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Homebuying Is Going Global

Foreign-national clients can generate new opportunities



Illustration: Dennis Wunsch

The United States has long been known for providing opportunities to people around the world. For many immigrants, buying a home here is a consummate demonstration of security and success. Today, the popularity of owning an American home is swelling among residents who were born outside of the U.S.

Over the past 30 years, there's been a steady upswing in foreign nationals seeking to buy homes in the U.S., and smart mortgage professionals are paying close attention to that trend. The growing number of non-U.S. citizens realizing the American dream of homeownership presents an opportunity to those who can help make it happen: mortgage originators.

A growing population

A report released this past March by the Mortgage Bankers Association (MBA) Research Institute for Housing America shows that the number of foreign-born

homeowners has increased over the past three decades and will continue to do so as growing numbers of immigrants settle longer in the U.S. The report, titled "Immigrant Contributions to Housing Demand in the United States: A Comparison of Recent Decades and Projections to 2020 for the States and Nation," constructs a demographic-based projection through 2020 that could prove beneficial for loan originators and their business partners.

Consider, for instance, the number of new non-U.S. citizen homeowners in the U.S. over the past three decades:

- **1980-1990:** 0.8 million
- **1990-2000:** 2.1 million
- **2000-2010:** 2.4 million
- **2010-2020:** 2.8 million (projected)

With 2.8 million foreign nationals projected to purchase homes in the U.S. by 2020, it's easy to see that this represents a huge opportunity for mortgage lenders and originators. When you consider the

figures presented in another research report by the National Association of Realtors (NAR), that opportunity seems even more compelling. According to NAR, of the \$928 billion spent on residential real estate in the 12-month period ending in March 2012, international buyers accounted for \$82.5 billion. This figure was up 24 percent from the \$66.4 billion in sales closed in the previous-year period.

Those numbers certainly command attention, and for those who work in Florida, New York, California, Arizona and Texas, it gets even more interesting. NAR's research has shown that, although residential purchases are occurring across the country and from foreigners who represent a variety of countries, regional patterns reveal that the most active home sales are in those five states. Of all foreign-national buyers, 55 percent came from Canada, China, Mexico, India and the United Kingdom.

Work with foreign nationals

According to a recent report from the U.S. Census Bureau, urban areas accounted for about half of the nation's foreign-national households in 2011, led by New York and Los Angeles. Each of these large

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metropolitan settings had more than one million foreign-born households.

Homeownership by non-U.S. citizens isn't limited to big cities and the states of Florida, New York, California and Texas, however. In addition, Alaska, Maine, Michigan, New Hampshire and New Mexico had homeownership rates of about 60 percent among foreign-born households.

All of this research clearly shows that there is business to be had for mortgage professionals who are prepared. But to get the foreign-national homebuying business, you must earn it. If you want to become a trusted resource for foreign-born homebuyers, you need to be apprised of the legal guidelines covering qualification for purchasing property in the U.S. Mortgage professionals can learn more about foreign-national qualification by visiting USA.gov.

You also must know what credible documents are required to demonstrate that a foreign-born customer is legally authorized and has the proper credit to buy a home in the U.S. Some of those documents include:

- **Verification of identity** (i.e., a passport or visa)
- **Social Security number**

- **Verification of income** (usually a two-year history)
- **Verification of assets** (seasoned funds in a known financial institution)
- **Credit references** (i.e., a credit report)

In addition, because foreign nationals must be aware of the tax implications of a home purchase, it's a good idea to align yourself and your business with reputable local tax accountants who can provide your prospective buyers with guidance.

Other considerations

As for financing options, mortgage brokers and originators must become familiar with the lenders that have special programs shaped to meet the unique needs and requirements of foreign-national buyers. Some lenders, for example, have terms that compare favorably to those available to domestic buyers. Although obtaining a loan for a foreign national is not much different than originating a loan for a U.S. citizen, mortgage professionals should pay attention to the loan-to-value limitations and minimum loan amounts.

Keep in mind, too, that language and cultural differences may play a part in how you are perceived as a mortgage professional. Be especially patient and respectful. Some

countries place great weight on making careful and deliberate decisions and don't like to be rushed to move ahead on a purchase. Although purchasing a home has tremendous significance for most people, it may have even greater meaning for the foreign-national customer.

This thought was put into perspective by a statement recently made by Elizabeth Grieco, chief of the foreign-born population branch of the U.S. Census Bureau. "Homeownership is a goal shared by many residents of the United States, both native- and foreign-born, citizen and noncitizen," Grieco said in a release for a Census Bureau report this past January. "For immigrants in particular — who maintain nearly one in seven households in the U.S. — making the transition from renter to homeowner represents a significant investment in the United States."

Those are certainly words to consider. Think about adding foreign nationals into your networking mix, and the luster of the real estate market in the U.S. may shine more brightly for you, as well. By including non-U.S. citizens in your client list, you can expand your business and cultural dimensions at the same time. The rewards will be both immediate and enduring. ●