

ASK THE EXPERT

Australian Property Loan Access



Q I've heard you cant get a loan to buy Australian property unless you live there, is that correct?

A Australia's safe property market has allowed foreign investors to benefit from constant access to favourable lending options for many years. Recently however a surge in Foreign Investor activity, especially from the highly active Chinese buyers, has caused a rethink in lending policy that affects all nationalities.

As such, anyone looking to buy a property while living abroad or in preparation for migration to Australia will need to be mindful of the new lending environment.

Can I still get a loan? Many banks have now stopped lending to foreign nationals as an internal policy decision, so you may find that when you approach a bank branch that you will be told lending isn't available by them. It doesn't mean you can't get a loan, just maybe not from that bank.

Even for Australian Expatriates the rules have been tightened up so it is harder to get loans than before.

You will need to shop around or consider using an expert finance consultant. The need for assistance has never been greater, so you should be willing to bypass the banks and seek out professional assistance. This will give you access to all lending options and be sure you know all of your choices.

It is important to deal with a Finance Broker that is well experienced with lending to overseas buyers and migrants, so you get access to the lending best suited to your situation.

How much can I borrow? Traditionally, you could always finance up to 80% of the purchase price or valuation, whichever is the lower, however in recent times this has been reduced to 70% for non-Australian buyers while only a few lenders will extend 80% still to expatriates. This will mean you may require a larger deposit.

You should also be aware that an additional Stamp Duty for foreign buyers has been introduced by the State Governments of Victoria (8%), New South Wales (9%) & Queensland (7%) that needs to be factored in as well as the usual purchasers Stamp Duty (which ranges between 2% and 6%). The Federal Government also introduced a foreign buyers fee in December 2015 of A\$14,700 for purchases under A\$1m rising as the property value increases.

The Federal Government also introduced a foreign buyers fee in December 2015 of A\$5,000 for purchases under A\$1m rising as the property value increases.

The State and Federal Fees do not apply to anyone holding Australian Citizenship or a Permanent Resident Visa.

To get a loan approval you will need to prove you have the funds required to pay for your share of the property and costs, so be ready to disclose that in your loan application.

The combination of lower levels of finance and higher entry costs may significantly impact your purchasing budget, so it is best to seek a "Pre Approval" of your loan before you go looking for a property. This will give you clarity of exactly how much you can afford and save you time and inconvenience when looking at property options.

What property can I buy? In addition to the new foreign buyers fees, there has been a tightening up of the policing of the Foreign Buyer regulations in Australia. Nothing has changed, but they are very vigilant in monitoring matters and have significant fines for anyone caught breaching the rules, which are summarized below:

Australian Visa Status	Established Property	New Property (upon application for approval)
Australian Citizen or Permanent Resident Visa Holder	Allowed to acquire without need to seek approval	
Spouse of an Australian Citizen or Permanent Resident Visa Holder	Can buy only as "Joint Tenants" with Australian spouse. Foreign Buyers fees will apply on proportionate basis.	Can buy off plan, brand new property to be constructed or recently completed by original developer. Can buy land as long as building commences within 2 years of settlement.
Temporary Resident Visa Holder	Can buy established property provided it is to be used as the principal residence and is never rented out. Property must be sold when visa expires or if you wish to move to another property.	
Foreign National	Not permitted to buy established property	

What are the costs of getting a loan? The actual loan costs in Australia are quite reasonable. Most banks will charge an application fee of approximately A\$600-\$1,000 which includes all legal fees, documentation and a sworn valuation of the property. That is all you should pay.

Your broker should not charge you any fees for assisting you as if they are appropriately licenced, the bank should pay them a referral fee.

You will also need to pay a lawyer or settlement agent to attend to the exchange of your property and ensure all documentation is in order. This isn't part of your loan costs, but necessary to transfer the property correctly to you and usually costs between A\$1,000 to A\$3,000.

Should I wait until I arrive in Australia? Even with the changes it is often easier to arrange a loan while living overseas rather than once you have arrived. This is true largely because of the potential uncertainty of a new job and also the fact that you may have better incomes and rental on the property prior to your anticipated arrival.

Furthermore, you may find that an early purchase decision could be a good option as the Australian market grows quite steadily so buying today may be cheaper than the future cost of the property and the availability in Australia is also quite pressured in the quality liveable market, so finding a property maybe somewhat harder as well. This obviously has to be assessed on the merit of each property and the prevailing market conditions.

Our finance division, Specialist Mortgage, has over 20 years of experience in assisting foreign buyers & expatriates acquire their Australian property. For more information, contact your Specialist Mortgage advisor on finance@smats.net or visit our website at www.smats.net

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