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REAL ESTATE | JUMBO JUNGLE

How Overseas Buyers Can Get a Mortgage for a U.S. Home

Many foreign buyers who finance a U.S. home will need private loans, which typically have higher down payments and interest rates

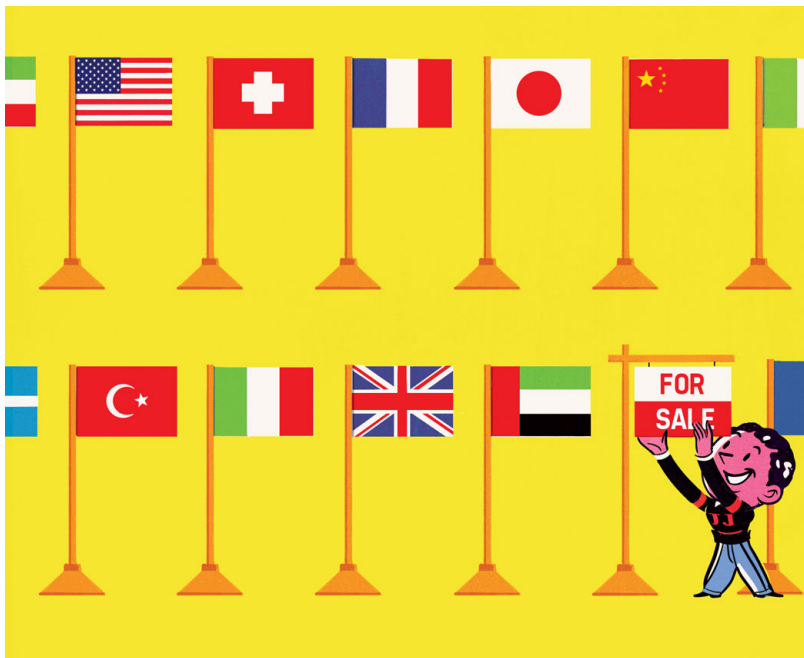


ILLUSTRATION: CHRIS GASH

By **ANYA MARTIN**

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Amid economic instability and global turmoil, foreign buyers in recent years have found an appealing place to park their money in U.S. real estate.

Now, rising U.S. home prices and a strong dollar mean overseas buyers will need more money to buy a home here. Last year, 50% of foreign buyers paid cash for U.S. residential real estate, according to the National Association of Realtors (NAR). Mortgage financing, however, is another option.

“Most [overseas buyers] don’t think they can get a loan, so they pay cash. But they’d much rather take a loan, even if they have to put down 40%,” says Chris Furie, a partner at Los Angeles-based Insignia Mortgage. “It allows them to be able to afford something a little more expensive.”

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Nonresident foreign nationals aren’t eligible for government-backed conventional loans or most jumbo mortgages, which are loans that exceed the allowable thresholds of \$417,000 in

most parts of the country and \$625,500 in some high-price areas. While most lenders, including big banks, see the prospect of chasing a delinquent borrower overseas as too risky, some, such as Milford, Conn.-based Total Mortgage Services, offer nonconforming loans to affluent foreign borrowers and then sell them to an emerging market of nontraditional lenders, says Total Mortgage CEO John Walsh.

“The applicant goes through the standard qualifying process using alternative forms of verification for credit, income and assets,” Mr. Walsh says. Total Mortgage now can lend from \$200,000 up to \$2 million to well-qualified, nonresident foreigners.

However, these loans require a larger down payment than most mortgages—30% and up on loans up to \$1 million and more for larger loans for a second-home purchase, Mr. Walsh says. Rates range from 5% on a five-year, adjustable-rate mortgage to 6.625% on a 30-year, fixed-rate mortgage, Mr. Walsh says.

In California, Insignia Mortgage closed \$80 million in purchase and refinance mortgages to foreign nationals over the past 12 months; the backing comes mostly from regional banks, says Insignia partner Damon Germanides. Available programs require a minimum loan amount of \$500,000 up to \$7 million for three-, five- or seven-year ARMs with current rates starting in the high 2% to high 3% range for the initial fixed-rate period, Mr. Germanides says.

Foreign borrowers often find the best rates and a smoother qualification process through banks that have operations both in their home countries and in the U.S., says Mathew Carson, owner of San Francisco-based West County Mortgage. London-based HSBC, which has offices in 71 countries and territories, has been a leader in this market, and Citibank also has a program.

Chinese borrowers may use Pasadena, Calif.-based East West Bank, which has offices in China. Other lenders include Miami-based TotalBank, a member of Madrid-based Grupo Banco Popular, and Mount Laurel, N.J.-based TD Bank, a subsidiary of TD Bank Group in Toronto.

For example, TD Bank offers Canadian borrowers a “cross-border” program with adjustable-rate mortgages for U.S. second homes, says Ray Rodriguez, the bank’s regional sales manager for metro New York. “We charge the same rates as to U.S. customers and have the same underwriting,” he adds. “It’s 20% down whether you are living in New York or Toronto.”

Borrowers don’t have to have a TD Bank account to qualify for the loan, Mr. Rodriguez says.

Here are a few more tips that foreign borrowers should keep in mind:

- **What’s needed.** Since most foreign borrowers have no U.S. credit history or tax returns, qualification is based on tax returns and bank statements from their home country, Mr. Germanides says. Alternate forms of documentation may include a letter from an accountant or tax adviser stating income and assets, and at least six months of credit-card statements, he adds.
- **Don’t be surprised.** The mortgage-qualification process in the U.S. is vastly different from other countries, Mr. Rodriguez says. For example, U.S. mortgages require more documentation than Canadian loans, which also often close in as little as a week, versus the usual 30 days or more for a U.S. loan, he adds.
- **Apply ahead.** Given that the qualification process is more complicated and time consuming, going the extra step of submitting documentation and getting pre-underwritten is advised, Mr. Furie says.



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