

Mortgage Financing in Mexico: The New Frontier

 by Russ Schreier

As Featured In:



WITH OVER 15,000 Americans and Canadians turning fifty-five each day, and home values in the warm coastal climates of California, Florida and Hawaii being at an all time high, it is no wonder that in 2005 approximately 400,000 foreigners looked south to Mexico to purchase vacation and retirement homes. Just one visit to Mexico's beautiful coastline and it is easy to imagine having a beachfront villa to call your own.

But up until recently, purchasing real estate in Mexico had much to be desired as mortgage loans in Mexico were not available with financing terms to which Americans were accustomed. Real estate financing offered by developers predominantly included exorbitant interest rates and payment terms over very short periods, which made loan payments very unattractive. Thus, the vast majority of Mexico homes purchased by North Americans were all cash transactions, which would often consume the buyer's entire savings.

Luckily the mortgage market for US citizens buying in Mexico is changing. Over the past twelve months large financial institutions from the US and Mexico have entered the Mexico real estate market with financing terms that US Citizens can now embrace. Underwritten by financial institutions such as GE Capital/GE Money, these newly available financing loans for Mexico are obtained by contacting reputable cross border mortgage brokers who can oversee the transaction from application to closing. One such leader in the Mexico mortgage broker arena is Finance North America (www.FinanceNorthAmerica.com), whose founders assisted GE Capital/GE Money with creating the initial lending program, and has successfully funded more loans in Mexico than any other mortgage broker to date.

To obtain a better understanding on financing in Mexico, we have provided below the first in a series FAQ on financing homes in Mexico.

What makes these loans more desirable?

In the past, mortgage loans in Mexico for US citizens required 40-50% down, with over 12% interest, payment terms over 15 years, and were often cross-collateralized on US real estate. Today, mortgage loans are available with 25% down, interest rates start at 7.99%, and payment terms are over 20-30 years.

How is the mortgage loan secured?

Loans are secured on the real estate in Mexico being purchased, not on US property. In the past, loans in Mexico were often secured by real estate in the US, which would allow the lending institution to foreclose on the secured property in the US in case of default.

Is the interest paid on the loan tax-deductible?

Per IRS regulation Section 163 (C), as well as Publication 936, interest paid on primary and secondary residences up to an aggregate one million dollars in loan amount is tax deductible. The IRS regulation does not specify that the home must be located in the US, and thus it is the opinion of the reputable tax consultants that interest paid on a home loan on property in Mexico is in fact deductible (please consult your tax advisor for applicability to your specific tax situation).

What is the minimum and maximum available loan amounts?

Generally, minimum loan amounts are \$100,000 and maximum loan amounts are currently set at \$5,000,000

How important is the mortgage broker in the transaction?

Unlike loans in the US, closing real estate and lending transactions in Mexico is more complicated and time consuming. Mexico transactions can be significantly delayed, and even cancelled by the seller, with even the slightest of documentation errors. It is important to seek representation by a mortgage broker that is reputable and has successfully overseen, processed and closed transactions in Mexico. The best advice is to ask for references on the broker, to ensure they have a significant number of Mexico transactions closed and will successfully represent you in the transaction.

These and other FAQs on obtaining a mortgage in Mexico can be viewed on Finance North America's website at www.FinanceNorthAmerica.com. If you have questions or comments on how to obtain financing in Mexico, please call toll free from US & Canada 1-866-YES-4-MEX (1-866-937-4639), or from Mexico (001)858-481-4871, or email Info@FinanceNorthAmerica.com.