

Top 15 Things Every Foreign Client Should Consider

This is a guide to help educate international clients on the rules, regulations, and components to consider when purchasing property in the United States. A real estate professional specializing in international clientele can expand on these topics and make appropriate introductions to additional professionals that will assist in your real estate transaction.

NO. 1: OWNERSHIP OF REAL PROPERTY

There are no restrictions on the ownership of real property (also known as real estate) by a foreign national in the United States (U.S.).

Both U.S. residents and non-U.S. residents are afforded legal rights and privileges, and there are very few differences in the purchasing process.



NO. 2: EVALUATING HOMEOWNER ASSOCIATIONS

Many new Homeowner Associations (HoA) are much like a shareholder in a corporation. Many property types can have an HoA governed by Declarations, Covenants, Conditions, and Restrictions (CC&R) or sometimes regime documents that include bylaws, rules and regulations, and declarations. The HoA is in addition to local and state laws and regulations that will govern the property. You should learn about the HoA's governance and pay particular attention to the rules and regulations, financial statements, and occupancy restrictions.



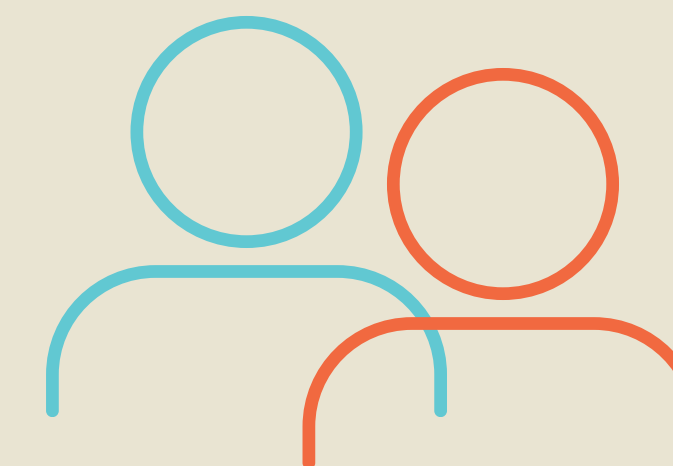
NO. 3: INVESTMENT PROPERTY

There are many reasons to invest in real estate; however, the two standout factors are currency and portfolio diversification benefits and a hedge against inflation. Economists and many studies have proven that global diversification in investment properties results in decreased volatility and increased return on investment in your portfolio.



NO. 4: BUYER & SELLER REPRESENTATION

Seller and Buyer Representation Real estate laws are state-specific in the U.S., and different areas have different statutes and practices. In the U.S., real estate fees or commissions are all negotiable.



NO. 8: INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER (ITIN)

A U.S. citizen or eligible foreigner can obtain a Social Security Number (SSN). For resident aliens and nonresident aliens not eligible to receive an SSN, the Internal Revenue Service issues an Individual Taxpayer Identification Number (ITIN) that allows them to file U.S. tax returns and apply for credit regardless of a person's immigration status. The ITIN mortgage loan program was developed to enable those without a social security number to buy and finance a home in the United States.



NO. 6: COST COMPONENTS

Unlike many other countries, the purchase price of a residential property includes all equipment, appliances, light fixtures, and window treatments unless expressly excluded in the purchase and sale contract. The initial purchase costs include closing costs, taxes, insurance, broker agency commissions, and title fees.



NO. 7: UNITED STATES VISAS

Austin and Central Texas are top destinations for foreign nationals seeking to live and work in the United States. The immigration options available for international homebuyers to remain in the U.S. for significant periods depend on various circumstances. For example, the most common options for many are to obtain E-2 Treaty Investor visas, H-1B Professional Worker visas, L-1A Multinational Executive visas, and even EB-5 Immigrant Investor permanent residence.



NO. 5: TEXAS IS A NON-DISCLOSURE STATE

Real estate records, lien, and mortgage information in many municipalities throughout the U.S. are transparent and available online. In Texas, a buyer or seller is not required to disclose the sales price of a property to anyone or any entity whatsoever. Real estate sales prices are not public records.

