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## A foreign mortgage - your loan away from home

Borrowers prepared to take a high-risk approach to cutting their monthly mortgage repayments could consider switching to a foreign currency loan.

Exchanging information: the opportunity is there to save huge amounts on mortgage repayments - but there is also a significant risk of wiping out savings at a stroke. These specialist mortgages are aimed at high earners who are willing to ride exchange rate fluctuations to secure a foreign currency loan against their UK property. But be warned, you could get your fingers badly burned if the currency swings the wrong way, so these loans are not for the faint-hearted.

And the current turmoil in money markets has shaken the confidence of many investors who chose the foreign currency route to lower repayments.

Mike Boles, director of Savills Private Finance, which deals in foreign currency mortgages, says: "A number of people have faced a reality check as currencies have not behaved as well recently as in previous years. Some professionals and private individuals got it wrong, so people must fully understand the risks." The appeal of these mortgages lies in the low overseas interest rates to which borrowers have access. Lower rates mean lower mortgage repayments.

Several private banks and brokers offer mortgages in foreign currencies, where your repayments cover only the interest and the aim is for foreign-exchange movements to cut the value of your debt. But these loans are really available only to those borrowing above a certain level. And if you need the security of knowing what your monthly repayments will be, they aren't for you.

The minimum loan size tends to be at least £250,000 and sometimes £500,000, and providers require borrowers to have significant amounts of equity in their property - typically about 50 per cent. Investec Private Bank offers a foreign currency mortgage service, but restricts it to people borrowing at least £1million, and insists that customers have experience of trading in the market. ECU Group, the currency mortgage manager, also stipulates that borrowers have an income of more than £100,000 a year.

Experts say borrowers should consider a foreign currency mortgage only if they can afford to take a 15 per cent loss - or increase in the size of their debt - due to currency volatility.

Cormac Naughten, head of private clients at ECU Group, says: "Anyone for whom a 15 per cent increase in the size of their loan would materially affect their standard of living or the viability of their property investment shouldn't use this facility."