

## Financing Info

Purchasing a property in Mexico is an exciting decision, and with the growing and increasingly successful cross-border mortgage industry that has been developing in Mexico over the past few years, there are now more options than ever to finance your home!

Mexico has historically been a cash-based economy, but with the influx of investment by foreigners, financing has begun to establish a foothold. Many US lenders and banks have turned to the Mexican market, and although the mortgage process in Mexico has some differences, their previous US experience makes the process more familiar than if one were to finance directly through a Mexican bank.

For some people, the introduction of financing into the Mexican real estate market represents the opportunity to pursue a dream that may not have otherwise been tangible. For others, obtaining cash to purchase a property may never have been an issue, and so the question becomes, "Why finance?"

There are several important reasons why cross-border financing in Mexico makes sense:

1. **Keep national and foreign investments separate.** Some people may decide to pull equity out of their properties in the US or Canada to finance their Mexican purchase. This is an option, but it also ties all of your investments to one source. It is smarter to keep your national and foreign investments separate because if something were to go awry in either location, the investments in the other location would be safeguarded. This also prevents tying up college or retirement funds and actually increases sources of equity.
2. **Leverage** Right now, in many locations, annual property appreciation is around 15%. If you have \$450,000, you could use all of it to pay cash for a \$450,000 property and gain around \$67,500 in annual appreciation. Not bad. But why not pay only \$150,000 cash for a down payment on a \$500,000 property and finance the rest? Now, not only have you used less money to purchase a property of

higher value, but your annual rate of return is higher, and you have \$300,000 remaining in cash reserves.

3. **Future investment opportunities.** Anyone who has visited Mexico has witnessed the incredible opportunities for real estate investment. By using the concept of leverage to your advantage, you better utilize your cash, which allows you to pursue additional investment opportunities. From the example above, you can purchase a \$500,000 property by paying only \$150,000 cash and financing the rest – this leaves you with \$300,000 to invest in additional properties that you can either rent out or flip for a profit. With financing, your money goes much further and can even generate additional income.

Financing in Mexico is currently available for Americans, Canadians, and Mexican nationals through both US Dollar and Mexican Peso-based loans. Purchase, non-cash out re-finance, cash-out refinance, and residential construction loans are available, as well as commercial loans for construction and existing properties. Many buyers in Mexico are financially complex, and because of this, there are several methods available for qualifying: full documentation (based on tax returns), alternate documentation (based on bank statements), and even stated income.

It is smart to finance through a broker, rather than directly through a lender, because you have access to more options through many lenders, thus enabling you to truly find the program that best suits you. Also, a broker retains copies of all of your documentation, which makes it much easier to alter the direction of the loan if necessary – a lender does not return your documentation to you, thus requiring you to recollect everything, should you choose to change lending institutions.

Due to the turndown in the US housing market, many mortgage brokers are beginning to explore the Mexican market. Loan experience in the US or Canada is certainly valuable, but because the Mexican process is different in many ways, it is important for you, as a borrower, to be sure you choose a broker that is experienced in Mexico. The best way to ensure this is to ask the loan officer or broker how many loans they have closed in Mexico and to request contact information for references. Many brokers can open your loan and take it to a certain point, but then it dies; this is why it is important to inquire about the number of loans a



broker has closed because this gives you a much better idea of the quality of their work. Relationships are very important in Mexican business, so it would be a good idea to ask a broker if they work mainly from the US or mainly from Mexico, as an on-the-ground presence is key to establishing these relationships. Also inquire about application fees, which should be no more than between \$200 and \$300.

Mortgages In Mexico was the first loan broker to open up in Puerto Vallarta (September 2004), they have loan officers all over Mexico. They represent all of the reputable sources of money available in Mexico and will be happy to discuss the available loan options. It is always a good idea (but not required) to be pre-qualified so you have a better idea of what to look for when you begin shopping for properties in Mexico.

You can begin this process by visiting their website,

<http://mortgagesinmexico.web-loans.com/loancenter.aspx> , and filling out an online loan application (please use the "long form"). Mortgages In Mexico's website also has additional valuable information about financing and contact information for the loan officers covering your area ([www.MortgagesInMexico.com](http://www.MortgagesInMexico.com)).