

A Reprint from *Tierra Grande*

SOLD IN THE USA



Homebuyers in this country are quick to complain about how complicated and lengthy the buying process can be. It is important to remember, however, that it could be worse and is for homebuyers in even the most advanced countries of the world. Millions would love to have a system that works as smoothly as ours does.

While most of the so-called G-8 countries have a well-developed mortgage finance industry, the mortgages they offer do not protect consumers and encourage homeownership. The American housing finance system does. Most of us take the 30-year, fixed-rate mortgage with down payments as low as 3 and 4 percent for granted.

The Homeownership Alliance notes that's not the case in the industrialized countries of Europe. Unlike the United States where 66 percent of all mortgages are of the 30-year, fixed-rate variety, the long-term, fixed-rate mortgage is a rarity in these countries.

The difference in the United States is Congress' long-standing commitment to homeownership and the decision to create what has become a well-developed, sophisticated secondary mortgage market that meets the needs of both homebuyers and investors. In the event, however, that you are looking to buy a home outside the United States, here's what you might expect.

United Kingdom. Reviewable-rate mortgages reign as the dominant residential financial instrument. This is the English version of an adjustable-rate mortgage. Whenever market rates change, the mortgage company reviews the borrower's interest rate and decides whether to impose a new one. In such cases, the only constraints are the competition.

France. The 15-year, fixed-rate loan is most common. Lack of an appraisal system results in borrowers having to put down as much as 40 percent of a

By David S. Jones

home's value. Investors rely more on borrower credit reputation and capacity to pay as a guarantee of repayment than they do on the collateral value of the property. Because payment-to-income ratios are limited, mortgages resemble an unsecured personal loan.

Germany. The largest economy in Europe has a homeownership rate of only 40 percent. That can be attributed to the high cost of housing. Fixed-rate terms are available for one to ten years. Prepayment is prohibited on fixed-term loans, and down payments are typically 35 to 40 percent.

Japan. A government agency guarantees 40 to 50 percent of purchase money — but no refinancing — for ten to 35 years. Commercial and regional banks originate purchase money and refinance mortgages. Fixed-rate terms of three, five, seven and ten years are available. Borrowers have the option to select another fixed-rate loan at the current market interest rate or select a floating rate. Down payments average 50 to 60 percent.

Canada. The main mortgage lenders are chartered banks. Rollover mortgages have a fixed rate during the first one to five years, with a prepayment penalty equal to three months of interest. At rollover, borrowers select another mortgage period. All mortgages with a down payment of less than 25 percent require mortgage insurance.

Italy. The average down payment is 50 percent. Mortgage loans are typically for ten to 15 years. The primary types of mortgages offered are "reference" and fixed rate.

The Homeownership Alliance is a coalition of 12 organizations committed to ensuring support for the American housing system. For more information, visit their website at www.homeownershipalliance.com.

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