



A SECON D HOME  
BUYER'S GUIDE

OUTLIANCE®

REAL ESTATE

## *Property Ownership in Mexico*

“US residents and foreigners can easily purchase land and real estate in Mexico”

In Mexico, 100 kilometers from the border and 50 kilometers from the coast is a zone known as the restricted zone. The only way a foreigner can purchase real estate is by means of Fideicomiso, otherwise known as a “Trust”.

“Fideicomiso is a 50-year, renewable bank trust that grants the foreign buyer the rights for usage, improvement, lease, rent, and selling of a property (mortgage included) by becoming the Beneficiary of the Trust, enjoying all rights as if the ownership were fee-simple. As a beneficiary, the buyer retains all ownership, rights, and responsibilities of the property; this includes the ability to will the property to an heir.





# Steps to buying a home

1 Find the right agent

2 Prepare finances

3 Start home search

4 Make an offer

5 Accepted offer

6 Closing process

7 Move in day

8 Post closing

# 1 Find the right agent

Buying a home in a foreign territory may be scary in the beginning. It's important you find the ideal agent that understands your needs, goals and is experienced in the area you are looking to purchase.

*It is important you are working with a certified and licensed agent.  
You can consult your agent in*

<https://www.mlsbcs.com.mx/members>



## 2 *Prepare finances*

Most of the Real Estate Sales in Los Cabos are made in cash since financing options are limited. Here are some possible financing options that may apply to your purchase.

1. Global Mortgage- Cross-border lender
  - Interest rates from 7.902% to 9.184%
  - minimum loan of 250,000
  - maximum of 2.5 million
  - 35% downpayment
2. Home equity line of credit
3. Seller Financing - Short term 2-5 years.
4. Developer Financing - Short-term two years.



## 3 *Start home searching*

This is the fun part! Arrange a personal meeting or zoom call with your agent and discuss with them the type of property and lifestyle you see yourself having in your new address.

While the price range you'd like to stay within and your minimum number of beds and baths are a must, it's also important to know whether you'd need space for pets, perhaps outside living space for entertaining or whether you're more into an ocean view or city lights.



Also, feel free to ask your buyer agent about the different areas within the city and their pros and cons, proximity to spots important to you such as hospitals, grocery stores or the airport.



Once your buyer agent is aware of your needs, they'll schedule showings for you to visit the properties that could better fit you.



## 4 *Make an offer*



1. Establish your offer price and conditions
2. Supply your agent with a full name (As written in your passport), email and phone number.
3. You may include contingencies in your OTP.  
When you intent to purchase a property is it recommended you include the following contingencies
  - a. Home inspection- Buyer has an average of 7 days to do a home inspection and reconcile an agreement with sellers.
  - b. Inventory- Seller has 5 days to provide an inventory list and/or exclusion items.
4. Once all the contingencies are removed the buyer has an average of 5 business days to fund escrow. The earnest money is 10% of the purchase price.

## 5 *Accepted offer*

Once the offer is signed by both parties, it will be considered an accepted offer. Both parties will have to go over the contingencies before proceeding with the initial deposit.

1. The "Know your client form" or KYC needs to be filled by every party involved and you will have to submit your IDs to start the process of opening your Escrow account.
2. If a home inspection is requested, It will take 7 to 10 days to schedule a home inspector at your expense. (Between US\$ 300 - 800 dollars, depending on the size and location of the home) It will be worth it because you will have everything checked up and you will receive a detailed report of the actual conditions of the property
3. Any other contingency needs to be cleared before a "Release of Contingencies" document is signed by both parties.

Once the contingencies are removed, you will be contacted by your assigned closing coordinator to introduce you to the formal process. They will send you the instructions for your initial deposit. and the dream of having a home in Baja will start to come true!

### 1. Opening of Escrow Account

- a. The Escrow Agreement will be signed (executed) by both Buyer & Seller.
- b. Buyer wires their Initial Deposit plus Escrow Fee to the Escrow Account using the wire instructions provided. The deposit receipt is shared to all parties involved.
- c. Any additional deposits agreed to between Buyer & Seller will be wired to the Escrow Account when they are due, according to the terms of the purchase agreements





## 6 Closing process

The last step of the buying process is closing, which will take around 60-90 days. An approximate closing date will be established in the offer to purchase acceptance. The closing process will include the escrow payments, and all the paperwork will be finalized. The Notario is an experienced Mexican lawyer appointed by the state to oversee the process, ensure the deed title is clear, and record the purchase with the Public Registry.

### 1. Closing Company/Agent

An agent from the Closing Company P&H Closings will contact you soon with an Introduction Email, and will provide and request documents in order to get the closing process started:

#### 1. Things they will send to you:

- a. An Escrow Agreement
- b. Bank wire instructions for your escrow fee and initial deposit,
- c. KYC (Know Your Client) form required by the government,
- d. General Information form
- e. Estimated Closing Costs

#### 1. Things they will need from you

- a. Copies of passport and driver's license,
- b. Migratory form: Tourist or Resident Visa (if client is in town).
- c. Proof of physical address: Utility bill (electricity, water, telephone)
- d. Completed Information Form filled out by the Buyer

### 1. Closing Process

- a. Buyer will be notified by the Closing Agency to wire a % of the initial closing costs
- b. Both parties will provide all requested documents and information.
- c. Upon request, a Power of Attorney (POA) will be drafted and executed either locally in Baja California Sur or in US or Canada (specific instructions are given to the grantor).
- d. Legal appraisal of the Property, Certificate of No Liens, Trust Permits, and other closing documents required by Notary are obtained.
- e. All documents are sent to the Trustee Bank and to the Notary for preparation of final transfer deed including Power of Attorney (if requested).
- f. Upon approval by the Trustee Bank and Notary, the closing date is set.

