

Overseas Mortgage Finder

Monthly Overseas Mortgage Report



June 2011

Highlights

- **French banks lose appetite for foreign lending**
- **USA unveils strong rise in foreign property buyers**
- **Spanish banks now offer 100% funding on selected properties**

Commentary

The news that some French banks are reducing their appetite for lending to foreign property investors is unwelcome news, particularly as there has been an upward trend in available funding over the past twelve months. While there has been no official sign of the shutters being put up. So far, restrictions on the amount of lending has been aimed at investors outside the EU but changes to rules on the amount of net assets required to support interest only loans indicates that criteria is being stiffened. Net assets required by some lenders for interest only loans have moved from 120% to 150%. Also in normal circumstances, French lenders have based income calculations on applicants having 33% of gross income set aside to pay the mortgage. Now it is evident that underwriters are looking more closely at establishing the applicant has sufficient funds to live on after the mortgage is taken care of. It waits to be seen if this trend heralds the first signs of continental banks beginning to reposition their appetite for risk in the wake of the Basle 3. Our belief is that professional investors with property portfolios, rather than holiday home buyers, will find it harder to acquire funding from French banks as a result.

According to the latest report from the US National Association of Realtors, the USA has experienced a massive influx of foreign property investment this year totalling \$82 billion dollars, which is \$16 billion more than last year. With the distressed state of the overall US market, property prices are depressed and while over 50% of sales have been down to individuals and families emigrating, more significantly non residents make up the other half. As you will see from our mortgage enquiry table, the USA has been the most popular destination this month making up more than 16% of the total enquiries we received. We believe in part this is down to US property being seen by many investors as 'cheap' in relation to similar properties in other developed countries, with more opportunity for capital appreciation over the medium to long term. Strong rental demand and security of investment have also been two other key factors behind the growth of foreign property investment. It is also believed that more non resident families whose offspring are studying in the USA are preferring to buy properties, believing that future capital appreciation will help to offset the cost of renting. For UK buyers, depressed property prices, rental opportunities and availability of low cost finance have all contributed to help the US more attractive. Currently mortgages are available to non residents buying in the US with interest rates that start from a very competitive 3.89%. Fixed and variable rate mortgages are both available up to 75% loan to value, with loans that start from just \$50,000. Both employed and self-employed applicants are accepted up to any age, with self-cert options available through selected lenders.

Over recent months Spanish banks have started to offer loans of up to 100% of the property value on repossessed properties which they have on their books. According to the Financial Times the reason for this action has been prompted by the growing need for banks to reduce the percentage of housing stock they have been left with by developers to whom they had lent development funding going bust. Institutions such as Santander, BBVA, Caja Madrid, La Caixa and CAM are all now offering between 90% to 100% mortgages on selected repossessed properties. Which against a backdrop of fairly tight criteria for normal property, provides a great opportunity for second home buyers with little or no deposit to buy a new property in Spain.

Statistics

Top 10 Countries By Enquiries

Chart Position	Country	Mortgage Enquiries	Monthly Chart Change
1	USA	16.59%	-
2	France	10.24%	Up 3
3	Spain	9.27%	Down 1
4	Italy	7.32%	-
5	Turkey	6.34%	Down 2
6	Ireland	4.88%	Up 1
7	Australia	3.90%	Up 8
8	Portugal	3.41%	Down 2
9	Cyprus	2.93%	Up 9
10	Poland	2.44%	-

Top 10 Countries By Highest Loan To Value (LTV)

Chart Position	Country	LTV Available	Monthly Chart Change
1	Poland	100%	-
-	Portugal	100%	-
-	Spain	100%	Up 2
2	France	85%	-
3	India	80%	-
-	Italy	80%	-
4	Romania	75%	-
-	USA	75%	-
-	Turkey	75%	-
-	Ireland	75%	-

Top 10 Countries By Lowest Interest Rate

Chart Position	Country	Initial Interest Rate	Monthly Chart Change
1	Australia	2.09%	-
-	Singapore	2.09%	-
-	Canada	2.09%	-
-	France	2.09%	-
-	Hong Kong	2.09%	-
2	Spain	2.30%	-
3	Portugal	2.79%	Up 3
4	Italy	3.14%	Down 1
5	Malta	3.28%	-
6	Caribbean	3.75%	Down 2