What you need to buy a house in Italy

By Steve Mclinden - Bankrate.com

Q: Dear Real Estate Adviser,
My wife and I are considering purchasing an apartment or house in Italy. Are there any lenders here in the United States that will provide a mortgage against a property over there? What else do I need to know?

-- Robert

A: Dear Robert,

While there are Italian branches of U.S. banks such as Citibank, you can’t buy your little house in Umbria or elsewhere in Italy on a U.S. mortgage. The loan will have to be raised in Italy.

One alternative to getting an overseas loan is taking out a second mortgage on your U.S. property. This would give you that cash-in-hand advantage as a buyer.

Big down payment is necessary

Fortunately, there are plenty of mortgage lenders in Italy, though many are trying to clean up their balance sheets in the country’s recession, so terms have tightened up a bit. Hence, you’ll need a little more skin in the game than you would at present in the States.

The cost of an average home purchase in Italy, which has no restrictions on foreign ownership, is just under $500,000, with many regional variations, of course. On most deals, a 5 percent deposit is due upon your purchase offer with another 20 percent due when you sign the sales contract, Italian real estate agents are reporting.

Transaction costs in Italy can be relatively high: up to 20 percent including agent fees and nonresident registration tax, according to international property guides. If you’re buying a fixer-upper, you might need a second loan called a restoration mortgage.

The timing might be right

Now might be a strategic time to buy. Italian house prices fell by about 7 percent last year and should continue to fall, albeit more gradually, over the next two years, according to international property analyst Tirelli & Partners-Nomisma. When sizing up the Italian housing market, also consider that unemployment there reached a high of nearly 13 percent late last year.

You need an agent and an attorney

In addition to employing a local, licensed real estate agent for your deal, you’d be wise to hire Italian counsel who is experienced with foreign buyers, given the many nuances of the Italian system. Such an attorney can typically assist you in getting your visas as well.

You’ll need a tax card, too

You’ll need to get what’s called a “fiscal code card” (Codice Fiscale), which is a tax card similar to the American Social Security card. They’re relatively easy to obtain with your passport from a branch of the Italian tax office.

Learn about home types

www.tirelliandpartners.com
Before you tour homes there, try to steep yourself on the many distinctions between a bilocale (apartment), casetta, terratetto, villas, chalet and a Tuscan-style and Mediterranean-style home. There are several online sites that can help you in your Italian homebuying quest, including KeyItaly.com and RealPointItaly.com. As an FYI, if you were to rent out your Italian property at some point, rent yields for apartments are about double what they are for homes at present, Tirelli & Partners-Nomisma reports.

And in case you were wondering, the likelihood of a housing bubble "popping" in Italy as it did in the States in 2008-2009 is smaller because about 80 percent of all homes in Italy are owner-occupied.

Buona fortuna! And ciao.