

ASK THE MORTGAGE EXPERTS

With mortgages becoming more of the norm in Mexico and with ever-increasing loan options, The Tribune is helping sort through the confusion by having your personal Financing/Mortgage questions answered by our local experts – David Schwendeman and Terence Reilly, Founder's of MEXLend, an industry-leading Mortgage Broker based in Vallarta. We invite you to e-mail your questions regarding buying or financing Real Estate in Mexico to buyinginmexico@hotmail.com.

Q: “Why are interest rates so high here? I would like to buy with a mortgage, but find it difficult with the rates. Paul, V, Minneapolis, MN

A: GREAT NEWS FOR YOU. Interest rates have just come down again—and they are wonderful rates for purchasing a second home. Rates are now starting as low as 5.25%! These are historically the lowest rates EVER available for the purchase of a Mexican property.

However, even with this reduction, they are slightly higher than the rates that are quoted from the US for primary residences. The key here are the words “primary residences.” Due to legalities, all US dollar mortgages for US citizens and Canadians must be declared as “second homes” or vacation homes.

There was a time when borrowers in the US would cheat by declaring secondary properties as primary residences to take advantage of a lower interest rate, but currently lenders are checking very closely and if caught, there are consequences: borrowers must either re-negotiate the mortgage for a higher term, or pay the lender off in full. Banks across the country are looking through their files for these cases. In the US, banks charge higher interest rates for second homes. The climate in the US has become extremely conservative and banks look at clients very carefully.

So why are rates higher for a vacation home? Because lenders know that if a borrower gets into financial trouble, the first property that will go back to the bank will be the vacation home. Borrowers will protect their initial investment in their primary residence because it is where they live, work and perhaps their children go to school; consequently, in the US, the borrower pays a higher interest rate as well as more closing points on a second or vacation home.

Another very important factor in higher interest rates is that second home mortgages and investment properties are not backed by the government. The US government has created different programs that help homeowners get low rates for their primary residences but not to other purchases.

A third reason why mortgage rates are higher for a second home is that these homes are in Mexico. Being in a foreign country is considered more of a risk to banks. There is a different legal mechanism for foreclosure and an entirely different type of court system. The costs of establishing the legal framework to lend and defend their loans run higher outside of their home country.

However, it is comforting for those of with property in Mexico that the mortgage interest rates have drastically lowered over the past six years.. This means that large institutional lenders are becoming more and more confident with the Mexican housing market, and

trust the stability of the home values even in this global crisis. The foreclosure rate of Cross Border loans is so miniscule that it has no effect on market valuations and is emboldening the banks.

The mortgage system in Canada works differently. Fixed rate mortgages are not the norm and most interest rates are re-negotiated every 3 or 5 years, which makes them what in the US is considered an Adjustable Rate Mortgage or ARM. However, this morning I logged onto the Royal Bank of Canada website and they DO have a 25 Year Fixed Rate Mortgage product-- ***The posted interest rate was 8.25%! This means that the current rate of 7.5% for Mexican properties is LESS by almost a full point than is offered in Canada.***

We believe that there has never been a better time to buy your dream vacation home in Mexico. There are some amazing deals, combined with a stable market and now...the lowest interest rates for mortgages. Speak to a mortgage broker to get prequalified and then run to your favorite realtor. It is a GREAT time to buy!

MEXLend, Inc. is a Mexican mortgage brokerage that currently represents 8 different lenders offering 75 different loan options in Dollars, Pesos and Euros for buyers looking to purchase vacation or investment property throughout Mexico – including products specifically for Canadian citizens. In announced results based upon post-closing client interviews conducted by Mexico’s largest US lender, MEXLend won the #1 mark of distinction for both client satisfaction and fastest closings for the second straight cycle. MEXLend can be reached at 322-132-7991 (in Vallarta), 917-779-9061 (while in the US or Canada), toll-free in Mexico by calling 1-800-3-Mi-Casa or go online at www.mexlend.com (For US and Euro loans) or www.mexlend.com.mx for Peso loans.