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Ability to Finance Changes Landscape for Mexican Property Purchases

By KATIE WEEKS - 10/2/2006

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When Russ Schreier purchased a home in Loreto, Baja California, Mexico two years ago, he not only found a new vacation getaway, he discovered an underserved market that would become his livelihood.

"I said, 'Wow, you can't finance down here?'" recalls Schreier, who is now founder and CEO of Finance North America, a Del Mar-based firm he started a year ago to serve Americans, Canadians and Mexican nationals buying property in Mexico.

His firm is one of only a handful that offers mortgages only to buyers of Mexican property. But less than two years ago, companies did not offer financing for land purchases in Mexico, and mortgages had to go through Mexican banks.

Financing rates were outrageously high, industry members say.

Changes on both sides of the border, including the passage of the North America Free Trade Agreement, which led Mexico to make business transactions more transparent and accountable, created favorable conditions for mortgage companies like Schreier's to move in. Three-fourths of Finance North America's loans go through a unit of General Electric Co., GE Financial, one of the "most talked about" lenders for Americans who want to buy land south of the border.

Embarking On Foreign Venture

With \$200,000 of his own money and nearly 20 years' experience in the mortgage industry, Schreier left the security of his corporate job as executive vice president of First Capital, an affiliate of Prudential California Realty, and has grown a binational business that became profitable three months ago. His business partner is Vice President of Sales Christian Alvarez.

Most properties in Mexico are still purchased in cash, say developers and Mexican real estate law experts.

Schreier is convinced it's partly because people aren't aware of the option to use a mortgage for buying property in Mexico. He said a developer he knows recently made \$500 million in sales on a Mexican housing project.

"I've gotta believe half of those people would have taken financing if they knew it were available," he said.

Schreier and others say lending is in its infancy in Mexico, but the economy there is slowly strengthening and the culture is changing.

"The Mexican mentality is cash," Schreier said. "Primarily because there's not a lot of access to credit, but Americans will finance anything."

Financing Catches On

Dave La Barre, president of San Felipe, Baja California-based Mi Casa del Mar, which has about 30 homes under construction in San Felipe, pointed out that it wasn't until after World War II when Americans began borrowing money to buy homes.

Schreier expects about 150 percent growth in the next year in his revenues, which he declined to disclose.

But the continued success of his 16-employee firm depends, in large part, on publicity.

Schreier said he has spent hundreds of thousands of dollars on advertising, employing mediums such as in-flight magazines, the Internet, billboards around Baja California and flyers distributed to brokers, developers and realtors.

He's found that joint advertising with developers and title companies streamlines the purchases for consumers. The average age of people who go through Finance North America for mortgages are 46 years old to 60-something, Schreier said.

Schreier received a bachelor's degree from San Diego State University where he studied real estate finance and Japanese.

"I studied the wrong language," he said.

His firm is about to launch its first peso-based product — including the option for Mexicans to borrow 100 percent of the cost of the home they are buying. All eight of Schreier's Del Mar call center employees, who field 300 inquiries each week, are bilingual.

Eight more employees work in Mexico, and Schreier said he will likely add another call center in Mexico.

Financing for Mexican property is about 2 percent higher and closing on a home can take up to 90 days versus about two weeks in the United States, he said.

He added that sales are expected to increase this fall, as the weather cools in the Northern U.S. states.

"If it gets cold in Minnesota, people are going to be saying, 'Instead of a second home in the mountains, let me get one on the beach,'" Schreier said.

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