

Overseas Mortgage Finder

November 2011

Monthly Overseas Mortgage Report

Highlights

- **Mortgage changes on hold following Greek debacle.**
- **Mortgages in Thailand now available for foreign investors.**
- **French government give with one hand but take with another**

Commentary

There is obviously much uncertainty within the eurozone at present following Greece's recent decision to hold a referendum, then scrap the idea a few days later and install a temporary coalition government to agree upon a unified Greek rescue plan to repay their amounting debts. In the wake of this indecision it seems that most banks have decided to stave off any changes to their mortgage rates or criteria until after a more certain picture on (how some if not all) of the sovereign debt owed to the banks and government will be repaid and what the new monies may be made available to them to lend and at what cost. According to figures recently released by the Bank of International Settlements the UK banks hold a relatively small \$3.4bn (£2.1bn) worth of Greek sovereign debt, compared with banks in Germany, which hold \$22.6bn and France which hold \$15bn. A growing concern amongst the EU is that if Greece does default and not repay this debt, will other countries like Portugal, Ireland, Italy and Spain follow suit. There is however some current optimism that that new money may be invested by countries outside of the EU like China, which will hopefully go some way in alleviating the current exposure to these European banks. There is also a possibility that the ECB may be given licence by the EU commission to print their own money to help raise the funds required to continue to support these indebted nations. Following the latest G20 summit in Cannes new money has been promised to boost the International Monetary Fund however the actual specific details behind generating these additional monies is yet to be agreed upon. As there are so many "what if" scenarios in play at the moment it is hardly surprising that so many banks have chosen to leave their mortgage lending policies unchanged and wait to see how things play out in the next few weeks and months. As evidenced by this month's very stagnant lowest interest rate table, which experienced only one rate change.

Until recently it has been a real struggle for foreign investors to secure property finance in Thailand, with cash or development finance being the only two realistic options for property purchases. There is however now some welcome news for these investors as a new range of mortgages have just been made available for foreign investors looking to buy a property in Thailand, with mortgage lending starting from \$83,000 on interest rates from 5.25% variable (currently there are not fixed rate products available). Up to the 70% of the property's value can be secured through one of these mortgages and the loan must be repaid in US dollars over a term up to 20 years. Although it is early days it is our belief that other funding sources may follow suit and enter this market over the next 12 months. As there has been a marked increase in foreign buyers in Thailand since recent elections went off peacefully, with notably easing tensions in the country. There also looks to be a likely relaxation of rules regarding foreign ownership of property in Thailand, which has long been regarded as one of the major reasons behind the lack of foreign investment in the country. Brazil is another country which has gained much interest from property investors over the past 12 months and we have cause to believe that mortgages may soon be made available to foreign buyers even perhaps as early as the start of the new year.

Back in August we reported the welcomed news that the French government had decided not to tax expat property owners on notional rental income, but it now seems they are now looking to introduce a capital gains tax on the sale of second homes instead. While the plans are not finalised, investors need to keep an eye on future developments. The most important part of the legislation concerns the abolition of capital gains tax relief for people owning property for more than five years. Under current rules, 10% relief can be claimed for each year of ownership from years six to sixteen, reducing CGT to zero after that period. This current system may be replaced by a new calculation based on the rate of inflation during the period from initial purchase to sale. Full details have yet to be published on how exactly this will be calculated. Despite the uncertainty surrounding the tax situation the banks are still prepared to lend to foreign investors on seemingly the same terms as before. Currently mortgages are available for second home buyers in France providing they can find a minimum 15% deposit (although 100% financing may be an option with certain properties). Variable rate mortgage are currently available for foreign property buyers with interest rates that start from as little as 2.09%. However if you are a property buyer who likes to know what your payments are going to be for the term of the mortgage, there is a great new 25 year fixed rate product available with an interest rate of 4.35%. A minimum 20% deposit is required in order to apply for this mortgage with lending available from 30,000 Euros.

Statistics

Top 10 Countries By Enquiries

Chart Position	Country	Mortgage Enquiries	Monthly Chart Change
1	USA	19.79%	-
2	Spain	15.22%	Up 1
3	Turkey	7.61%	Up 1
4	Portugal	6.59%	Up 4
5	France	6.09%	Down 4
6	Caribbean	4.06%	Up 1
7	Italy	4.56%	Down 1
8	Ireland	4.06%	Down 3
9	Germany	3.55%	Up 2
10	Cyprus	3.04%	-

Top 10 Countries By Highest Loan To Value (LTV)

Chart Position	Country	LTV Available	Monthly Chart Change
1	Poland	100%	-
-	Portugal	100%	-
-	Spain	100%	-
-	France	100%	-
2	India	80%	-
-	Australia	80%	-
-	New Zealand	80%	-
-	Italy	80%	-
-	United Kingdom	80%	Up 2
3	USA	75%	-

Top 10 Countries By Lowest Interest Rate

Chart Position	Country	Initial Interest Rate	Monthly Chart Change
1	Hong Kong	1.85%	-
2	Australia	2.09%	Down 1
-	Singapore	2.09%	Down 1
-	Canada	2.09%	Down 1
-	France	2.09%	Down 1
-	Hong Kong	2.09%	Down 1
3	United Kingdom	3.19%	-
4	Portugal	3.22%	-
5	Spain	3.25%	-
6	Malta	3.28%	-

Graph

