may be taken out with any insurer. Other products may reduce the interest rate but are not mandatory.
Is there an income tax deduction for buying a main home?	The national deduction was abolished in 2013 and is retained only by those who bought their main home before that date and meet the transitional regime. Some autonomous communities have their own deductions.
What happens if financing is not obtained after signing the deposit contract?	Unless the contract expressly provides otherwise, the buyer may lose the amount paid.

REFERENCES

Legislation and case law

Provisions and rulings cited in this guide. The wording in force should be verified in each case in the Spanish Official State Gazette (BOE), the regional gazettes and the electronic office of the Spanish Tax Agency.

Legislation

- Law 5/2019 on real estate credit agreements and Royal Decree 309/2019.
- Law 2/1994 on subrogation and amendment of mortgage loans.
- Civil Code, Article 1454 (arras).
- Royal Legislative Decree 1/1993, consolidated text of the Law on Property Transfer Tax and Stamp Duty.
- Law 37/1992 on Value Added Tax, Article 91.
- Legislative Decree 1/2010 of the Community of Madrid and Law 5/2021 on Ceded Taxes of Andalusia.
- Royal Decree 390/2021, basic procedure for the energy performance certification of buildings.
- Royal Decree-Law 6/2012 on urgent measures to protect mortgage debtors without resources.

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