

Finance North America

Mexico Real Estate Lending for US Citizens

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The FNA Story

by Lilly Rao

Amidst the skyrocketing prices and overpopulation in the beach communities in Southern California, in 2003 San Diego resident and real estate financing expert Russ Schreier looked south of the border to find a home in Mexico for his family getaways. With over five thousand miles of spectacular Mexico coastline, he found an abundance of desirable destinations - all conveniently located just a few hours by car or plane from the US.

Additionally attractive was that Mexican coastline real estate prices were a fraction of comparative homes in Hawaii, Florida and Southern California. Finding appealing real estate in Mexico was not difficult either. Well thought-out developments and charming villas were available for sale almost everywhere the Schreier family looked.

But Russ was surprised to find the scarcity of reasonable financing options on real estate in Mexico. With some research, he learned that historically Peso-based financing terms were so undesirable that it became the norm for US citizens looking to purchase homes in Mexico to pay all cash, and the few lenders that did claim to have US dollar loans hadn't the ability to provide desirable interest rates or terms and thus hadn't closed any financing transactions. Plus, to make matters worse, real estate agents didn't suggest financing

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to clients as they were unfamiliar with how to oversee a transaction that included financing and continued to insist that they work with cash-only clients. Russ realized that if the lending terms were more desirable to US citizens, a greater number of buyers and their real estate agents would embrace using financing in Mexico. Creating appealing financing terms available to US citizens would unlock endless possibilities for them to own real estate among the mild climate and exquisite landscapes of Mexico, where they could realize their dream of owning a beautiful home in which to relax with family and friends and enjoy life to its fullest.

Certainly there was an enormous potential for the larger financial institutions in the US to create a mortgage product for US citizens to finance in Mexico. Since Russ had been in the residential mortgage business for over 15 years in the US, he had made contact with his most influential colleagues at the largest of the inter-



"My experience with Finance North America and buying real estate in Mexico went smoothly and I hope to do business with them again soon."

D.N., Ingleside, Illinois
Purchased in Los Cabos, Mexico BCS



The FNA Story

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national financing institutions to suggest collectively creating Mexico home loan financing with terms that US citizens were accustomed to.

Finance North America's founders, Russ and Christian Alvarez, therefore worked hand in hand with WMC/GE Capital and GE Mexico management to create what is now the most desirable financing option for US citizens buying real estate in Mexico. In gratitude for Finance North America's contribution to the pioneering of the Mexican mortgage product, GE capital recently presented a Letter of Appreciation and an Award for Closing the Most Mexico Home Loans in the 1st quarter of 2005 and 2006.

Russ and Christian, however, we're not stopping there. With a strong desire to offer a wide variety of mortgage options for US citizens buying Mexico real estate, the founders of Finance North America continued to work closely with additional financial institutions to assist them in creating additional financial products for Mexico Real estate. As a result, Finance North America now offers a variety of lending options for purchasing in Mexico. Multiple lending options will benefit consumers and gives Finance North America the ability to custom fit buyers into the best



"I had the opportunity to work with Finance North America and I am truly excited... I wouldn't think of working with anyone else."

S.D., Realtor, Baja Properties
San Jose Del Cabo, Mexico BCS



mortgage terms and conditions for their individual wants and needs. Finance North America also predicts that many more financial institutions will get involved in this new financial market in the next three to five years. Such flexibility should in turn continue to improve the available rates and terms, and make buying



a second, vacation or retirement home in Mexico an increasingly more attractive option for Americans.

Today, Finance North America is dedicated to providing the highest level of customer service and diligent care in overseeing the processing of loans for their clients. Finance North America's account executives are located in San Diego, California where all divisions, including sales, loan processing, marketing and advertising are staffed with knowledgeable, friendly bilingual team members.

What We Do

As specialists in the field, we offer the following three types of lending:

Purchase Finance North America offers financing in most resort locations throughout Mexico. Loan amounts are available up to \$5 million with as little as 25 percent down, and 20 and 30 year terms.

Refinance Cash out refinance loans will be available in April 2006 at fixed rates for 20 year periods. Loan amounts are available up to \$5 million with 25 to 30 percent equity.

Construction Finance North America's construction financing has the same easy guidelines as our pur-

What We Do (con't)

chase and refinance loans, and then converts effortlessly into our permanent financing upon construction completion.

Finance North America offers full, light and stated income documentation loans. We are also excited to announce that we recently obtained 30 year loans as an alternative to the somewhat restrictive 20 year loan.



Mexico has more than five thousand miles of spectacular coastline, and Finance North America is approved for financing in all major resort areas of Mexico, including Cancún, Mazatlan, Puerto Vallarta, Acapulco, Los Cabos, Loreto, and Playa Del Carmen, among others.

Owning in Mexico

Below are the basic principles of owning in Mexico.

- A foreigner may acquire rights over real estate in Mexican coastal and border zones through a trust, called *Fideicomiso*, which is a legal instrument similar to those in the US.
- Through this trust, real estate is administered by a qualified and licensed bank on behalf of the beneficiary of the trust (the owner). The legal effect of the trust allows the beneficiary to act as the owner of the real es-

tate, and thus, the trust complies with Mexican laws.

- The beneficiary has the right to the full use, enjoyment and profit from the real estate. The beneficiary can rent, borrow against, and sell the property.
- Mexican law provides that the original trust term of 50 years may be renewed for additional 50-year periods upon written request by the beneficiary of the trust.
- When the beneficiary desires, the property may be sold outright or sold subject to an assumption of the existing trust. All proceeds belong to the beneficiary of the trust subject to paying all appropriate taxes.

