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# United States Residential Property Buying Guide

For Foreign Buyers & Investors



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## Introduction

The United States welcomes property buyers who are not U.S. citizens, offering a transaction system that is clearly defined and transparent, by global standards. But it is still a lengthy and complicated process with many pitfalls, which can cost foreign buyers thousands of dollars and many headaches, if not handled correctly.

To many new buyers, the process might seem rigid and frustrating. Every purchase includes mounds of paperwork and bureaucratic hurdles. One missing piece of paper can delay a purchase for days or weeks. Miss a deadline and a deal can collapse. But almost every requirement is designed to protect both the buyer and seller, eliminating many of the dangers found in property deals in other parts of the world.

The World Property Channel U.S. Residential Property Buying Guide is designed to give you all the basic information you need to search for a home, negotiate a deal and buy the property. Every prospective buyer should seek out experts and advisers to

protect their interests in the deal, but an understanding of the process can eliminate surprises and save you money.

Through every step, buyers in the U.S. have distinct advantages not available in many countries. Background information is readily available on all homes, including sales data. Sellers are required to disclose existing problems. Agents and most participants in the deal are licensed and must conform to industry standards.

The search for a home in the United States should be fun and invigorating. Buyers can spend months looking for the right house in the right neighborhood. The most coveted properties may only spend a day or two on the market before attracting bidders. Other shoppers utilize the array of easily available resources to find detailed information on available properties and find their dream house in a few days.

We hope you find this guide to be a helpful and informative resource.

-WPC NEWS Editors

## MARKET SNAPSHOT

Many newcomers are often daunted by the size and diversity of the United States, which is split into 50 states and five distinct regions — Northeast, Southeast, Mid-West, Southwest and West. Economic, society and cultural norms can differ tremendously between state and regions. Each jurisdiction will have its own restrictions, legal requirements, taxes and fees. Prices can also vary from region to region. For example, at one point, the median price for a home in the Midwest was \$160,000, while the median price in the West was \$276,000.

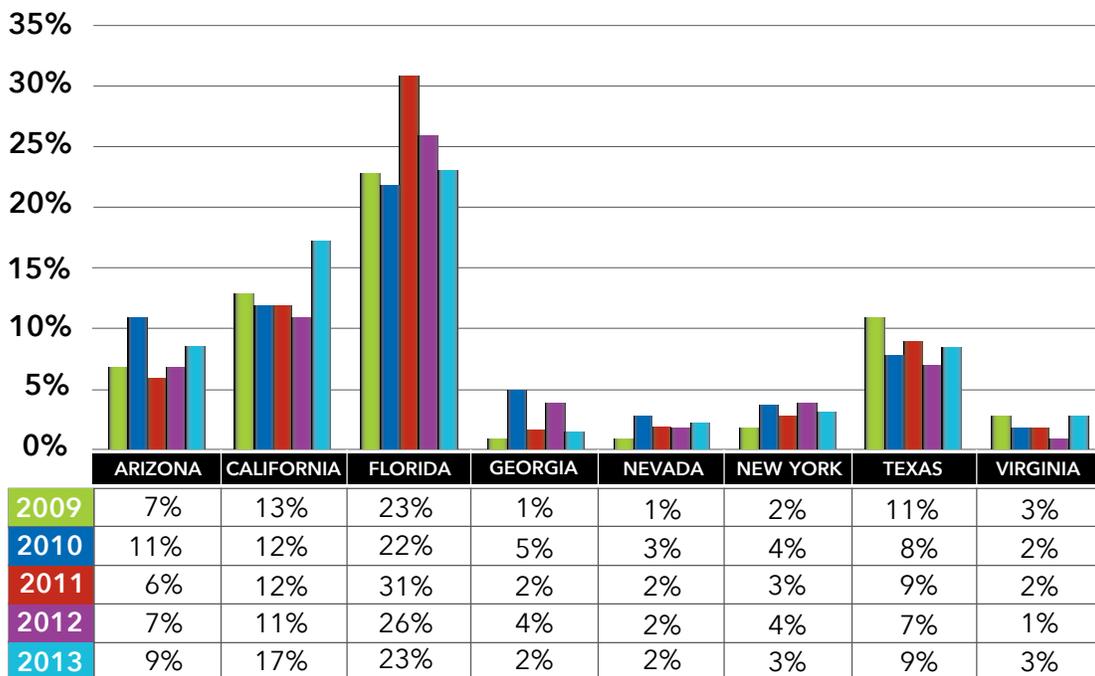
The most popular states for international buyers are Florida, California, Texas and Arizona, according to an annual study of international buyers by the National Association of Realtors. In 2013, those four states accounted for 58% of the international clients in the United States, with the rest scattered across a variety of states, including Nevada (home to Las Vegas), New York, Georgia and Virginia.

Each state draws its own audience. South Americans tend to focus on Florida and Miami, NAR's research found. Canadians head to the warm climates of Florida and Arizona. Buyers from Mexico are mostly found in Arizona and Texas. Asian buyers prefer the proximity of California. And buyers from India preferred California, Tennessee, Connecticut and New Jersey.

### FACT

About 53 percent of Realtors who work with international clients say the main factors influencing the decision to purchase in the U.S. are profitability and security.

