



The A to Z of UK expatriate mortgages

UK expatriates looking to finance a property in their home country may have a difficult time dealing with UK financial institutions. **Adrian Wright** lists the main players in the UK marketplace and explains their strengths and weaknesses.

Expatriates are very poorly served when it comes to the financing or refinancing of their property interests in the UK.

The marketplace continues to be dominated by a handful of international banks offering decidedly lacklustre terms to a captive market. Loans are often conditional on a banking relationship and the borrower's willingness to submit to mediocre

terms and equally mediocre conditional in-house insurance deals.

Whilst it has been proven that the quality of mortgage business underwritten on expatriates is far superior in terms of persistency and lack of default, the UK lenders still stick to the view that they do not wish to pursue debt overseas. This seems to be the crutch they can lean on, rather than explain

that the quality of their services and their personnel are so poor that they are unable to cope with the sometimes complicated lifestyle and income stream of expatriates.

So, who are the main players in this marketplace and what of their strengths and weaknesses? Here is an A to Z that, whilst not exhaustive, gives a good overview of the market.

Z



A. Abbey

Still unkindly but deservedly referred to as “The Shabby”. Now under the parentage of Spanish bank Santander. Once Abbey was bold enough to open offices aimed at expats in Hong Kong and Dubai, but these were closed during one of its frequent reorganisations. Abbey is of little help to expat borrowers and is particularly obstructive to existing borrowers looking to extend their terms or borrowing levels.

B. Bank of Scotland – Halifax

Part of the huge HBOS group (H for Halifax) grouping, Bank of Scotland International does at least try to help on better-than-average terms. Loan to values of 60-70 per cent are available and margins over base competitive. However, currently it insists on six months

interest being lodged via a deposit account yielding just 0.25 per cent!

C. Cheltenham & Gloucester

A former building society that, since its acquisition by Lloyds TSB, doesn't seem to know if it wants to lend to expats or not. When it does, its terms are very attractive. Unfortunately, its service standards are abysmal. If you are in a hurry, dealing with this lender will have you and your broker in a straitjacket!

D. Derbyshire Building Society

Made a brief foray into expat lending and deposit taking. Involvement with the Icelandic banks enforced a run for cover under Nationwide's ample umbrella.

E. Exhibitions – Property

As in the early nineties docklands shakeout, plenty of expats have

lost their savings at the hands of the carpetbagging developers and agents sales forces. Northern cities are awash with empty unsaleable, unmortgageable investment apartments and many unsuspecting investors have been drawn into offplan situations.

F. Fortis

Its offices in London and Hong Kong offered a second-to-none service to expatriates and foreign nationals for many years. Its rates were slightly better than many of its bank competitors and it was extremely helpful when borrowing was required via special purchase vehicles, offshore trusts and companies. Fortis was very competitive for multi-currency loans. There is a limiting minimum loan of GBP150,000. The latest banking crisis has seen Fortis pull back and impose less attractive terms and unreasonable loan conditions.

H. Heritable Bank

Unfortunately, another victim of the Icelandic bank failures – part of Landsbanki. This is a shame. Rather like Fortis, Heritable was a true niche lender, with first-rate service, sensible underwriting and personnel who actually knew what they were doing. Whilst not having the sharpest rates in town, the bank was not far off the pace and there was plenty of add-on value to be had with this lender. There are rumours that Heritable may resurface. Meanwhile, it is very fair to those borrowers still on its books.

HSBC

Considering its high profile as the world's local bank, HSBC seems remarkably feeble in helping customers with UK financing or refinancing. Whilst rates are competitive, the bank seems so intent on selling every other service that it has to offer that mortgage help takes a back seat. All sorts of

restrictions impede the intending borrower and tales abound of the initial agreement being subsequently reneged on.

Halifax

The mighty Halifax once accounted for 30 per cent of the UK's mortgage lending. Sadly, Halifax Building Society decided that it wanted to play in the bankers' big pond, but like their other building society chums, it did not have the management expertise to swim with the big sharks. Now part of HBOS, Halifax has spells when it is very helpful to expatriate customers, while other times it is of no assistance whatsoever. Right now, Halifax is going through one of its helpful phases, but it still insists on odd criteria such as requiring a declaration that the expatriate borrower will have returned to the UK within three years from making his or her application! Halifax can be particularly helpful to existing borrowers needing to move or achieve further borrowing, and that stance is much at variance with most of its competitors.

I. Ipswich Building Society

Now in its third year of expatriate lending via an exclusive deal through International Mortgage Plans. Currently its terms are limited to expats not letting, but this still embraces many situations – parents occupying, wife/children whilst husband stays overseas, children studying at university and siblings needing assistance. Letting situations have been accommodated on ultra competitive terms, but the FSA is currently restricting those levels of lending. 2010 should see a resumption. Rates, terms and service have all been best buys.