## 7 Closing day

At the time of closing

- All Utilities must be currently paid up to date by Seller, and Seller shall sign the transfer letter to change contracts with CFE, Water, Telmex (if applicable).
- All HOA fees and Property Taxes must be paid up to date
- Pro-rated fees are calculated for costs to be assumed by the Buyer
- A Settlement statement and disbursement instructions are sent to both Buyer & Seller for review and signatures.
- The Buyer wires the balance of the Purchase Price and Closing Costs to the escrow account.
- The Deed is executed by the Parties before the assigned Notary on the Closing Date and the funds are disbursed from the escrow account.
- Possession and Beneficial Rights of Property is granted to the Buyer.



## 8 *Post closing*

Congratulations! Now that you are the owner of the beneficial rights of the Trust, you can control it completely, you can sell, rent it for short or long term, you can do upgrades or modifications to the property.

But don't forget about the obligations that come with the property as Property Taxes, which are extremely low in Mexico. Property Tax is established in the tax assessment that is registered in the office called CATASTRO. You will need to pay this Property Tax at the beginning of every year and if you pay in the month of January you will receive a discount.

Your Trust or as we call it in Mexico, "Fideicomiso" requires an annual payment of administration. These fees are paid to the bank that holds the Trust. You must know the Trust account number to pay; remember this number is not recorded on your deed or Fideicomiso. Please note that most banks will use the date of your closing date as the due date for next year's payment while others prorate the first year fee and then start the second year in January.

After the closing date, you will need to 6 months to receive official documents for your property, these documents are:

1. Registered Deed, make sure to check there is a stamp that confirms that the Fideicomiso was registered in the government office.



# FAQs

- What is a Fideicomiso?

In Mexico, there is a restricted zone, located 100 km from the border and 50 km from the coast. A foreigner can only acquire real estate in this area through the Fideicomiso also known as a Trust. It is a bank trust that can be renewed every 50 years, through which the foreign buyer is granted the rights of use, improvement, leasing, sale and rental of a property, including the mortgage. By becoming a beneficiary, the buyer enjoys the rights as if the property were a fee-simple. The owner also retains ownership, rights and responsibilities of it. This includes the possibility of inheriting the property. In addition to the beneficiary, there are other parties involved in a trust: the trustee (bank/trustee) and the seller (fideicomiente).

- Can I renew a Fideicomiso?

When the report is written, the trust is issued in increments of 50 years and can be extended for another 50 years. When the 100-year term ends, the beneficiary must apply for a new foreign affairs permit under Mexican law to program it.

- What happens in cases of death of beneficiaries?

The current beneficiary can name another beneficiary in case of death. For this to be possible the person has to prove to the Trustee bank that the Estate proceeding in the country of origin has been initiated and that there is no more than one person designated as beneficiary.

- When do I obtain the title to my property?

When the title is signed by all parties to the transaction: the buyer, the seller, the notary and the escrow agent. Once this is done, the title is officially and irrevocably transferred. The notary must record the deed for public record. Such process takes three to four months after closing; once recorded at the local tax office and the public registry, the notary will prepare the final statements, such as the full deed record filed with the title insurance company, the final closing package sent to the Real Estate Closing Officer, and the final closing package sent to the real estate closing officer.

- When should I pay the seller?

The funds remain in your escrow account until the trust concludes its execution and the transfer of ownership is completed. Once the process is completed, the funds necessary to pay the seller are released in accordance with the disbursement instructions agreed upon by the buyer and seller.

- How long does the Closing Process take?

In Los Cabos, most cases take approximately 60 business days for cash transactions or 90 business days for transactions involving financing. You should note that holidays and other circumstances with permits may delay the process. This does not involve the performance of the seller and the buyer.

- Do I need to be present during the closing?

In most cases this is not necessary, because the notary will prepare a letter of banking instructions, with a specific power of attorney for the buyer and seller to sign remotely. The letters inform the trustee bank of the individual intentions of the parties with respect to the purchase and sale of the property.

- What are the closing costs in Mexico?

The process is different than in the USA. The major part is the mandatory 2% acquisition tax paid by the buyer, plus notary fees, permits, certificate, appraisal, etc. Closing costs range from 3.5% to 6% of the purchase price depending on the price and are deductible expenses when selling your property.

- How important is third-party Escrow in Mexico?

Many brokers in the area use basic checking accounts to call escrow accounts; however, this is not a safe way to trade, because the broker has full control over the release of funds. For this reason, we recommend a third party broker for Mexican transactions.

- About annual taxes

Property taxes (Impuestos Prediales) are the only taxes due annually in Los Cabos. These municipal taxes are published at the end of January and must be paid at the local tax offices. In San José del Cabo, next to the fire department, and in Cabo San Lucas at the municipality. If the payment is settled before the month of February you can get 10%.

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