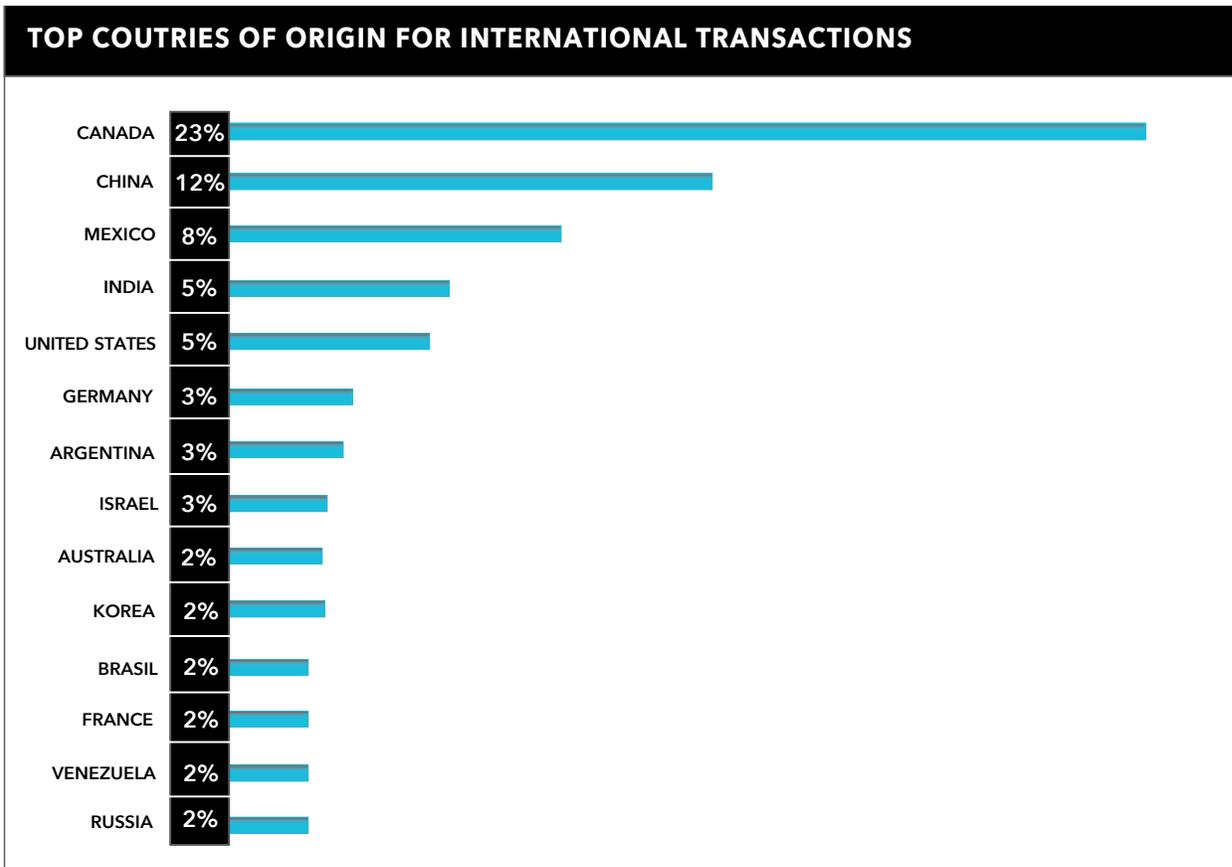
**DISTRIBUTION OF INTERNATIONAL SALES BY STATE**



The United States is known as “the melting pot” for its acceptance of immigrants from around the world, but foreign buyers tend to cluster in specific locations based on their countries of origin. As a result, many culturally-specific neighborhoods are sprinkled around the country, “probably based on word-of-mouth and shared experiences and likely because of the shorter geographic distance from their home country to the state location,” NAR concludes. Miami, for example, has strong, entrenched communities from Cuba, Venezuela

and Colombia. San Francisco is famous for its vibrant Chinese communities; Chicago is home to a large Polish community. Your native country’s embassy or an agent can help identify cities and neighborhoods that might interest you.

The top five international buyers in the U.S. are from Canada, China (PRC, Hong Kong, Taiwan), Mexico, India and the United Kingdom, accounting for about 53% of international deals.



National Association of REALTORS® 2013 Profile of International Home Buying Activity

International buyers typically account for anywhere from 6 to 8% of existing home sales, making them an important clientele for the industry. About half of international buyers in the United States are permanent residents of other countries and they buy property in the U.S. as an investment or second home, according to NAR data. (Non-resident foreigners are typically limited to six-month stays.) The other half of buyers are recent immigrants or temporary visa holders who are intending to stay for more than six months.

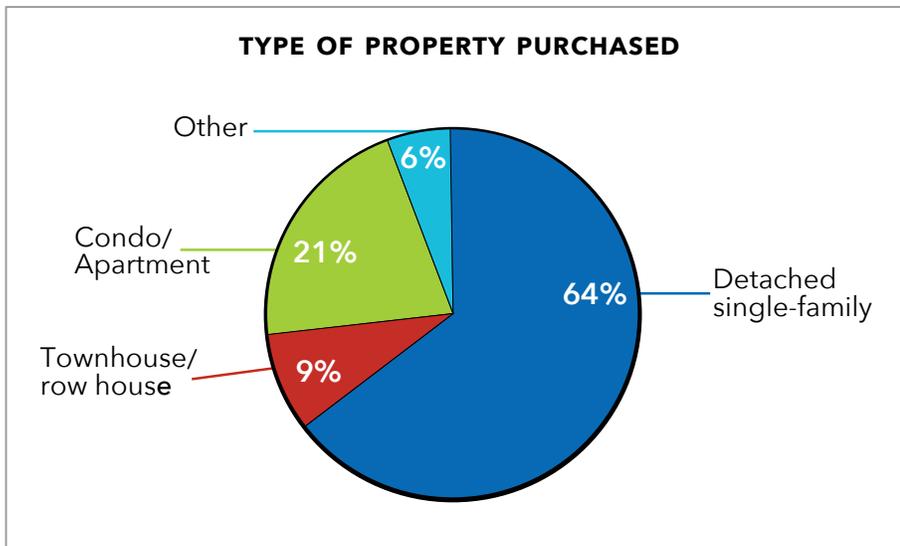
NAR has identified several unique characteristics of foreign buyers. About 63% of purchases by international buyers are all-cash deals, compared to about 30% for domestic buyers. The median price for homes purchased by non-U.S. citizens is typically 50 percent higher than the overall median price

for existing homes. Chinese buyers were reported to be buying homes in the upper range, with the median price at \$425,000, followed by India (\$300,000), the United Kingdom (\$250,000), Canada (\$183,000) and Mexico (\$156,250).

About 64% of international buyers purchase single family homes, with condominiums and apartments the second-most popular category, accounting for 21% of sales.

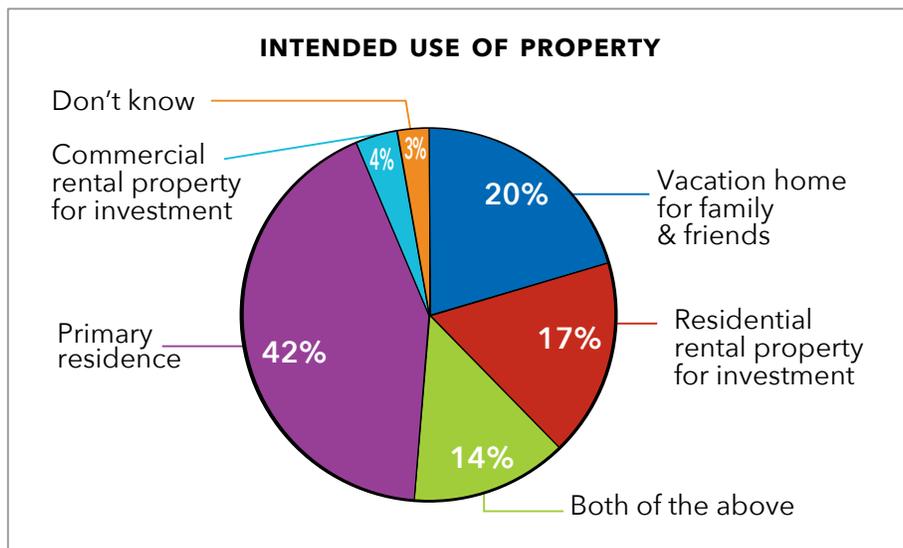
**FACT**

Top reasons international clients cited for choosing not to purchase property: cost/taxes, insurance and financing issues.