L. Lloyds TSB

Very involved in the expatriate world via its overseas club and representation in most expatriate



centres, particularly Dubai, Hong Kong and Singapore. In its previous guise as Hill Samuel, Lloyds in Hong Kong truly had the Asia market by the throat. There were indications of a drive to reachieve that pre-eminence prior to its fall from grace in the recent banking crisis. Average lending terms are countered by flexibility, currency options and the ability to offer terms in countries rather than just the UK.

M. Mortgage Brokers

They should be able to access the entire, albeit limited, marketplace. They will certainly be remunerated by the lender via a procuration fee, and this could determine the arrangement fee they will usually charge. This could be anywhere between GBP250 and one per cent of the loan, but a good broker should be able to save an applicant serious money. By handling the processing of the loan proposal, they can help avoid much of the heartache in dealing with lenders who seem intent on employing sales prevention forces.

N. Nationwide Building Society

Nationwide is the UK's largest building society by far. Six times the size of its nearest competitor,

and that can't be healthy!

Nationwide behaves like the worst of the banks and is absolutely no help at all with expatriates wanting to raise money for property finance. It is, however, extremely happy to accept the expatriate's offshore deposit funds. In taking over the borrowers of the Portman and Lambeth Building Societies, Nationwide took on the loan books of societies that had actually been helpful to expatriates. Whilst it has said that it will stand by commitments to those societies' existing borrowers, it refuses to countenance any further borrowing for them. Its service standards are abysmal.

P. Portman Building Society

Portman was probably the most competitive provider of expatriate mortgage funds via a broking arrangement for over 10 years. Whilst the relationship wasn't perfect, it was better than most. Regrettably, Portman borrowers now have to suffer the indignities of dealing with Nationwide. At least the many hundreds who by default came out of their Portman discounts and fixes are enjoying the benefits of Nationwide's tracker rates, which must be



causing them considerable pain – 1.75-2.5 per cent are common deals in place with no end date, and with the ability to carry on letting. However, no additional funding will be provided and neither will a change of property if letting is to continue.

R. Royal Bank of Scotland

Despite being a major victim of the banking crisis, Royal Bank continues to offer competitive terms to expatriates. Unfortunately, lending through its successful Singapore operation has been

curtailed and plans for a major hub in Dubai are on hold. Thankfully, other offices are able to provide funding, albeit limited to 60 per cent loan to value. Rates are good and the personnel exceptionally helpful.

S. Scotland

Unfortunately, expatriates wishing to purchase or refinance property in Scotland have an especially difficult time. Odd bearing in mind the huge numbers of Scots who inhabit all expatriate centres. Some lenders are unwilling or unable to

www.google.com For mortgages, there is no need to look further than Google using the key words 'expat mortgages', 'expatriate mortgages' and 'expat buy to let'.

www.international-mortgage-plans.com Providers of independent expatriate mortgage advice for over 20 years. Lenders comparable terms transparently given plus market news, overviews and information on property-related matters.

www.nethouseprices.com This will let you know the sale prices property has achieved in the road that you are looking at. These prices are the actual figure paid as registered by the UK land registry.

www.homecheck.co.uk With a UK postcode, the site will tell you about any environmental/pollution/flooding and subsidence risks to the property.

www.upmystreet.com A useful agent's site to see what property is on the market.

www.mortgageslaidbare.info The Financial Services Authority no-nonsense guide to mortgages.

www.zoopla.co.uk A new and very comprehensive property price comparison site.

cope with the difficulties presented by the differing Scottish legal and purchasing systems.

Stroud & Swindon Building Society

Britain's 13th largest building society spent two years building up a GBP20 million expatriate book via exclusive broker arranged deals. Its rates were best buys with a 2.3 per cent three-year discount from its standard UK buy-to-let terms. Obviously, it found servicing expatriates too difficult, as lending terms have been withdrawn, and it can now watch its GBP20 million book walk away.

T. The Mortgage Works

Previously a subsidiary of Portman, now Nationwide. Its propositions were aimed at buy-to-let lending, including loans for expats. Whilst its rates were not the keenest, it did have a whole range of products and at one time was able to provide an excellent service. It no longer lends to expatriates and is particularly unhelpful with existing expatriate borrowers.

W. Websites

The expatriate homeowner, buyer and borrower are newly empowered! They no longer have to rely on the sales pitch of the far-away agent or developer and can consult specific websites, which will tell them the comparable sale prices of properties adjacent to that of their interest and environmental information, including the likelihood of flooding in the area of their interest.

In summary, expatriate borrowers are treated as second-class citizens who may as well be from Mars. It's a frustrating business dealing with UK financial institutions from the UK, and from overseas it's a nightmare.

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The writer heads *International Mortgage Plans, UK*.