

## Canadians Buying Property in Arizona

Many Canadians consider Arizona a great place for a second home. When Canadian weather is blustery and cold and Canadians are shoveling snow, Arizona weather is warm and pleasant. There are a multitude of Phoenix area golf courses, spring baseball training camps, restaurants, shopping and general all around good weather and Arizona is only a short plane trip away for Canadians. Is it time for you to consider a second home here in Arizona? In this current "buyer's market" there are many terrific buying opportunities, whether you are looking for a single family home, gold course communities, active 55+ communities, or town homes.

Tips for Canadian when buying property in the USA

Buyers Advisory - Disclosure forms, etc

Financing

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Helpful Links - (including a Canadian to US currency converter)

Buyers Advisory - Disclosure Forms, etc

The state of Arizona has a number of standard documents that a prospective buyer will be asked to sign before they decide to buy a home in Arizona. Pre-purchase forms do not obligate you to buy a home. These are merely various disclosures, advisories and forms that indicate you are working with a specific agent to show properties to you. The state has also put together a Buyer's Advisory for all would-be buyers which includes many information resources – click here to visit the link on our website for this Advisory. You will be asked to sign that you have received these various documents before you begin to look for homes.

Financing  
Paying Cash

If you plan to purchase an Arizona home using cash, be prepared to have your local Canadian banker or investment portfolio manager prepare a letter that states you have "liquid funds in excess of the amount you plan to spend as cash for the home". Your Arizona Buyer's Agent needs to ask for this verification of funds document which must be included with your purchase contract when an offer is being made.

## Getting a Loan

Note- we can refer you to a lender who can walk through all these lending steps with you well in advance of when you come to Arizona to actually buy a home. A loan process does take a bit more time for our Canadian friends to the north, so apply in advance. Also applying in advance will allow you to have an idea of the exact price of home you should be searching for. We can make referrals to you of top quality, ethical lenders who can assist you.

When purchasing a vacation home (second home) a minimum of 25-30% down will be needed. For the purposes of obtaining a loan the definition of a vacation home is that it will be used for recreational/vacation purposes during a portion of the year and there will not be any monetary benefits from ownership. This means the home can't be rented to a tenant during the time it is not being used for vacation. A disclosure statement to this effect will be required during the loan process.

Two to three months of bank statements will be required by the lender, as well as documentation of the needed funds for the down payment. Additional reserves of about 3 to 6 months available will need to be substantiated. Note – if bank accounts show large depositions beyond regular income these amounts will have to be explained. Credit will be checked through an international credit reporting agency. The credit report needs to come up with squeaky clean credit. (Any credit issues may make it next to impossible to obtain a loan from a lender in the USA.) Full income verification will be needed which may mean a letter verifying employment, relevant bank statements and a Canadian passport (or driver's license) copy. (Note some lenders will require both, so come prepared.). The lender will need to verify all of this information before they can then make a credit decision.

Our lender affiliates tell us that Canadians can expect to pay interest rates about 1% or more higher than "market" for 30 year fixed or ARM loans when buying second homes here in the USA. (With the current volatile credit markets, all of these guidelines are obviously subject to change at a moment's notice.)

Buying more than a second home in Arizona puts the person into the category of an "investor". Subsequent third, fourth and more homes would be considered as "investment homes" and additional requirements, including the amount of down payment, and interest rates may vary, including additional down payment amounts, and possibly reserves of up to 12 months.

## Earnest Money

When you and your agent finds a home you like, and you are ready to write the offer, the issue of "earnest money" comes up. This is the "good faith" money the buyer commits to at the time they write the contract. Usually this may be equal to anywhere between 1-3% of the purchase price of the home. It can get tricky as to how Canadians (or any non-USA resident) can provide these funds.

The funds end up going to the escrow company as soon as the contract is accepted. Some sellers are ok with the purchase contract being written to say for the earnest money "XX \$\$ as earnest money to be wired to escrow upon acceptance of the contract". However, many sellers are not ok with this.

Especially if you are trying to buy a foreclosed property, the seller may insist upon the earnest money being in the form of a cashier's check in US funds made payable to the title company before they will even look at any offer. Whether you are here in the USA at the time you are making the offer, or if you have selected a home while still in Canada and want to make an offer on it before coming to the USA, the process of you getting a certified check in US funds can be tricky.

We are recommending that Canadian would-be buyers who think they will want to make an Arizona home purchase, try and establish a USA bank account early in their thinking process of getting ready to purchase an Arizona home.