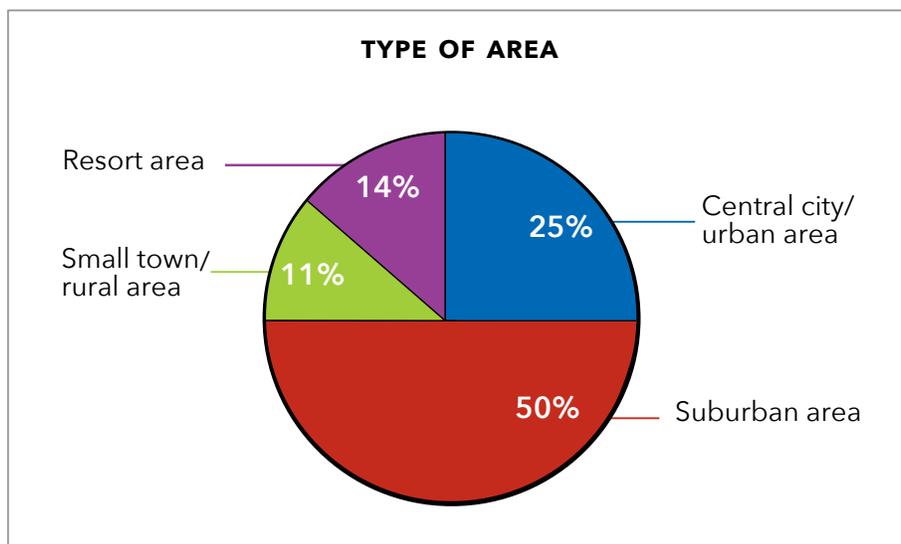
National Association of REALTORS® 2013 Profile of International Home Buying Activity

With so many international buyers intending to stay for more than six months, usually for education or professional reasons, it's not surprising that 42% of the respondents in the NAR study said they intend to use the home as a primary residence. About 20% plan to use the property as a vacation home, while 17% cited investment as the reason for buying.



National Association of REALTORS® 2013 Profile of International Home Buying Activity

NAR also spotted a distinct trend concerning where international buyers choose to purchase homes. About half of international buyers prefer suburban areas and about a quarter choose to move into cities. About 14 percent locate in a resort area.



National Association of REALTORS® 2013 Profile of International Home Buying Activity

## TIP SHEET

For foreign buyers the variety of jurisdictions involved in a property may be unexpected – federal, state, county and municipality. Each will have its own specific fees, taxes and legal requirements. This is one of the most important points for a potential buyer to clarify before selecting a location. Property taxes in some states are much less than in others; some states have fewer regulations. In California and New York, two of the locations most desired by foreign buyers, the taxes and fees may be far higher than in other parts of the country.

Even if the foreign buyer doesn't live in the property, he will be responsible for local property and school taxes. A quality school district can often mean much

higher education fees. If the property is to be rented, the price per month charged by the foreign owner needs to consider the many different expenses and fees associated with the property, which can affect profitability.

### QUICK TIP:

The cost of living varies dramatically from state to state, which may impact the financial calculations on a property. The U.S. State Department makes information on cost of living available on this site: <http://www.state.gov/m/fsi/tc/79700.htm>

- ⇒ In the U.S., the calculations used to determine the value of a home are largely based on the value of the surrounding property. Recent sales are used for comparison, often referred to simply as "comps." As a result, it is extra important to evaluate the attributes and maintenance levels of a neighborhood, not only the property to be purchased.
- ⇒ Agents in the United States must be licensed to sell real estate. Members of the National Association of Realtors (NAR) are called Realtors and they must meet standards for education and best practices to maintain their license to sell real estate. You are not required to use a Realtor, but if you do make sure they are certified by NAR.
- ⇒ It is important to understand the goals for buying the property and evaluate the purchase based on those goals. Is it a second home? An investment? Do you want to rent it? Do you want to live in the house one day? Are schools important? Public transportation?
- ⇒ If you are looking at a house as an investment it is important to evaluate the sales and pricing history of each neighborhood and region. Even within cities, neighborhoods perform differently. Fortunately, information is readily available, particularly if you are working with a Realtor.
- ⇒ Do you have at least 30% of the purchase price available in cash? Most lenders require at least a 30% down payment from non U.S. citizens.

Most of the requirements for foreign buyers are no different than for U.S. citizens. You will be responsible for filing annual tax returns and paying capital gains tax when you sell the property. Foreign property buyers must have a visa to enter the U.S., but there are no restrictions on the type of visa necessary to buy a home.

Nevertheless, there are complexities unique to foreign buyers. If the foreign buyer is looking for financing, extra time and documentation may be required. Mortgages are available, but the process may take many weeks, during which the buyer pays for an appraisal, inspection, and other expenses with no guarantee that he will receive a mortgage. Some foreign buyers may be surprised at the amount of information they must provide about their private finances; they may find the requirements excessive, but it's impossible for a foreigner to receive a mortgage or FIL (Foreign Investor Loan) without extensive disclosure. Most foreign buyers prefer to arrange loans in their home country and/or get pre-approved for a loan before starting the search for a home

#### A FEW OTHER POTENTIAL LANDMINES:

- ⇒ It's important for foreign buyers to understand that although federal rules apply for visas and investment taxes, each state has its own requirements and tax structure, separate from the federal tax structure governed by the Internal Revenue Service of the U.S. government. Although this may sound complicated, in practice it is relatively easy, and most filings can be done online. Accountants and other tax preparers are available throughout the country.
- ⇒ Co-ops may cause a problem. Buildings organized as cooperatives, which are particularly common in New York, often have strict restrictions on foreign buyers. Every buyer must be approved by the co-op before they can purchase a unit.
- ⇒ Make sure the property is protected in case of death. If the owner dies, a federal tax of 50 percent may be collected on the sale of the property, unless it has been placed in a trust. Estate planning with a tax professional should be an important part of the process.
- ⇒ The Foreign Investment in Real Property Tax Act (FIRPTA) requires that foreign owners put 10 percent of the sale price in a special account when they sell the property to ensure they pay the capital gains tax. (However, there are tax treaties between the U.S. and certain countries that can alter this rule.)

