



Mexico Real Estate Investment - Making the Impossible... Possible

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Google YAHOO!

2006 will probably prove to be a watershed year in Mexico's real estate market as two major forces coincide:

- Changed Mexican law, leading to development of new financial instruments expanding Americans' investment options for owning property south of the border

- The first American "baby boomers" began turning 60

For the longest time, these baby boomers – the 78 million-strong contingent born between 1946 and 1964 - focused on amassing riches. Together their households control approximately \$3.6 trillion in personal wealth, while potentially inheriting \$136 trillion more.

As retirement looms for many of them, they're realizing that just putting money into a mutual fund or 401k plan isn't nearly as appealing as owning something tangible. Many have concluded they prefer a retirement home as a material result of their years of hard work.

Satisfying A Big Need

Enter Russ Schreier, president of Finance North America, who observed the need and developed the solution.

Finance North America (www.FinanceNorthAmerica.com) is the single largest source of cross-border mortgage loans for US and Canadian citizens. They've seen our local real estate market explode in just 12 months.

"Mexican real estate was always an incredible bargain compared to Southern California and Florida," says Schreier. "Communities like San Miguel provide gorgeous weather, greater economy and solitude – three things rarely seen in most parts of the States. You can't help but find that combination appealing."

Prior to last year, would-be investors held off from buying here out of fear:

- Fear their land could be nationalized
- Fear their peso-based loans would get caught in an inflationary spiral
- Fear they'd have to make the entire pur-

chase in cash

- Fear their investment would negatively amortize

Throw in for good measure an inability to carry a US-style mortgage and a prohibition on owning the most desirable property in the country, and you have a recipe for what was, for years, a stagnant real estate market in Mexico. "Sadly, these were all legitimate concerns at the time" observes Schreier.

History Lesson

Mexico's 1917 constitution proclaimed all Mexican land would either be ejido (communal) or owned by Mexican nationals. Ejido land was given to every village and couldn't be sold. It stayed this way until 1973, when the Foreign Investment Law was added to the constitution, allowing foreigners to buy land anywhere except within 62 miles of the border or 31 miles of the coast. These became known as the Restricted Zone.

The rules changed again in 1993 with the addition of the fideicomiso (50-year renewable bank trust), which effectively allowed foreigners to purchase real estate within the restricted zone and finance anywhere in the country – even areas like San Miguel, where cash purchases had always been king before. NAFTA (the North American Free Trade Agreement), passed in 1994, including a clause allowing corporations to be 100% foreign-owned, helping eliminate nationalization concerns.

Terms of NAFTA guaranteed Mexico may not expropriate property except for a public purpose. This is the equivalent of America's Eminent Domain clause. Should it become necessary to expropriate land, NAFTA rules ensured swift and fair market compensation is paid, with accrued interest.

Things really got interesting in 2005 when the founders of Finance North America developed US-based funding for Mexican real estate purchases with non-Mexican mortgages.

"We saw a huge, pent-up demand

mixed with fear and frustration," says company co-founder Christian Alvarez. "Americans traditionally finance large purchases. The US market for second homes needed someone who could help them reach their comfort level by getting around the insistence that mortgages come only from Mexican banks." FNA broke through that wall by funding fideicomisos that would allow Americans and Canadians to buy, improve and sell property anywhere in Mexico.

"We combined NAFTA's rules of fairness with the ability to use financial instruments Americans are comfortable with to create this tsunami of new interest." Numerous recent studies have shown a direct link between the use of American mortgages and buying in resort areas like San Miguel, Puerto Vallarta, Cancun, Los Cabos, Puerto Penasco and Northern Baja. Not coincidentally, FNA has had significant closings in these areas since mid-2005.

What the Future Holds

FNA remains the leader of this new financial product, with credibility, experience and a track record that will interest anyone looking for stable, fear-free financing in Mexico.

It's no wonder they've been named Top Cross-Border Loan Originator by GE Consumer Finance for the year 2005 and the first two quarters of 2006.. Observes GE's Henry Brandt; "As a result of FNA's efforts, the numbers of American citizens realizing their dreams has hit new highs. Finance North America remains the leader for cross-border financing since they assisted us in developing the product last year."

Furthermore, as holders of the WMC GE Award for Financial Product Pioneering, FNA continues developing the relationships necessary to streamline an otherwise difficult process. Beautiful dream homes in exotic locations are available as never before, allowing Americans and Canadians a chance to live, relax and retire.

We bet it won't hurt our local economy, either!