Once a Canadian resident has a USA bank account they can much easier get a cashier's check, or money order (certified USA funds), even if they are in Canada at the time they decide to make their actual offer. If needed additional funds can be wired into the USA bank account. Or if funds are needed quicker to get an earnest money check available, the local Arizona banker may be able to work with you to use your credit card to issue a certified check right away.

(If you do decide to make an offer on a property time can be of the essence and having quick access to get a cashier's check in certified funds for the earnest money can at times be the difference in timing of whether you get an accepted offer on a home or not. We have had clients where the cashier's check in certified funds had to be shipped cross-border via FedEx, and it simply takes too much time and someone else gets an accepted offer on the home the Canadian buyer wanted, before their earnest money could get to Arizona in order to be submitted with their purchase contract.)

So if you are thinking of buying an Arizona home, consider getting a USA bank account right away. If you need a referral to a consumer -friendly Arizona banker, let us know. We can give you some banks to speak with her.

### The Escrow Process

One of the main differences with purchasing property in Arizona involves the process called "Escrow". The time between the mutual acceptance of an offer to purchase and the date set for closing and the title actually transfers is called "Escrow" in Arizona.

Typically in Canada when one buys Real Estate a lawyer is hired to protect the interest of the buyer. The seller normally hires their own lawyer to represent their interests. Both lawyers work on instructions they receive from their respective clients and on the sales agreement to prepare the paperwork necessary to complete the title and transfer the money. In Arizona it is rare there are any individual attorneys involved in the Escrow process. The Escrow companies have attorneys they can consult with if needed.

In Arizona real estate transactions, this process typically uses a neutral, disinterested third party, such as an escrow/title company instead of attorneys. The escrow/title company holds documents and transaction funds while they carry out the instructions that both the buyer and seller have agreed to. The escrow company takes care of processing the transfer of funds, as well as handling issues such as Title Insurance, and any of the other specifics that are needed to make sure there is a lawful transfer of property ownership.

There are a number of ways a person or persons, can take title of property in Arizona. The escrow company can provide a list of possibilities. Each possible way of obtaining title has legal or tax implications which the buyer will want to check out thoroughly. (Check this link to see the ways a buyer can take title in Arizona.)

### Insurance

The insurance industry has developed a database system in recent years that keeps track of claims of people and the homes they own. When someone files an insurance claim this information is put into this national database. The system acts a little like a credit report, but it relates to insurance. It is called a C.L.U.E. report. In "traditional sales" (not short-sale or foreclosure) it is customary for the buyer to receive a C.L.U.E. report through their Buyer's Agent from the Seller's Listing agent. This report helps the buyer to determine issues of instability of the home. However in this current market with short-sales and foreclosures being a large portion of the Arizona inventory, these C.L.U.E. reports are not usually available – the banks who are holding the foreclosures do not provide this data. Regardless, it is important for a buyer to check with their insurance agent of choice to determine the insurability of the home they plan to buy along with the rates. This insurance due diligence must be checked out by the buyer during the inspection period.

### Foreclosures and Short-Sales

Many of the home bargains to be found are homes that are foreclosed, or sometimes referred to as REO properties. The market currently has a large number of properties that are foreclosed and presently owned by a bank. Also there are a large number of homes where the homes still are owned by the owner, but they are being attempted to be sold as a "short-sale". A "short-sale" requires that the owner's lender(s) are involved and make a decision as to what the home will be sold for. (A "short-sale" means that the owner needs to sell the home for less than they presently owe to the bank(s) who hold the financing for the home.)

The price for a home that is listed in the MLS as a "short-sale" may not be the price the home can be sold for. The listing agent has done the best possible to determine the comparable market price for listing price, but the bank(s) who the owner owes money to have never been involved at that point. The bank(s) do not get involved until there is an offer that has been made. At that point the bank(s) begin their long process of ordering Bank Price opinions and appraisals to determine what they will allow the home to be sold for. It is not uncommon at all for "short-sale" properties that do close as a "short-sale" to sell for more than the price it is listed for in the MLS.

(Example- the current market price might be, for example \$250k, however perhaps the current owner owes their lender(s) \$350k. Selling "short" means that the bank(s) will end up with less than what is owed to them. If there are multiple bank(s) involved because the owner has perhaps taken a 2nd loan on the home, or refinanced, the "short-sale" process can become more complicated as multiple banks have to come to an agreement to take less than is owed to them.)