Property experts agree that it is important to consult with a lawyer and tax accountant before you begin looking for property to buy – regardless of what kind of property and where it is located. All fully-executed agreements and contracts are legally binding. You should be very careful and enlist a professional to review any documents before signing.

## THE BASICS

How a foreign buyer evaluates the costs and hassles of buying property in the U.S. depends on their country of origin and experiences in other markets. Buyers from Hong Kong or London, for example, tend to find U.S. taxes and fees reasonable, especially since property may be much cheaper. A buyer familiar with Greece or Spain might find the U.S. system transparent and easy to navigate, even if there is a mound of paperwork connected with every purchase.

U.S. taxes and fees are considered higher than many countries. A 2013 report by consultant Knight Frank listed New York the eighth most-expensive major city in the world in terms of added purchasing costs, but the number one most expensive for annual costs, such as property taxes.



Knight Frank Prime Global Cities Index

### HEALTH CARE

The U.S. doesn't offer government health care for nonresident aliens. Visitors to the U.S. – and a foreign buyer is in that category unless he or she qualifies for an E-series visa – may buy commercial health insurance that covers them while they are in the U.S. Some companies that offer visitor insurance include US Netcare, Insurance Services of America, and American Visitor Insurance. Insurance can also be found via an insurance broker – lists of brokers are available from the Chamber of Commerce or Better Business Bureau where the property is located.

- <http://www.usnetcare.com/>
- <http://www.immigrationhealth.com/>
- <http://americanvisitorinsurance.com/wordpress/>

### CURRENCY

U.S. dollar in coins (1 cent, 5, 10, 25, 50, \$1, \$2) and paper (\$1, 5, 10, 20, 50, 100, 1000). Changing money into dollars is more difficult in the U.S. than in most other countries. You should pay very careful attention to exchange rates and shop for the best way to transfer funds from your native currency to American dollars to buy your home.

### FEES

Each property transaction includes a variety of fees and required costs that can add thousands of dollars to the deal, depending on the location and age of the home. Some jurisdictions require special inspections for anything from lead paints to termites. During the process, the buyer typically pays for a variety of required appraisals, inspections and survey maps. Your representative should explain all the specific fees up front before a contract is signed.

## HOMEOWNER ASSOCIATIONS

Many condominiums and planned neighborhoods are organized around homeowners associations (HOAs), which are responsible for the maintenance of the project and common areas. The homeowners association is typically governed by a board elected by the homeowners. The HOA administers the covenants, conditions and restrictions (CC & Rs) for the community, which may restrict everything from the color of homes to what you can put on your front lawn. It's important to review a copy of the CC & Rs before buying and evaluate if the HOA is properly maintaining the neighborhood or building.

Monthly homeowner association fees can add significant cost to a property. And if the HOA fees have not been paid on a property, it can hold up a sale.

## LIENS AND EASEMENTS

Before buying a property, it is essential for the title company to research any potential liens or easements that might restrict usage of the property. The sale package will need to include a detailed survey map of the property, showing the exact boundaries of the property.

## MEASUREMENTS

U.S. measurements are typically communicated in feet, not meters. Homes are measured in square feet; land in acres.

## PRE-CONSTRUCTION/OFF PLAN SALES

The pre-construction sale of new homes, known as "off plan" sales in many countries, is not as common in the United States as other parts of the world. The one exception is Miami, where many residential projects are actively marketed before construction.

Buying off plan in the United States is not substantially different than other countries, except for the safeguards of the legal system. But specific deals and buying procedures vary tremendously, depending on the developer and the state. Traditionally many developers allowed buyers to reserve a unit for as little as a 20 percent deposit, but these days they often ask for 40 to 50 percent up-front, with additional payments due as the project hits construction milestones.

Purchasing off plan offers the buyer a lower price and a chance to pick the best units. But the buyer is assuming more risk. Depending on the contract, the developer may be able to spend deposits on building and marketing costs, which leaves nothing left to return to buyers if the project doesn't happen. By the time the project is completed the market may have changed. There is no guarantee the property will appreciate in value, easily rent or quickly resell, despite the assurances of the developer.

Anybody considering buying off plan should carefully research the history of the developer, the status of the project and the sales history of the market. Buyers should consider using an attorney to review the details of all documents.

## RETIREMENT BENEFITS FOR FOREIGN BUYERS

Unlike Costa Rica, Panama and the Philippines, for example, the U.S. doesn't have a retirement visa program for foreign home buyers. Such a program has been proposed by Realtors' associations and others, but it has not received widespread political support.

## TAXES

Every city offers a wide array of accountants and tax consultants who can advise on the best way to handle the tax situation. Many foreign buyers choose to set up a trust or LLC to buy property, which can impact the tax situation. Also keep in mind that tax laws change often. But here are a few basics:

### FEDERAL

The U.S. offers two ways for foreign buyers of property to calculate federal taxes each year. The Fixed Determinable Annual Periodical method (FDAP) is 30% of gross rental income with no deductions. The Effectively Connected Income method (ECI) allows deductions for costs associated with renting the property. The foreign buyer must select the method he will use to calculate federal tax when he files the first tax return by March 15 of the year of purchase or the following year if the purchase is made after the first quarter.

Before filing the first federal tax return on Form 1042-S, every foreign buyer of U.S. property must file Form W-7 with the Internal Revenue Service to apply for a Taxpayer Identification Number (TIN).

Every year the foreign owner of U.S. property must file Form 1042-S with the IRS by March 15 in order to fulfill federal tax reporting obligations. State tax is usually due to the state taxing authority at the same time.

### STATE

Most American states tax income with the rates varying dramatically from state to state. Seven U.S. states do not tax income: Alaska, Florida, Nevada, South Dakota, Texas, Washington and

Wyoming. Property taxes can also vary wildly from state to state and county to county. Local property taxes associated with assessment of property value are collected from the owner or renter and often pay for schools and infrastructure improvements.

### SPECIAL ASSESSMENTS

Some cities and counties have unique special assessments to support schools or public services. It's always important to get a full rundown of the monthly fees in the neighborhood.

### TRANSFER

When buying or selling a property, the buyer or seller - or sometimes both - is often charged a transfer tax. The amount is a percentage of the price and varies according to the state where the transaction is taking place. Several states do not charge a transfer tax.

### CAPITAL GAINS

When you sell the property in the U.S., you are liable for capital gains tax. The original purchase price is deducted from the selling prices, as well as tax deductible expenses related to the property. The remainder is typically taxed at the rate of 30%.

