



# FOREIGN TRADE

**International homebuyers represent an often-untapped opportunity**

Foreign nationals spend billions every year on homes in the U.S. — and many of these affluent buyers pay cash, even if taking a mortgage would make more sense for their financial situations. These buyers simply don't realize that they can finance a property on American soil. As a result, there's an incredible untapped opportunity in lending to homebuyers who don't live in the U.S. → → →

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**D**uring the one-year period ending in March 2021, foreign nationals accounted for 107,000 home purchases totaling more than \$54 billion, according to the National Association of Realtors (NAR). A significant number of these properties were priced at more than \$1 million. Interest in U.S. property investments is strong, making now the time for mortgage originators to learn more about this market potential and how they can serve these borrowers.

Many originators overlook foreign-national lending as a source of business. If so, you're missing out on an opportunity. These borrowers tend to be affluent and creditworthy (with a little extra work on your part), and foreign-national borrowers are usually grateful and excited that they are able to finance purchases in the U.S.

With a robust foreign-national lending program, you can offer new clientele competitive rates and the ability to borrow against their assets. Whether they are purchasing an investment property or a second home, foreign-national borrowers can be an excellent source of new clients, and they often become repeat clients and great referral sources, too.

Many originators shy away from this sometimes misunderstood segment of the market, claiming that the process is too complicated and the paperwork is too daunting. But foreign-national lending doesn't have to be overly complex. When you work with a trusted lender to guide you through the process, you can capitalize on this underserved market segment. There is a huge opportunity in this space today throughout the U.S.

### Borrowers abroad

Foreign nationals are individuals who cannot permanently reside in the U.S. Many people fall into this category, including homebuyers who have a foreign passport and don't have a green card; those whose income is derived from abroad; or those who come to this country for vacation or temporary work-related purposes. Individuals paid in U.S. funds on U.S. soil are generally not foreign nationals.

Many foreign nationals don't realize they can finance home purchases in the U.S. because similar transactions in their home country cannot be financed affordably or must be paid in full with cash. And foreign-national borrowers can be based just about anywhere. (The U.S. Department of the Treasury prohibits American companies from doing business with citizens of some nations, such as Cuba and Iran.)

Foreign investors from other nations — including Mexico, Colombia and Pakistan — simply haven't been made aware of the opportunities to finance a home purchase in the U.S. Their home countries don't have the advanced mortgage markets taken for granted in the U.S. — and interest rates in their home countries might be in the double digits. When you help them realize the opportunity to finance second homes or investment properties here, many are stunned and pleased.

Most commonly, according to NAR, foreign-national borrowers come from Canada (home to 8% of all foreign buyers in 2021). Next on the list are

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Mexico (7%), China (6%), India (4%) and the United Kingdom (4%). These investors most frequently buy properties in Florida, California, Texas, Arizona, New York and New Jersey. Buyers from some countries flock to certain areas of the U.S. For example, foreign-national borrowers from China frequently make purchases in California, but that's not always the case.

### Required paperwork

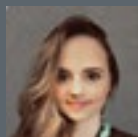
Documentation requirements for foreign-national buyers differ, and it is critical to team up with a lending partner that specializes in foreign-national products, because their expertise will be invaluable as you walk through the process. You can rely on them to guide you through the needed documentation, to help you verify income and to determine qualification details. Work with a lender that knows the market and its intricacies to ensure success.

Fundamentally, foreign-national loans are based on letters. Loan letters, credit letters and an income-verification letter from a certified public accountant in the borrower's home country are required. While lender requirements vary, you can expect that a lender may ask for a reference letter from an internationally known financial institution. Each letter must state the type and length of relationship, how the account is held, the payment amount, the outstanding balance and the status of the account, including a minimum 12-month payment history. Credit reference letters are common. A single reference source may provide verification of multiple accounts.

All currency must be converted to U.S. dollars to ensure borrower qualification. You'll want to know how much debt these borrowers have and if they pay on time. A lot of weight is put on these documents because they show income, whether a home is owned free and clear, and if the borrower is paying their taxes. Letters should be in English, but they can be translated if necessary. Foreign credit documentation or alternative credit letters also are required, but there are a variety of ways to verify this information.

Many foreign countries do not have what is considered in the U.S. as organized credit reports. While credit requirements vary by lender, you can expect to verify foreign credit via three active trade lines, each with a two-year history. In some cases, foreign-based checking and savings accounts may count as trade lines. In most cases, you will source alternative forms of credit verifications.

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It's important to get foreign documentation right the first time. A trusted lender will give you a path to follow and will guide you on how to put the loan together, so you don't get stuck halfway through the loan process and end up in a fallout situation.

### International connections

Do you have family and friends who live in other countries? Finding clients could be as simple as a quick phone call, email or text to say, "Hey, did you know you can do this?" So many mortgage originators are used to dealing only with conventional loan products, but adding foreign-national loans to your lineup will expand your client base — and this sometimes happens quickly.

Many foreign loan contacts come from referrals in close-knit families. When you help one client invest in a property in the U.S., that client's family members often follow, leading to referrals for you. In addition, many foreign-national borrowers become repeat clients.

In addition to personal connections, you can search for referral sources by looking at real estate listings in other languages. Seek referrals from Realtors who serve international clients. Real estate attorneys can offer similar referrals. Once you serve a few clients in this space, you'll find that word spreads. You'll become everyone's go-to contact for foreign-national lending. Even pinning your card on a public bulletin board at a local ethnic restaurant or other business can lead to opportunities.

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Many foreigners seek to invest in the U.S. housing market because properties here are considered a stable source of value. Foreign-national borrowers are used to paying astronomical rates and a lot of people in foreign countries simply aren't

aware that they can obtain financing in the U.S. with competitive rates. You have the opportunity to offer them beneficial loan solutions while also benefiting your bottom line.

Are you ready to take advantage of this hot trend? First, find a lending partner that specializes in the foreign-national market. Talk to them to learn the process and the documentation required, then learn how they can support you to offer this product. Next, do a little creative networking by educating your friends and family members with foreign connections that this type of loan program is available. While the process for foreign-national loans may be a bit different than what you're used to, it's worth it. Now is the time to take advantage of this untapped market opportunity. ●

## KEY POINTS

### Top foreign sources for U.S. home purchases

- ▶ Canada: 8% of all foreign buyers, \$4.2 billion volume
- ▶ Mexico: 7%, \$2.9 billion
- ▶ China: 6%, \$4.5 billion
- ▶ India: 4%, \$3.1 billion
- ▶ United Kingdom: 4%, \$2.7 billion

Source: National Association of Realtors, April 2020 to March 2021