

What you May Not Be Told About Florida Mortgage Shopping

At first glance, there are enough similarities in terminology to make Brits buying property in Florida think that the mortgage system will be quite easy to find their way round ... so they can put that to one side for the moment and concentrate on finding a great property at the right price.

Wrong!

The one thing that every UK citizen buying in Florida *must* remember at every single stage of the process is to never make *any* assumptions about how things work in Florida. Yes, some differences are minor – but others might just make the difference between a successful purchase and disaster. You must remember that to the average person in Florida, the system they have is the only system in the world, so they will not be going out of their way to highlight any differences to you.

The only way to guarantee the success of your Florida property purchase is to arm yourself with as much factual information as possible – and get relevant advice from the right people. The “right people” in this context are people in the business who have specific experience of dealing with British clients looking for not just any mortgage in Florida, but the same type of mortgage you are looking for.

The most popular types of mortgage available to British citizens buying in Florida will generally be familiar – in particular the basic fixed rate and variable rate mortgages. There are a few variations on these themes (you may see references to things like piggyback or balloon loans) that are typically devices to suit particular circumstances and may be relevant to British buyers, and a whole raft of programs and offers that are really only suitable for special case USA citizens.

Most importantly however, there are different types of mortgages depending on the use you plan for the property. There are different rules for mortgages on properties as primary residence, second homes and as investments – and sometimes there are different or additional rules for foreign residents on top of those! So as you can see, there are many potential pitfalls to be avoided.

With the correct guidance, getting a mortgage for a property in Florida is not normally a problem. Mortgages of up to 75% of the property value can usually be obtained by self-certification, but larger percentages usually require proof not only of income, but of expenditure too – the borrower gets more and more concerned about affordability at these levels. The broad affordability calculation is similar to that used in the UK, with most people allowed to borrow 3.5 times the first income plus the second income.

You must ensure however, that you – and your advisers – are completely open about why you are buying a property in Florida, or it is very easy to fall into a trap that can have serious consequences. For example, as you

research the market, you may see advertisements featuring loans of up to 80% of the property value – an attractive proposition that may increase your buying power. However, these loans are typically only available on properties that are for your personal occupation as a primary or secondary residence – and are specifically not offered on rental properties. Some agents and brokers may be less than open about these factors until you are presented with the final documents to sign.

This can result in you being literally at the eleventh hour and closing on the property, with a difficult decision to make. Do you pull out of the deal and potentially lose the property (and your deposit) while you find a mortgage that is properly designed for your planned use, or do you sign a document you know to be false? The latter course should not really be up for consideration as the potential consequences are unthinkable – under Florida law, this would count as perjury.

That's a classic example of the need for an experienced mortgage broker who understands your situation – especially your background and experience – and can guide you through the Florida mortgage system.

Getting the right type of mortgage can also be a consideration when you are signing the contract that commits you to purchasing a property. It is common for such contracts in America to carry "contingencies" – which you can think of as "what-if's that might stop you going ahead with the purchase. A number of contingencies are almost standard in such contracts, but if you are a British buyer of a property you plan to rent out – you need to have a special contingency in your contract that allows you to back out of the deal if you cannot get the type of investment mortgage you require for this purpose. Without that clause, you would be committed to either buying the property with a mortgage that doesn't allow you to rent it out, or perjuring yourself to mortgage the property as a primary or secondary home.

Of course, you may have your mortgage approved in principle before you go looking for a property. As well as giving you the confidence that you can afford to buy, the associated documentation will tell estate brokers and their sellers that you are a serious buyer. In a business that works on commission and a fierce hierarchy of seniority within sales forces, this can open doors to levels of personal service and experience that isn't available to you if you simply walk in off the street with an enquiry.

Getting your mortgage application pre-approved also saves time in completing the mortgage application when you find the property you want. This can be important as the familiar phrase "time is of the essence" is fundamentally true with Florida contracts. British buyers must pay careful attention to every date that is included in the contract – if you don't meet each milestone as it comes up, the seller can pull out of the deal, and will probably keep any deposit you have already paid. This is no time for last-minute hiccups in getting your mortgage arranged!

You may also want to consider the relative merits of mortgaging your property with a UK lender – and whether it is better to finance in dollars

or sterling. Factoring in these additional elements of currency fluctuations and cross-border transactions adds an obvious extra layer of complexity to the whole business, but even for the most (apparently) straightforward property purchase, there is no substitute for the help of an adviser who has worked specifically with Brits buying in Florida.

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