## VISAS

Foreign home buyers need entry visas to come to the U.S. and must apply for green cards and citizenship if they want to stay longer. All visas are acquired at the U.S. Embassy in the buyer's home country. The types of visas are described on the U.S. State Department website [http://travel.state.gov/visa/visa\\_1750.html](http://travel.state.gov/visa/visa_1750.html)

Here are a few possibilities for foreign property buyers:

- ⇒ **B1** – visa for business purposes that do not involve earning money from U.S. sources
- ⇒ **B2** – visa for tourism, entertainment, medical purposes and does not involve being paid for work
- ⇒ **Visa Waiver Program** – no visa needed for up to 90 days in the U.S. for citizens of 37 countries who will not be working in the US during their visit. Here is a link to the list of countries: [http://travel.state.gov/visa/temp/without/without\\_1990.html#citizen](http://travel.state.gov/visa/temp/without/without_1990.html#citizen)
- ⇒ **E1-E4** - Employment Based Immigrant visas. See the categories: [http://travel.state.gov/visa/immigrants/types/types\\_1323.html](http://travel.state.gov/visa/immigrants/types/types_1323.html)

### EB-5 Visas

The EB-5 program provides a popular path to residency visa for investors. Launched in 1990, the program is designed to encourage foreign investment in projects that create jobs. A non-U.S. citizen who invests \$500,000 in a job-creating development in a targeted area, or \$1 million in a project in a non-targeted area, will be eligible to apply for a special residency visa.

The detailed rules for an EB-5 visa can be found at [www.uscis.gov](http://www.uscis.gov)

## FINDING A PROPERTY

Foreigners looking for a property in the U.S. should determine long before they visit the country what they are looking for and where. Unless they come from Russia or Canada, they will be used to living in a smaller country. Probably they will be used to better public transportation than is typical in the U.S. The ideal location will be related to what the buyer is trying to achieve: Requirements for a vacation home may be different than for a rental property. Is the buyer ready to travel several hours by car to the property or should it be reachable by metro or bus transportation?

### THE SEARCH

Unlike in other countries, almost every property for sale in the U.S. is listed in something called the Multiple Listings Service or MLS. MLS are available in every state and city, but accessed only by a licensed real estate agent. Although properties are often listed on publicly accessible sites, unless a foreigner receives a tip from a relative or friend living in the U.S., he is unlikely to access all available properties unless he contacts a real estate agent.

Finding the right Realtor is a key part of the process. Although they are licensed, Realtors still represent a wide range of experience and skill sets. Some are experts on certain neighborhoods or certain types of property. Others only represent buyers. It is important to find the one that best suits your needs.

It is possible in the U.S. to buy property without an agent. In some cases, buyers find properties before they are formally listed and use a lawyer to handle the transaction. Some sellers choose not to use an agent and market their properties independently as "For Sale by Owner" (FSBO). There are also agents who will offer minimal service for a slashed commission. Any buyer who doesn't use an agent should hire an attorney to protect their

#### QUICK TIP:

Many Realtors have gone through special courses on international property transactions to earn a Certified International Property Specialist (CIPS) designation from NAR. Certified Realtors will usually display the CIPS logo on their business cards and advertisements.

interests. The potential danger for a foreigner is considerable if not represented by a qualified agent or attorney.

The best agents will keep a constant lookout for properties that best meet your needs. In many areas, the best properties are pounced on when they become available. Buyers can also hunt on their own, using sites such as Trulia.com and Zillow.com, which allow sellers to list properties and link potential buyers with the agents handling those properties. These sites also typically offer information about the neighborhood, recent sales and other public data.

### RESEARCHING PROPERTY

Once the buyer has found one or more possible properties, the listing will provide the history of each property and give an idea of recent selling prices in the neighborhood. Many Web sites offer detailed records of a property and the neighborhood, and can be found by entering the address of the property in Google search.

Property sale prices are public information in the U.S. Every community, city, county and state keeps records that show how much properties sold for, when it was sold and the tax rates. These records can be accessed through the local clerks office or library.

Property sellers are also required by law to notify prospective buyers of any relevant flaws, liens or problems with a property. These disclosures are made early in the process.

## MAKING AN OFFER

Once the buyer has checked into the background of the property and knows how similar properties in the same area are priced, he or she is ready to make an offer. An offer is a conditional obligation – usually not more than two or three pages – identifying the property and defining what the buyer is ready to pay for the property.

The offer will also stipulate the commissions to be paid to the agents. In many deals, the starting point is a 3 percent commission for the buyer's agent and a 3 percent commission for the seller's agent. The seller is responsible for paying the commissions, which are usually factored into the sale price. But many agencies offer special commission deals and the commissions can become part of the negotiation process.

Several conditions and contingencies can be written into the initial offer, including the ability of the house to pass inspection and meet time limits for assessments and financing. The offer is valid for an agreed upon time period, typically 30 to 60 days, during which conditions have to be satisfied. Having financing approved may also be a condition of the offer. The offer may be the same as the asking price, or it could be considerably less if the property has been available for a long time—or it can be higher, if there is competition for the house.

An offer can outline improvements the buyer wants to the property or additional equipment supplied by the seller within a specified period of time. The offer should also be very specific about what is covered in the offer price. If the buyer wants to purchase anything that is not part of the structure of the property—such as furniture, art work or curtains—it must be specified in the offer.

When the offer is submitted, the buyer must also pay a small deposit known as “earnest money.”

The earnest money, which is often 2% of the purchase price, is held in escrow. In competitive situations, the buyer might offer more earnest money to show seriousness of intent. If the property sale is closed, the deposit is applied to the purchase price. If the buyer does not fulfill all contract obligations, the deposit may be forfeited.

The seller will either agree to the offer, reject it or file a counter offer. The counter offer will address all issues of the original offer, including price and any stipulations imposed by the seller. Any aspect of the agreement is open for negotiation, including:

- ⇒ The dates for closing the deal and taking possession of the property. The seller might have special requirements
- ⇒ Inclusion of furniture, appliances or other elements of the property not considered part of the property
- ⇒ Payment for repairs required by your lender
- ⇒ Payment of taxes, utilities and rents
- ⇒ Payment of title search and insurance
- ⇒ Payment of survey, transfer taxes and recording fees
- ⇒ Payment of general and termite inspections
- ⇒ Payment of attorney fees

This written give and take continues until there is either a signed agreement or an unresolved impasse. While the process may be cumbersome, it assures that every detail of the agreement is spelled out. But it also increases the importance of making sure that every aspect of the deal is addressed, in writing.

## WHEN THE OFFER IS ACCEPTED

After approval by the seller, the buyer puts from 10 to 30% of the offering price in escrow pending fulfillment of the conditions. At that point a new process starts as the buyer and seller move to meet the conditions outlined in the offer.

For the seller, that means making repairs within the agreed-upon period and fulfilling any other obligations spelled out in the agreement. The buyer uses this time to perform due diligence, including an inspection of the property, prepare financing and ensure that all the necessary title and legal documents are properly prepared for the close of the sale.