NO. 9: MORTGAGE FINANCING FOR FOREIGN NATIONALS

U.S. banks and mortgage companies may offer primary resident and investor mortgages for foreign nationals. Each banker, or mortgage lender, will provide different types of loan products, maximum loan limits, underwriting criteria, and reserve requirements. In our strong seller's market and the consistently low inventory, more buyers opt to purchase with cash or cash-like mortgage products. If paying with money, be prepared to show proof of funds documentation.



NO. 11: NEW BUILDS

Builders and developers, or their sales associates, also known as the seller, will be responsible for representing themselves and not the buyer. It is recommended to have your real estate agent accompany you on your first visit to any builder or developer meeting. The real estate agent will help you get the most value for your money, including negotiating extras, recommending financing, and overseeing the multiple home inspections needed throughout the building process.



NO. 13: SUBSTANTIAL PRESENCE TEST

The Substantial Presence Test (SPT) is used by the IRS in the United States to determine whether an individual who is not a citizen or lawful permanent resident qualifies as a resident or nonresident for tax purposes.



NO. 10: OPPORTUNITY ZONES

Opportunity Zones tax incentive is an economic development tool that allows people to invest in distressed areas. The incentive aims to spur economic development and job creation in distressed communities by providing tax benefits to investors. The City of Austin has twenty-one census tracts designated as Opportunity Zones. The majority of the Opportunity Zones are located east of Interstate 35. To view these designated tracts, please ask your agent for more details.



NO. 12: TAX-RELATED MATTERS

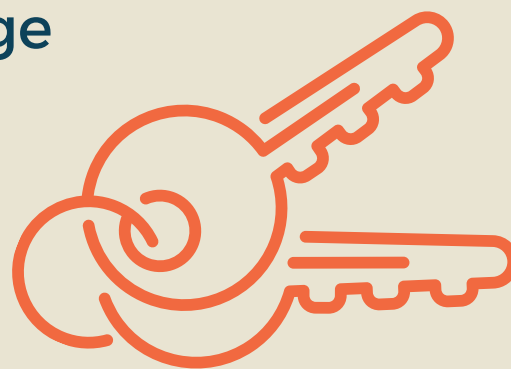
Although foreign buyers are afforded the same rights and privileges as U.S. citizens and residents, they commonly make a few mistakes.

A foreign-national's sale or transfer of U.S. real property is subject to a fifteen percent withholding tax of the purchase price at the time of the sale under the Foreign Investment in Real Property Tax Act (FIRPTA). Although it is an added tax to foreign nationals selling U.S. property, there are exemptions and structures that one can employ at the time of purchase to minimize FIRPTA impact. If a seller is a foreign person and the buyer fails to withhold, the buyer may be held liable for the tax. U.S. estate taxes, property insurance, rental income, and determining if a seller meets the U.S. Internal Revenue Service's (IRS) substantial presence test in any given calendar year is essential to discuss with the seller's tax professional. Your agent can recommend a local Certified Public Accountant or Attorney specializing in international tax issues and help guide you.



NO. 14: POST-CLOSING CONSIDERATIONS

Before closing and completing your real estate transaction, we suggest that you plan and take necessary steps to manage the ownership and enjoyment of your new Austin property. These steps include mortgage payment (principal and interest), real estate taxes, property insurance, monthly condo maintenance fees (service charges), any renovations, and property management if needed.



NO. 15: LEASING AND PROPERTY MANAGEMENT

Leasing and property management can range from single-family homes and multi-family residences to duplexes and apartment complexes to various commercial property types. It is essential to work with an agent specializing in leasing and property management to ensure you follow all local laws and regulations. Some properties or jurisdictions may not allow short-term rentals, such as VRBO and AirB&B. Another consideration your agent can advise you on is compliance with the Americans with Disabilities Act or ADA, a civil rights law prohibiting discrimination based on disability.

