

457 VISA AND YOU



Most 457 visa holders in Australia are under the assumption they are not permitted to purchase property in Australia, but that's not the case, writes *Craig McDonald*



Emigrating to Australia is a dream for thousands of people every year and the path they choose to arrive in Australia will vary. Some will arrive on Permanent visas, some on Family visas and many will arrive on the Skilled Employer 457 visa.

The 457 visa is popular because it requires less points to obtain than a permanent visa and it generally offers a quicker route to Australia. Many applicants will then convert to full permanent residency and use the 457 visa as a stepping

stone to fulfil their dream of permanent residency in Australia.

Most 457 visa holders in Australia are under the assumption they are not permitted to purchase property in Australia. They believe that purchasing property is not possible until they gain their permanent residency.

That's not the case, and more and more banks are starting to understand that, although classed as a temporary visa holder in Australia, applicants on the 457 visa are

on the Department of Immigration's (DIBP) Consolidated Skilled Occupation List (CSOL).

These visa holders usually command above average salaries and are not deemed as high risk as once thought. Due to the shortage of these occupations in Australia it means that these professions are in demand more than most.

It is worth noting that all Australian banks have recently changed their policies for investors residing outside of >>

Australia but this does not impact Australian based 457 visa holders earning Australian dollars.

PURCHASE APPROVAL

The Australian government requires non Australian residents to receive approval to purchase property in Australia. The approval is property specific and not so much applicant specific. This policy is governed by the Foreign Investment Review Board (FIRB).

At present, it is possible for a temporary visa holder to purchase a property in Australia either for use as a home or investment. If the property is for investment then the property must be a new property and if the property is to be classed as the applicant's home then it can be an existing property or a pre-lived in property.

Applicants must obtain FIRB sign-off on either type of purchase and banks are starting to ask for evidence of the FIRB approval prior to providing an unconditional loan offering.

In terms of the approval time frames, the FIRB advises that it can take up to 30 days but their approval process is normally a lot



Buying your new home in Australia while on a 457 visa is possible

Seek advice from a mortgage broker with experience of the 457 visa

ESSENTIAL 



Property purchasers will have certain costs they need to pay upfront

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quicker and is frequently processed in under a week. The normal time frame for purchasing a property from either winning at auction or agreeing via a private treaty is generally 42 days, so applicants should be seeking FIRB approval as soon as they're interested in a particular property.

An important point to consider when purchasing on a 457 visa is that if you do purchase an existing or pre-lived property and then decide to permanently leave Australia without having converted to a permanent visa, you will then be required to sell the property.

In most instances applicants purchasing a home while on a 457 visa will be looking to convert to a permanent visa and make Australia home. A good point of reference is the Foreign Investment Review Board website at www.firb.gov.au.

STATE BENEFITS

Australia offers incentives to first home

buyers in terms of various grants and the waiving of the stamp duty costs. These offerings differ from state to state and are dependent on the purchase price and if the property is new or an existing property.

Unfortunately for 457 visa holders these benefits are only available to permanent residents, so in some cases, if a 457 visa holder wanted to take advantage of these incentives they might wait until converting to permanent residency before purchasing a property. This would normally depend on how close or far off permanent residency might be.

For more information on the different benefits for each state visit www.firsthome.gov.au. State departments have also recently added on a stamp duty levy for non-permanent residents.

BANK REQUIREMENTS

Not all banks in Australia will offer finance for 457 visa holders to purchase

property. Fortunately there are still quite a few that will but they have different requirements in terms of the lending-to-value ratio they will offer you.

Most banks offering this service will want a minimum of a 20 per cent deposit and you must pay the government duty fees.

On a A\$500,000 purchase in New South Wales this would equate to a contribution of approximately A\$122,000, which includes a 20 per cent deposit of A\$100,000 and stamp duty costs of A\$22,000. Note that the stamp duty charge will differ in each state.

There are a small number of specialist lenders for 457 visa holders where they will lend as high as 90 per cent of the value of the property, meaning you would just need a 10 per cent deposit plus the stamp duty costs. Additionally, you will require a Lenders Mortgage Insurance premium.

A Lenders Mortgage Insurance premium is normally applicable when you go over an 80 per cent lending-to-value ratio and is a charge that protects the banks.

On a A\$500,000 purchase in New South Wales your minimum contribution would now be approximately A\$77,000, which includes a 10 per cent deposit of A\$50,000,

a stamp duty cost of A\$22,000 and Lenders Mortgage Insurance premium of A\$8,000. Note the stamp duty charge will differ in each state

Going over the 80 per cent lending-to-value ratio will require additional qualifying criteria from the applicant and the bank will have a number of conditions. For example, it will need to know that the applicant has been in the same occupation for over two years and with the same employer for a minimum of six months.

The bank will normally also want to see either a consistent savings pattern for each applicant or that they have held more than the equivalent of five per cent of the value of the property purchase price for longer than three months in a bank account, shares or equity in a previous property.

If you have sold a property prior to moving to Australia it would be a good idea to retain evidence of the sale of the property, as this can act as the genuine savings required.

SEEK EXPERT ADVICE

As each application is different based on the purchase price, deposit held, applicant's experience, and term of current

employment, it is best to speak to a mortgage broker that has experience in mortgages for 457 visa holders as they can find the loan and bank that best suits your situation.

If you do speak to a finance broker inexperienced in this type of lending there is a good chance that you will be told that you need to wait until you obtain permanent residency before being able to purchase a property in Australia, which is not the case.

Most newcomers to Australia rent for six months on arrival so they can research the suburbs they would like their kids to go to school in, review transport and review the suburb they feel most at home in. If you do fit the criteria for a loan approval you should probably start looking at arranging finance approval three months after arrival to allow you to settle in to your new job. Most loan approvals last for three months and they can be extended up to six months after providing updated payslips.

Having a job with a probationary period can also impact a finance application depending on the lending-to-value ratio you are seeking and many employers have a three-month probation when starting a new role.

Strong applications with low lending to value ratios may be able to apply as soon as commencing work. It is a good idea to contact your broker to review your individual situation.

PROPERTY MONITORING

There are many websites you can look at for assistance in property monitoring in Australia. Two of the main websites are www.realestate.com.au and domain.com.au.

These are useful websites which will help you to search for property to buy or to rent in Australia.

Mortgage calculators to calculate stamp duty and loan repayments can be found on all major banks websites and also at cbmmortgages.com.

■ **Craig McDonald has been specialising in finance for new arrivals to Australia for over 10 years after migrating to Australia from the UK. For information on purchasing property in Australia visit www.457visamortgages.com and www.cbmmortgages.com. You can also email info@457visamortgages.com or call 0061 293157457.**