### INSPECTIONS

The buyer is typically not mandated by law to hire a professional inspector to investigate the property, but it is highly recommended – and it is required by mortgage companies. (Note: Inspections are common for single family homes, but not common for apartments or condominiums.) The names of licensed experts can be supplied by the realtor or agent, but the buyer is under no obligation to use their suggestions. You can find your own inspectors through the local Chamber of Commerce or Better Business Bureau. It is essential to find a reputable expert with a confirmed record of thoroughness and a detailed understanding of local codes.

An inspection can range anywhere from a basic fee to several hundred dollars. The inspector should examine every aspect of the property from the foundation to the chimney, including all the heating and cooling systems, appliances and any other mechanical elements. Especially in warmer parts of the country, the inspector will also look for damage to wood by termites and other pests. (Many areas may require a termite inspection.)

After examining the property, the inspector produces a report for the buyer and mortgage provider that identifies all problems with the property. Based on that, buyer and seller agree who will pay for repairs. It is essential that the buyer address any problems areas at this point in the process. If the buyer and seller cannot agree on repairs, the buyer may lower the offer price. If the lower price isn't accepted, he can withdraw the offer and his down payment is released from escrow. The results of the inspection will become part of the mortgage application.

### APPRAISAL

The buyer also pays for an assessment or valuation of the property, a key part of the process. It is the buyer's responsibility to determine the true market value of the property. If the valuation is found to be less than what the buyer has offered, it might be difficult to arrange financing and it could end the deal. For investors, the appraised value may determine if the property is really a good investment.

Much like the inspection process, it is essential to find a trusted licensed appraiser who is familiar with the neighborhood. Often mortgage companies recommend appraisers they have worked with in the past. The appraiser will inspect the property and prepare a detailed analysis of the recent sales market, comparing the age, size and condition of the property to similar properties that have sold in the area in recent months. It is important to notify the appraiser of any special conditions or improvements that might affect the value of the property.

Finding the appraised value is a science, but an inexact science. Foreclosures or liens on the property can complicate issues. For properties that have had a single owner for a lengthy period of time, the property may be worth far more than its last selling price; conversely a downturn in the market might mean the property is valued at far less than expected.

Buyers who pay cash in this process have an advantage over buyers who require a mortgage. A mortgage company may nix a deal if the valuation doesn't meet their requirements, but cash buyers can make their own choice about whether or not to move forward with the deal. If the buyer offers a lower price and the seller refuses, the deal is off, the buyer has to look elsewhere, and the down payment is released from escrow.

## **FINANCING**

When the seller accepts the buyer's offer, the buyer usually has 30 to 60 days to provide the money or financing. That period can be extended if the seller agrees. Generally, getting a mortgage approved takes longer than 30 days, so the buyer should insist on 60 days or longer to complete the financing. If financing isn't approved, the offer expires unless the buyer can find the money another way.

Mortgages are available from some American banks and other mortgage lenders. However, foreigners may be expected to put as much as 50 percent of the price down, although deals for 30 percent can be found. Foreigners often are asked to put the first year's mortgage payments (including principal, interest, taxes, and property insurance) into escrow as further guarantee for the lending institution.

Even if you are trying to buy the property through an offshore corporation, you will be asked for personal financial information and sometimes a guarantee. Documents required to prove income may need to be notarized – for a foreign buyer, foreign bank and similar documents may have to be attested by the Foreign Ministry or other government body in the buyer's home country. Sometimes the Embassy of the buyer's home

country in Washington D.C. can do this. But typically a letter from your bank is acceptable.

If the buyer's bank in the home country has operations in the U.S., it may be willing to finance purchase of American property. When the buyer works with a Realtor affiliated with a major brokerage, the Realtor may be able to offer a mortgage through an affiliated lender.

Documentation requirements vary from state to state—and often within a state, depending on the lending institutions. Typically, the foreign borrower will be asked to supply certain documents – translated into English as needed – in application for a mortgage.

- ⇒ Three (3) letters of reference from creditors (bank, credit card company, mortgage lender)
- ⇒ Personal financial statements for past two years
- ⇒ Income tax returns for past two years
- ⇒ Bank statements from past year
- ⇒ Letters of reference from at least two banks
- ⇒ International credit report
- ⇒ Property appraisal
- ⇒ Copy of passport and visa

## **HOMEOWNER INSURANCE**

Lenders require buyers to take out an insurance policy to cover the property in case of catastrophic damage. Proof of insurance must be obtained before the financing deal can close. Rates and packages vary from state to state, and many companies offer discounts on auto and health insurance if they are included in the package. Costs are much higher in states that are susceptible to natural disasters, such as Florida. It's best to shop around.



## **MORTGAGE INSURANCE**

Anyone who buys a property with a mortgage and pays less than 20 percent as a down payment must buy mortgage insurance or PMI. PMI is paid as part of the monthly mortgage payment and can add anywhere from a few hundred to thousands of dollars to the monthly payment. Buyers who pay at least 20 percent down are typically not required to pay PMI.

## **LAWYERS**

In some states a property buyer is required to have a lawyer. In other states it is not required, but it is always a good idea for a foreign buyer. The lawyer will make sure his client's rights are protected in the sale contract and the mortgage procedure, if there is one, as well as determining tax obligations. A lawyer can also advise on nuances of the detail specific to foreign citizens.

The American Bar Association hosts an app on its website that allows anyone to access legal help. First visit <http://apps.americanbar.org/legalservices/findlegalhelp/home.cfm> and then click on the state where the property is located.

## **NOTARIES**

Notaries are not as important in the U.S. as in countries where they perform duties of lawyers. However, property documents including mortgage applications usually have to be stamped by a notary who guarantees the identity of the person who has signed the documents. Most banks have notaries on duty. Some notaries work independently in their own offices and can be found through the local Chamber of Commerce and the Better Business Bureau. Realtors often have a notary working in their office.

## **TITLE INSURANCE**

Title insurance protects the buyer and lender from any claims that might arise from the ownership history of the property. If there are any doubts about the legal background, title insurance provides protection against any losses. Title insurance is usually covered by a one-time fee paid at closing and is valid for as long as the insured owns the property.

## CLOSING THE DEAL

After the conditions in the offer have been satisfied and financing – if required – has been obtained, the sale of property is concluded during a settlement meeting. All aspects of the transaction will be completed at the settlement meeting and every piece of the deal must be in place. At the meeting, which is often hosted by the escrow company, the buyer will be greeted with a large stack of papers, each with a specific meaning and legal significance, including documents required by the local jurisdiction.

Most of the documents are prepared prior to the closing and distributed to the buyer and seller. If any document is not prepared correctly for the closing, it could affect the ability of the deal to close. The settlement will include paying your closing costs, legal fees, property adjustments and transfer taxes.