Many homes that are on the market as a "short-sale" never end up selling at all while in this status. Instead they will ultimately foreclose, regardless of what offers are made on the home. "Short-sale" homes that do end up closing will take weeks, or many months, to close. It is not a stretch to expect that if a "short-sale" does close escrow it can take 6 months or more. A good rule to follow is if you look at homes listed as "short-sale" do not fall in love with them, as they may never sell as a "short-sale", but instead will ultimately foreclose. After a home forecloses it can take usually 3-6 months for the banks to put the home back onto the market as a foreclosure. (Some national reports are showing that only about 23% of all homes attempted to be sold as a "short-sell" will sell - the rest will foreclose. In the local Phoenix market we are seeing on a neighborhood by neighborhood review that only about 10-13% on an average are selling as a "short-sale" with the rest foreclosing.)

If you want to decide on a home you really like that is a "bargain" and hope to have a good probability of getting it with an accepted offer then foreclosed (REO) properties are likely a better bet for you than a "short-sale" home.

#### Inspections

After the buyer's offer is accepted there is a ten day period when the buyer can have inspections done. (Expect in this current market of foreclosures that the lender will sometimes only allow five days instead of the traditional ten days.) During the inspection period a buyer can hire structural inspectors, termite inspectors, mold inspectors, swimming pool inspectors, or any type of inspector they want to inspect the property. (As your Buyer's Agent we have a complete list of competent, Arizona licensed inspectors for you to select from.) Note - if a buyer is funding the property with a loan, the lender will require that a termite inspection is done.

If a home is a foreclosure or a short-sale the property is sold "as-is". No repairs will be made if there is something found in the inspections that the buyer does not like. Sometimes an exception to this is if evidence of termites is found. Sometimes the lender will provide a termite treatment for the property – but this is a case by case situation.

If the home is a "traditional sale" after the inspections are completed there is a document that is filled out called a "Buyer's Inspection Report and Sellers Response (BINSR)". On this form the buyer indicates they have made their inspections and either 1) they are happy with the home as it is 2) they are asking for some repairs to be made and giving the seller the opportunity to make the repairs before the home closes or 3) they are not happy with what was found in the inspections are withdrawing their offer. Items a buyer wants done cannot be just "cosmetic", they need to be something materially deficient with the home. The seller does not have to agree to make any repairs. If there is not agreement the sale will not be completed.

During this inspection period any and ALL inspections must be conducted by the buyer. Whatever is of concern must be reviewed during this period -- whether it is something of a structural nature, utilities, schools, neighborhood, police reports, govt agencies, mold, airports - anything and everything that is of concern. See Buyer's Advisory.

#### Good Funds Law

Arizona law requires all funds be cleared by the escrow company prior to the actual closing. Out of state, out of country, cashier's checks most often take five or more banking days to clear. Because of this it is highly recommended that a buyer wire the needed funds to the escrow company. But funds sent by wire are not instantaneous; therefore the escrow company will recommend the a buyer's funds be wired several days before a property is expected to close.

## Closing Escrow

In Arizona buyers and sellers do not meet to close on a property. In fact neither the buyer nor the seller even needs to be in Arizona when the transaction happens. If the buyer or seller is in Arizona they can certainly go into the escrow office to sign closing documentation paperwork.

If you are coming down from Canada be sure to bring your passports and have them stamped at the border if you are driving across. We understand that when Canadians drive down, often times you will need to make a special effort to get your passport stamped, but be sure you do this if you are planning to buy a home in Arizona.

But in many cases Canadians decide not to come to Arizona for the closing. We see this happen all the time. The escrow company can Fedex the documents to you and you can either go to the US consultant in your area to have the documents signed and notarized, or you can go to a local barrister/notary who will sign the documents with you , and then send the documents to the US consultant. The US consultants are knowledgeable of this process and after they sign the documents they will either return them to the barrister/notary who sent them in, or they can return them direct to the US escrow company.

There are also professional services in Canada that take on the role of being the barrister/attorney and track the documents to the US consultant for the Canadian buyer.

Basically it is an easy escrow process for Canadians to buy an Arizona home, it just may take a few extra days to get the final closing documents signed if you do not plan to come to the USA to sign closing documents.

Title changes in Arizona when the deed is recorded with the County. Only after property has been recorded with the County can the actual keys be turned over to the new owner.

## Helpful Links

[Canadian dollar to US dollar currency converter](#)

Buying a home sounds like a lot of tasks you say. It is a lot of tasks - and that is one of the many reasons why it is critical, for you, as a buyer, to have a full time, experienced, licensed, Arizona real estate agent acting as your Buyer's Agent to help you through the process. The Benjamin Team is experienced and ready to help you.

Call the Benjamin Team at 480-201-3001 or [click here to Contact us](#)