

A Reprint from *Tierra Grande*, the Real Estate Center Journal

# More Paperwork, Higher Interest

By Jennifer S. Cowley

## Nonpermanent Residents Face Stricter Mortgage Requirements



**W**hile U.S. citizens and permanent residents may find the requirements for buying a home somewhat intimidating, nonpermanent residents (see Residency Status Who's Who) must meet stricter mortgage qualifications that pose an even greater challenge.

Nonpermanent resident homebuyers who have a work visa, a two-year credit history and have lived and worked in the United States for two years may be able to qualify for a 10 percent down payment, which is the minimum down payment a nonresident can expect to pay. Those without credit history or work experience in the United States are typically required to put 20 percent down on homes costing as much as \$250,000 and sometimes an even higher percentage on more expensive homes. An employee newly transferred to the United States might be required to put 25 percent down on a home.

If a nonpermanent resident homebuyer has a primary residence and is interested in a second home, a 25 percent down payment is required. This situation is common for nonpermanent residents with college students in American schools. Students and foreign diplomats are ineligible for mortgages.

Although nonpermanent residents may be required to put more down, they are eligible for standard mortgage terms and can choose from 15- or 30-year conventional fixed- and adjustable-rate loans.

Many nonpermanent residents are not eligible for a conforming loan, which relies heavily on the borrower's credit score and other automated underwriting criteria. Instead, they may fall into the nonconforming loan category, which means that the more information the borrower can provide, the

**JAVIER GIMENO**, a professor from Spain who is working at Texas A&M University, reviews documents with his family. Gimeno researched and found a home loan on his own; his real estate broker had no information on loans for nonpermanent residents.

lower the interest rate will be. According to Hayhurst and Associates, nonpermanent residents can expect to pay up to 1 percent higher interest rates than U.S. residents.

Lenders usually require a copy of the borrower's passport and visa in addition to income and asset verification. A letter from the applicant's employer listing salary history is required. For the self-employed, a letter from a certified public accountant stating the applicant's annual income for the past two years often is required.

Borrowers with non-U.S. bank accounts must provide letters from their banks verifying all liquid assets, as well as bank statements from U.S. accounts. Countrywide Home Loans requires borrowers without established credit in the United States to provide a minimum of five letters from lenders in

## Residency Status Who's Who

**Citizen.** Someone born in the United States or someone born outside the United States who has attained U.S. citizen status through the naturalization process.

**Nonpermanent resident.** Someone from another country who seeks temporary entry to the United States for a specific purpose. This classification includes foreign government officials, visitors for business and for pleasure, students, international representatives, temporary workers and trainees, representatives of foreign information media, exchange visitors, fiance(e)s of U.S. citizens, intracom-

pany transferees, NATO officials, religious workers and some others.

**Permanent resident.** A person from another country who is admitted to the United States as a lawful permanent resident. Lawful permanent residents are legally accorded the privilege of residing permanently in the United States. They may be issued immigrant visas by the Department of State overseas or changed to permanent resident status from nonpermanent resident status by the Immigration and Naturalization Service in the United States.

their countries of origin. All documents must be original, on corporate letterhead and in English with sums converted into U.S. dollars.

Javier Gimeno, a professor of management at Texas A&M University and a citizen of Spain, had an H-1b visa, which authorizes a person designated as having exceptional skills to work in the United States, for about a year when he decided to purchase a home.

A real estate licensee showed him several homes but did not provide any information regarding the requirements for non-permanent resident homebuyers. Gimeno tracked down the information himself, by visiting banks and phoning other potential lenders, some of whom would not consider him for a loan because of his residency status. Others were willing to consider a loan but required extensive paperwork.

Gimeno contacted six companies before finding a lender familiar with the process. His mortgage application was

approved in three days, but he was required to pay an interest rate about one percentage point higher than was being offered to citizens and permanent residents. In exchange for the higher interest rate, however, he was not required to submit documentation beyond what is required for a typical loan. Overall, Gimeno felt his homebuying experience would have been less frustrating if the real estate licensee who assisted him had been able to provide information or a contact who could have educated him about the lending process for nonpermanent residents.

Real estate licensees who want to become better informed about basic lending requirements for nonpermanent residents of the United States may find mortgage brokers to be the best source of information. ♦

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