Frequently Asked Questions

Can a foreigner own real estate in Mexico?

Yes! The myth that only Mexicans can own real estate in Mexico is... well, a myth. Foreign buyers can own real estate in what is called the “restricted zone” along the coastline, by obtaining all ownership rights through the aforementioned *Fideicomiso* or bank trust. This bank trust, established by the government, gives foreigners the same rights of ownership as Mexican citizens, with the only difference being that the actual title is held in trust for them by a trustee (usually a bank).



“I wish to thank you and all others at Finance North America for seeing that a recent sale of mine in Pedregal de Cabo San Lucas went smoothly - especially since this was one of the first sales that we had that was financed, and it was a relatively new experience for us. Also, your continuous follow-up with me and my client assured us both that we would be well taken care of - and we were!”

J. Feinstein, Coldwell Banker Riveras
Pedregal de Cabo San Lucas, Mexico BCS



Frequently Asked Questions

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I've heard the Mexican government can seize your property. Can I safeguard myself against this?

Regularly, we hear about injustices done to foreign buyers in Mexico. The truth is, in these cases developers and / or buyers do not have a proper title to the land. Often times, to avoid closing costs, or simply out of ignorance, a buyer has paid for the property and taken possession of it but never obtained a registered title. It is imperative to always obtain a registered title for your real estate purchase. Always insist on receiving a registered title, just like you would in the US. You can also purchase title insurance. Title insurance is available for property in Mexico through companies like First American and Stewart.

What makes today's loans more desirable?

In the past, mortgage loans in Mexico for US citizens required 40-50% down, with over 12% interest, payment

terms over 15 years, and were often cross-collateralized on US real estate. Today, mortgage loans are available with 25% down, interest rates start at 7.99%, and payment terms are over 20-30 years.

How is the mortgage loan secured?

Loans are secured on the real estate in Mexico being purchased, not on US property. In the past, loans in Mexico were often secured by real estate in the US, which would allow the lending institution to foreclose on the secured property in the US in case of default.

Is the interest paid on the loan tax-deductible?

Per IRS regulation Section 163 (C), as well as Publication 936, interest paid on primary and secondary residences up to an aggregate one million dollars in loan amount is tax deductible. The IRS regulation does not specify that the home must be located in the United States, and thus it is the opinion of the reputable tax consultants that interest paid on a home loan on property in Mexico is in fact deductible (please consult your tax advisor for applicability to your specific tax situation).

What is the minimum and maximum available loan amounts?

Generally, minimum loan amounts are \$100,000 and maximum loan amounts are currently set at \$5,000,000

How important is the mortgage broker in the transaction?

Unlike loans in the United States, closing real estate and lending transactions in Mexico is more complicated and time consuming. Mexico transactions can be significantly delayed, and even cancelled by the seller, with even the slightest of documentation errors. It is important to seek representation by a mortgage broker that is reputable and has successfully overseen, processed and

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“Finance North America has helped turn our long time dream into reality. We just closed on the purchase of a home... and are thrilled about our new property. Without Finance North America, this would not have been possible for us to achieve so quickly and smoothly. I have already referred several of our good friends to FNA, and will definitely continue to do so to anyone I know that has interest in Financing in Mexico.”

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C. Young, Real Estate Investor
Purchased in San Jose del Cabo, Mexico BCS

Frequently Asked Questions

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closed transactions in Mexico. The best advice is to ask for references on the broker, to ensure they have a significant number of Mexico transactions closed and will successfully represent you in the transaction.

How does Finance North America go about qualifying a buyer?



Our qualifying types are similar to the requirements needed for US mortgages. This includes (but is not limited to):

Full Documentation: We use the borrower's tax returns for the last two years, as well as W-2 for two years and current pay stubs to determine if they qualify. Rates are the lowest with this form.

Alternate Documentation: Instead of tax returns and pay stubs, we use 24 months' worth of bank statements. We only look at the deposits in the account, then add all deposits and average them out by 24 to grant qualification.

And finally...


Stated Documentation: Stated documentation bases qualification on credit score and / or cash reserves. We require a minimum FICO score (credit score) of 680 to qualify for Stated Documentation, as well as higher cash reserves.

Where can I see or read about other clients' experiences with Finance North America?

You can read about other clients' experiences buying a home with a mortgage in Mexico through Finance North America by logging onto our website (www.FinanceNorthAmerica.com) and clicking on "Testimonials" on the navigation bar. Here you'll see all our satisfied customers' reviews!

What do I need to apply for the loan?

You may reach us by calling toll-free from the US at 1.866.Yes 4 Mex (866.937.4639), or call direct at 858.481.4871. You will immediately be connected to one of our friendly, bi-lingual sales staff.

For more information or to apply online, just log on to our website, www.FinanceNorthAmerica.com. 



"I am a client of yours who recently closed on the purchase of home in Los Cabos, Mexico. I was initially skeptical that financing in Mexico was available and being the President of a company where service is our greatest asset, was fearful of what to expect. Finance North America not only delivered the loan to allow me to purchase the property, but also provided me with an unexpected level of superior service. Rest assured, I will be recommending Finance North America to anyone who has an interest in financing a property in Mexico. Keep up the great work!"

Jeff Maroz, President
Americorp Group



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