While every city, county and state has its own specific requirements, certain documents are typically required at closing.

### QUICK TIP:

You don't have to be in the U.S. to close the deal. A representative can be formally granted "Power of Attorney," giving them the right to sign papers for you.

- ⇒ **Payoffs of other mortgages:** evidence that any existing liens on the property are paid off before a new mortgage can be issued as a first mortgage on the property
- ⇒ **Payoffs of other creditors:** any existing debts on credit cards or unsecured lines of credit must be paid before the new mortgage can be issued
- ⇒ **Termite letter:** a statement from a pest control company dated within 30 to 90 days of the closing that property is free of pests and there is no damage from prior infestation
- ⇒ **Survey:** a drawing of the property boundaries including any improvements that have been made to the fencing or other edging updated within 30-90 days of the closing
- ⇒ **Flood insurance:** if any part of the property is within a flood zone – buyer pays first year's premium at closing
- ⇒ **Hazard insurance:** unless the condominium association already pays for it – buyer pays first year's premium at closing

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- ⇒ **Septic letter:** if property isn't connected to a public sewer, letter from local health authority certifying that septic tank is in order and working properly
  - ⇒ **Well letter:** if property isn't connected to public water supply, letter from local health authority certifying that water quality is adequate and reliable
  - ⇒ **Home buyer's warranty:** usually paid for by seller and guarantees service for systems and appliances in the house for one year
  - ⇒ **Proof of title:** a title company researches the history of ownership of the property and determines that no money is owed on the property by seller or a previous owner
  - ⇒ **Power of Attorney:** if buyer cannot attend the closing
  - ⇒ **Bank check or bank transfer:** if buyer or seller has to bring money to the closing, only bank checks or transfers are accepted; no personal checks.

### QUICK TIP:

Before the settlement conference, make sure the seller is prepared to hand over all keys and remote controls, not just the door keys. That includes garage door openers and keys for window shutter locks and storage compartments.

When all the paperwork is signed, ownership is transferred to the buyer. The buyer will receive the property title, copies of all documentation pertaining to the purchase—and the keys.



## MOVING IN

Moving to another country includes all the normal problems of moving from one location to another, plus the additional ones of dealing with a new situation where the rules may be quite different. Taking furniture and personal goods out of one's own country involves an export procedure. Bringing them into a second country where one is a foreigner involves an import procedure that can be more complicated.

The most important thing is to select a moving and shipping company in one's own country with an office in the U.S. Some moving companies that call themselves international do not have offices in the U.S.; they use unrelated companies to execute the most difficult parts of the process: Customs procedures and delivery of your belongings to the new location.

### **BRINGING THE PETS**

Immigrating your pets can be one of the most stressful parts of a move.

#### **DOGS**

A general certificate of health is not required by Centers for Disease Control, although some airlines or states require an International Health Certificate from your vet, completed within 10 days of departure. This certificate states that your pet is in good health and OK to fly. Pet dogs are subject to inspection at ports of entry and may be denied entry into the United States if they have evidence of an infectious disease that can be transmitted to humans. Dogs must have a certificate showing they have been vaccinated against rabies at least 30 days prior to entry into the United States. These requirements apply equally to service animals such as Seeing Eye dogs.

may be denied entry into the United States if they have evidence of an infectious disease that can be transmitted to humans. Cats are not required to have proof of rabies vaccination for importation into the United States, however some states require vaccination of cats for rabies, so it is a good idea to check with state and local health authorities at your final destination.

#### **BIRDS**

To bring in a pet bird, you must first obtain a USDA Import Permit and provide a current health certificate issued by a full-time salaried veterinarian employed for the agency responsible for animal health of the national government in the exporting country of origin. Then the bird must be quarantined, at the owner's expense, in a USDA animal import center.

For full details on importing animals, go to the Centers for Disease Control site, <http://www.cdc.gov/animalimportation/bringinganimals.html>

#### **CATS**

Like dogs, many airlines require your cat to have an International Health Certificate from your vet completed within 10 days of departure, although a general certificate of health is not required by CDC. Cats are also subject to inspection at ports of entry and

## **CUSTOMS**

### **HOUSEHOLD GOODS AND PERSONAL ITEMS**

Household goods including furniture, dishes, and decorations as well as clothes and personal items may be brought in duty free as long as they have been used. The owner must provide one of the following Customs Forms (CF) with contents of the shipment itemized:

- CF 6059B Customs Declaration if traveling with the goods by ship or car
- CF 3299 Declaration for Free Entry of Unaccompanied Articles

Moving and shipping companies fill out these forms in the home country, create the lists of goods, identify them for Customs inspection, and delivery them to the owner in the US.

### **IMPORTING A CAR**

Importing a car into the U.S. requires filling out the HS-7 Declaration that the vehicle conforms to Department of Transportation (DOT) standards for bumpers, theft prevention and emissions. If it does not, the vehicle will have to be modified by a DOT Registered Importer (RI). The procedure can be costly.

Before trying to bring a nonconforming vehicle into the U.S., the owner should check the National Highway Traffic Safety Administration's (NHTSA) website ([www.nhtsa.dot.gov/cars/rules/import](http://www.nhtsa.dot.gov/cars/rules/import)) for a list of cars that can be modified. Since cars and used cars are probably cheaper in the U.S. than in the buyer's home country, most decide it is more sensible to buy than to import.

### **FOOD**

U.S. authorities are reluctant to allow food into the country unless it is canned. It is advisable not to import any kind of food. Travelers often see international visitors at U.S. airports being forced to give up delicacies they have brought from home.

### **ALCOHOL**

Alcohol may be imported, but it is subject to duties once the limit for travelers of one or two liters is exceeded. In addition, states have varying duties on alcohol so the foreigner would also pay the duty for the state to which the goods are being delivered.

## **ELECTRICITY AND GAS**

If you're buying a property where someone has been living or working, electricity and gas are usually still operational. You should contact the local company supplying the power directly to have the account changed into your name. Often you won't even have to go to the office. The Realtor or seller can provide this information. To get service, you may have to provide a refundable deposit.

## **TELEPHONE**

Wireless telephony is everywhere in the U.S., and the number of homes with fixed lines is declining, although many people still maintain a landline phone at home as insurance against outages during bad weather. Most service is regional. The biggest company

## TELEPHONE CONT.

is AT&T, once the sole provider in the U.S., now one of many. Verizon, T-Mobile and Sprint are among the companies that offer nationwide service. Both GSM and CDMA networks cover the U.S. and different carriers use different networks. Most companies offer special deals on new phones if the customer agrees to a two- or three-year contract. A deposit may be required for the first year of service.

