

Time for mortgages for foreigners



Bangkok Post: 1 May 2011

Mortgages for foreigners: an idea whose time has come

The 1991 Condominium Act is counterproductive to the wants and needs of the Thai property market

With economies and property markets booming across Asia, many question why foreign demand for Thai properties has yet to return. During the pre-crisis period before 2008, foreign purchasers accounted for up to 35% of the demand for condominiums in Bangkok's central business district. That figure included foreign purchasers from overseas, foreigners working in Thailand and permanent residents.

Today, foreign demand is below 20%. The obvious reasons for this include the weak recovery of the US and European economies, the strength of the Thai baht and a negative foreign view of Thai politics. Another factor that has always limited interest in the Thai condominium market is the lack of mortgage facilities from local banks for foreign purchasers.

The lack of mortgage facilities is shutting the door on demand from a large regional market of buyers who would have considered purchasing condominiums in Thailand for investment or as second homes, but who are unable to put 100% of a unit's asking price down. Even cash-rich investors often utilise mortgage facilities to leverage their investments.

It would be incorrect to say that local mortgage facilities are completely unavailable for foreign purchasers, but to truly understand this issue one needs to understand the complexities of the Thai property and banking laws and how the two are intertwined.

Under the 1991 Condominium Act, foreigners are allowed to purchase freehold condominium units at up to 49% of the total saleable area of a building, but as non-residents they must transfer the funds to pay for the property from overseas. In order to transfer ownership of property at the Lands Department, a non-resident is required to provide a Foreign Exchange Transaction Form, a document certifying the transfer of funds from overseas in a foreign currency for the purpose of purchasing the property.

This law makes it impossible for foreigners to obtain the Foreign Exchange Transaction Form using mortgage facilities from local banks as those funds would be released in Thai baht and banks would therefore be unable to provide the document that is required to complete the transaction. The document can only be issued if Thai banks issue the funds through their overseas branches, which some Thai banks have done in the past, but don't any more.

For this reason, mortgage facilities are unavailable to foreign purchasers, unless they are permanent residents of Thailand and able to borrow locally. In this case, they are not required to submit the Foreign Exchange Transaction Form on transfer of ownership.

Even for expatriates being paid in Thai baht, the process is also complex. They are entitled to borrow locally in Thai baht providing they have a work permit, an ongoing employment contract and have been living and working in Thailand between three and five years. However, only 40-50% of their salary deposited into a non-resident account can be contributed to the property purchase; the remaining funds still must be from overseas. So in effect, they are allowed to borrow, but the law prohibits them from transferring ownership of the property unless part of the funding is transferred from overseas.

In today's market, this law implemented 20 years ago is obsolete. It is inconsistent and counterproductive to the wants and needs of the local property market because it blocks out foreign demand for Thai properties. A more flexible law should be enacted to open up opportunities for foreign investment, one which eliminates the requirement of overseas funding or allows local borrowing by foreigners for up to 50% of the property value.

One of the reasons there is substantial demand to invest in markets such as Hong Kong, Singapore and other financial centres is the availability of mortgage facilities for foreign investors. Allowing foreigners to purchase without a requirement to transfer funds from overseas will not only increase demand for Thai properties but also allow local banks to lend to foreign purchasers and stimulate the local banking industry. Each bank must of course perform thorough credit checks and have stringent lending requirements.

At present three foreign banks with local branches offer foreign purchasers mortgage facilities _ Standard Chartered, UOB and HSBC _ whereby the funds are released from their overseas branches in foreign currencies and a Foreign Exchange Transaction Form is issued to the purchaser.

However, the mortgage facilities offered by these banks also have limitations. For example, the UOB mortgage is available only Malaysian and Singaporean nationals, and for HSBC and Standard Chartered, the borrower must be an existing private banking customer with a savings deposit in an overseas or local branch of the bank.

Thailand has a large reserve of potential foreign purchasers and the property market certainly has significant potential to grow both in terms of demand and prices. However, this will happen only if obsolete laws are done away with and investor-friendly laws and bank policies that facilitate market demand are appropriately implemented.

Pornpimol Phuengkhuankhan is Director of Residential Sales Services at CB Richard Ellis Thailand. She can be reached at bangkok@cbre.co.th.

<http://www.bangkokpost.com/news/investigation/234767/mortgages-for-foreigners-an-idea-whose-time-has-come>

Immobilien Thailand Wohnung Real Estate Property Thailand Wohnungen kaufen mieten

Thailand, Hua Hin, Koh Phangan, Koh Samui, Krabi, Real Estate, Property, Agent, Broker, Real Estate Agent, beach, houses, land, Condo, commercial property, investment, Hua Hin Real Estate, property in Thailand, Alien Business Law, Visa Thailand, Hotels in Hua Hin, Hotels in Thailand, German Canadian Enterprises Ltd.

Hua Hin Real Estate is your Thailand property One-Stop-Service for all your Thailand Real Estate needs; Hua Hin property, Koh Samui property, Krabi property, Koh Phangan property, houses for sale, land for sale, condos for sale, commercial property for sale, vacation rentals, long term rentals, investment in Thailand