

# FREQUENTLY ASKED QUESTIONS...



## **CAN FOREIGNERS OWN REAL ESTATE IN THE MOST DESIRABLE AREAS OF MEXICO?**

Yes! You *can* own property in the Mexican coastal and border areas by what is called a Fideicomiso (Real Estate Bank Trust). At El Dorado Ranch, Baja California, Mexico, you also have the added protection of title insurance from Stewart Title.

## **WHAT IS A FIDEICOMISO, HOW DOES IT WORK AND HOW AM I PROTECTED?**

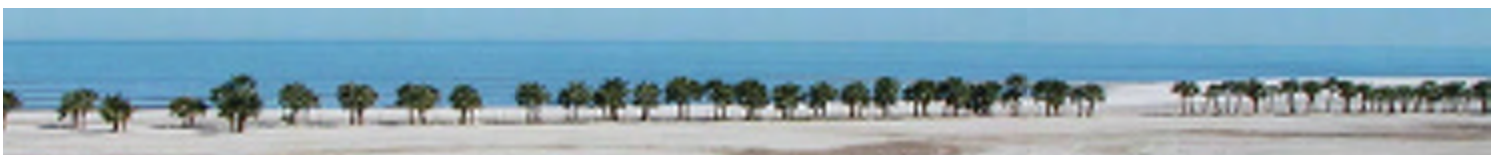
As a foreigner, you can acquire irrevocable and absolute ownership rights to property in Mexico through a 50-year perpetually renewable and transferable Real Estate Bank Trust called a Fideicomiso. This Trust is the legal equivalent for deeded (commonly referred to in the U.S. as fee simple) ownership and is provided specifically for non-nationals to own property in the formerly restricted zones of Mexico (border and beach areas.) The Trust system of ownership is the **ONLY** legal way for foreigners to own property in these areas that is sanctioned by the Mexican government, provided for under the Mexican Constitution, and secured by the Central Bank of Mexico; thereby offering powerful protection.



The Mexican Government issues a permit to a Mexican bank of your choice. Clear, lien-free title to the property is then delivered to that Mexican bank, authorized to

act as the Trustee designating you as the beneficiary of the trust. The bank acts like an employee of the beneficiary (you) in all transactions involving the property. The beneficiary (you) retains the use and control of the property and makes all decisions concerning the property. You have the same “bundle of rights” as owning property with fee simple title. You have the right to use and enjoy, lease, improve, mortgage, sell, inherit and will the property.

In 1997, Mexico changed its banking system and subscribed to the International Banking Standards. Currently, there is only one Mexican owned bank left. The rest are owned by different international banks, including Citi Bank, Bank of America and Chase Manhattan. The stockholders of these banking concerns are international. If Mexico were to expropriate (take) property held in trust (Fideicomiso) from these banks, denying them income, and legally placing them in fiduciary default to hundreds of thousands of beneficiaries, it would cause an international incident. This does not fit the profile of a country that is successfully merging into the global marketplace and whose government bonds are considered investment grade.





## **WHY DOES MEXICO USE A FIDEICOMISO (REAL ESTATE BANK TRUST) FOR FOREIGN OWNERSHIP?**

In 1848, Mexico signed a treaty with the U.S. to end the Mexican War giving up half of its land which encompassed most of what would become the western United States. So you can see why in 1917, when Mexico formed their federal constitution, they imposed new laws and restrictions on foreign ownership of their most valuable resource - their land. Article 27 of their constitution allowed Mexican Nationals and companies to own

property, however, it restricted foreigners from owning land or businesses within the “restricted zone” (62 miles from the borders and 31 miles from any coast). An amendment to the Mexican Constitution in 1992 in conjunction with the Foreign Investment Act of 1993 established a system that allows foreigners to own property in the former “restricted zone” of Mexico by way of a Fideicomiso. It also allowed foreigners to form Mexican corporations to own and operate businesses without a Mexican partner.



## **WHY SHOULD I CONSIDER OWNING PROPERTY IN MEXICO?**

Mexico is the #1 free-trade country in the world with 27 free-trade agreements. It is the #2 trade partner with the United States and the #1 trade partner with California. Mexico has the 9<sup>th</sup> largest economy in the world and is a member of the World Trade Organization. When Americans leave the country for vacation, Mexico is the #1 foreign destination. When Americans retire abroad, Mexico is again #1 by far. The relationship between Mexico and the United States is the perfect symbiotic relationship; Mexico has what we want: pristine coastal areas, a more relaxed lifestyle, and a lower cost of living. The United States has what Mexico wants: foreign investment and tourism dollars, capital for infrastructure and economic opportunity for their citizens.

