

## Buying Beyond Borders

**Home financing outside the U.S. is getting easier** BY JOHN MORELL

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“It used to be that owning a second home in a foreign country, especially places such as Puerto Vallarta and the Caribbean, was either the privilege of the very rich or the folly of the uninformed. Your vacation home was a lavish ranch or mansion, or a bug ridden hovel for which you paid too much money.

“Now, as thousands are buying property in Mexico, recent and pending changes in foreign ownership laws in various Latin American countries are making the rush south of the border even more appealing.

“Within the last year there have been some very attractive home and construction loan programs offered for Mexican properties,” said Russ Schreier, CEO of San Diego-based Finance North America. “Changes to their banking laws have made it very easy for us to do business there.”

“Owning property in Mexico has always presented a challenge, since the national constitution reserves land within 31 miles of the coast and 62 miles from the border for native Mexicans. Over the years, there have been numerous horror stories about Americans who are not aware of Mexican real estate law being taken advantage of, or not understanding that they did not actually own the land where they built their dream house.

“Although foreigners still cannot technically buy land in Mexico (with the exception of Mexico city, where anyone is free to buy land), the instrument that gets the process started is a fideicomiso, or bank trust. At the sale, the property is turned over to the fideicomiso, which operates like a family trust in the U.S. The trust beneficiaries are the buyer and the lender. The beneficiary has all rights to the property, and at the sale, the trustee simply signs off on it to close the trust.

“The lender is listed as the first beneficiary, which makes a foreclosure on the property, if necessary, much easier. “This is what has made it much less risky for real estate investors to get involved in this market,” explains Schreier.

“While you may not find the range of loan products that you see on a U.S. property, there are some interesting choices. Competition for home and construction loans in Mexico has kept rates in check. A three-year adjustable-rate mortgage can be found for around 8.5 percent, with construction rates considerably higher.”

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