

The ins and outs of financing a property abroad

There are plenty of hoops to jump through when investing in foreign property, but it is a wise and healthy form of wealth management, according to South African expat and co-owner of RE/MAX Malta, Elsabie van der Merwe.



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“Though the process is much simpler if the buyer has the funds readily available, acquiring a home loan for foreign investments is possible, though not simple. I would recommend that serious buyers involve a financing expert who can advise them on the various options that are available to them,” says regional director and CEO of RE/MAX of Southern Africa Adrian Goslett.

For a quick synopsis of the options that South African investors have available to them, Van der Merwe explains the various possibilities of financing a house abroad.

Financing your property

“Unless you already have assets overseas to act as collateral, or have residential status, it will be difficult to get a local bank to finance your property. The problem is that, when buying property outside your country of residence, you’re treated as though you have no credit score. Finding a bank that also operates in your country of residence will improve your odds, as these will be the only institutions that will consider your credit scores valid.”

“Also, you might be required to take out a life insurance policy for the mortgage amount, naming the bank as the beneficiary. Depending on the country – and how old you are – this could be a deal breaker since insurers in some countries place upper age limits on who can take out a life insurance policy.”

“What’s more, if a foreign home loan is granted, depending on the country in which you take out this loan, it is likely that you will have to pay a higher interest rate and a much larger down payment. Foreigners who apply for home loans are often required to have a deposit amount of 30%, 40% or even 50% of the property’s value.”

Second mortgage on your current home

“In general, it is usually better if buyers acquire the necessary financing from within South Africa, bearing in mind that you will be liable for an exchange charge for any offshore payments and the currency exchange rate will, of course, apply as at the time. For those who already own property, you could take out a second mortgage on your current home to fund your foreign investment. Alternatively, if you have a second property within South Africa, you could sell that property and use the cash towards purchasing a smaller investment property abroad.”

Though it might seem like a lot of hoops to jump through, Van der Merwe explains how investing in a stable currency such as the US dollar, euro or pound is a wise and healthy form of wealth management. “Offshore investment is a must for shrewd investors. Nesting one’s golden eggs in as many corners across the globe reduces the risk of loss should any of your investments drop in value. I usually advise buyers to search in countries with high rental demands as well as high capital growth opportunities, which allows the owner to rent out the property and generate income,” she adds.

From a local perspective, Goslett encourages South Africans to work closely with local estate agents who are attached to global brands and can consequently provide insight into the world of possibilities that exist for real estate investors.

“Investing in property has and always will be the safest means of generating wealth. In conjunction with arranging a meeting with a financial advisor, I would suggest that investors meet with a trusted real estate agent to find out where they should be looking to invest,” Goslett concludes.

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