## TV AND DATA

TV service is provided by cable and satellite companies like Comcast, Time Warner and DirecTV, and also by internet companies such as AT&T and Verizon. You will need to learn what services and companies operate in your local area. Deposits are often required for the first year until the client has shown himself to be a reliable customer who pays bills on time. Another option for internet service available in the U.S. is the wireless mobile hotspot, a box half the size of an iPod that provides internet service anywhere.

## MAIL

The U.S. Post Office provides home delivery six days a week (although there are proposals to eliminate Saturday delivery). Branches of the post office are found in most communities and usually offer mailboxes for rent. If you're moving from another location in the U.S., the post office offers easy change of address cards to forward your mail. There are also many small private companies that rent mail boxes and offer mail services (although many won't forward mail, after you move). In a rural or remote area, it's a good idea to visit the nearest post office and to meet the manager who will let the mail carriers know about a new resident. Important personal letters and almost all letters connected with business are sent by private carriers like FedEx, DHL, and UPS. Their offices can be found in every state and city

### FACT:

The U.S. is the third largest country in the world by population, roughly one fourth the size of China or India. It is also third largest in area, just after Canada and about half the size of Russia.

## RESOURCES

### **ECONOMY**

The U.S. economy – the largest in the world – is carefully monitored at home and abroad. The US Bureau of Labor Statistics (BLS) provides a monthly update on the percentage of unemployment. BLS also monitors the Consumer Price Index (CPI) which in May 2013 stood at 0.1 of the base years 1982-84, showing that inflation is still low, another positive sign for the recovery.

### **GOVERNMENT AGENCIES**

#### **Internal Revenue Service:**

Collects income taxes from individuals and companies. Offices are found in Washington D.C. and regional centers around the country.

Individuals: 1-800-829-1040

Businesses: 1-800-829-4933

[www.irs.gov](http://www.irs.gov)

#### **Department of State:**

Organizes U.S. relations with other countries and controls visa process.

Washington D.C. and embassies in many countries.

Visas: 202-663-1225

[www.state.gov](http://www.state.gov)

#### **US Customs and Border Protection:**

Controls entry points into the U.S. by land, sea, and air and sets regulations for entry of persons and goods. Washington D.C. and borders, ports, airports.

In the US: 1-877-229-5511

From overseas: 202-325-8000

[www.cbp.gov](http://www.cbp.gov)

### **RESEARCH FIRMS**

#### **The Danter Company:**

Specializes in market research and consulting for personal and commercial investment.

Columbus, Ohio..... 614-221-9096

[www.danter.com](http://www.danter.com)

#### **Reis, Inc.:**

Provides information and analysis on commercial real estate

New York, NY..... 212-901-1932

[www.reis.com](http://www.reis.com)

#### **Green Street Advisors:**

Publishes reports on personal and commercial real estate and property trends.

Newport Beach, CA..... 949-640-8780

[www.greenstreetadvisors.com](http://www.greenstreetadvisors.com)

#### **National Association of Realtors:**

Tracks monthly housing data, as well as international sales.

Chicago, Illinois..... 800-874-6500

<http://www.realtor.org/>



### **RealtyTrac:**

Follows foreclosures and other trends  
in specific markets.

Irvine, Ca..... 800-550-4802

<http://www.realtytrac.com/>

### **Taxation of Non Resident Foreigners (NRs)**

The Internal Revenue Services, the agency overseeing federal taxes ([www.irs.gov](http://www.irs.gov)) has several sites devoted to different aspects of taxation on non-residents.

[www.irs.gov/Individuals/International-Taxpayers/Foreign-Persons-Receiving-Rental-Income-From-U.S.-Real-Property](http://www.irs.gov/Individuals/International-Taxpayers/Foreign-Persons-Receiving-Rental-Income-From-U.S.-Real-Property)

[www.irs.gov/Individuals/International-Taxpayers/Taxation-of-Nonresident-Aliens](http://www.irs.gov/Individuals/International-Taxpayers/Taxation-of-Nonresident-Aliens)

[www.irs.gov/Individuals/International-Taxpayers/FIRPTA-Withholding](http://www.irs.gov/Individuals/International-Taxpayers/FIRPTA-Withholding)

[www.irs.gov/Individuals/International-Taxpayers/Effectively-Connected-Income-%28ECI%29](http://www.irs.gov/Individuals/International-Taxpayers/Effectively-Connected-Income-%28ECI%29)

[www.irs.gov/Individuals/International-Taxpayers/Fixed,-Determinable,-Annual,-Periodical-%28FDAP%29-Income](http://www.irs.gov/Individuals/International-Taxpayers/Fixed,-Determinable,-Annual,-Periodical-%28FDAP%29-Income)

### **Real Estate Tax Center**

[www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Real-Estate-Tax-Center](http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Real-Estate-Tax-Center)

### **Visas**

The Department of State

[www.travel.state.gov/visa/](http://www.travel.state.gov/visa/)

## **UNITED STATES IN NUMBERS**

<b>U.S. Population</b>	316,668,567
<b>Land area</b>	9,826,675 sq km
<b>Lowest Point</b>	Death Valley, California -86 meters
<b>Highest Point</b>	Mount McKinley (Denali), Alaska, 6,194 meters
<b>Land Use</b>	Arable land: 16.19% Permanent crops: 0.26% Other: 83.44%
<b>Ethnic Background</b>	White 79.96% Hispanic 15.1% Black 12.85% Asian 4.43% Amerindian and Alaska native 0.97% Native Hawaiian and other Pacific Islander 0.18%

Note: The U.S. Census Bureau considers Hispanic to mean persons of Spanish/Hispanic/Latino origin including those of Mexican, Cuban, Puerto Rican, Dominican Republic, Spanish, and Central or South American origin living in the U.S. who may be of any race or ethnic group (white, black, Asian, etc.).

<b>Religions</b>	Protestant 51.3% Roman Catholic 23.9% Mormon 1.7% Other Christian 1.6% Jewish 1.7% Buddhist 0.7% Muslim 0.6%, Unaffiliated 12.1% None 4% (2007 est.)
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**UNITED STATES IN NUMBERS CONT.**

**Language**

English	82.1%
Spanish	10.7%
Other Indo-European	3.8%
Asian and Pacific island	2.7%

**Age Structure:**

0-14 years:	20%
15-24 years:	13.7%
25-54:	40.2%
55-64 years:	12.3%
65 and older:	13.9%

**Population Growth Rate:** 0.9%

**Literacy**  
(Age 15 and over can read and write): 99%

**Urbanization:**

Urban populations:	82% of total population (2010)
Rate of urbanization:	1.2% annual (2010-2015 estimate)

*(Source CIA World Factbook)*

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