

## **Spring E-Newsletter (PART III): The Costs of Mexico Real Estate – An In-Depth Look at the Market Today vs. Yesterday**

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**As the market continues to force professionals to determine new business generation strategies, most realtors and developers are now discovering what really fueled the Mexico resort property boom over the last decade.** Although this market has always been referred to as consisting of "almost entirely cash buyers", today's economic turmoil has inadvertently exposed the fact that so called "cash buyers" predominately needed some type of leverage for their Mexico real estate purchases. Without the leverage, the Mexico real estate market's boom would have been significantly calmer.

**In retrospect over the last decade, many would be surprised what you find when you further peel back the layers of those "cash buyers".** What is uncovered are the sources of what looked like cash to the realtor and developer but was ultimately some type of debt or equity capital from one's performing assets. Those sources most commonly included second mortgages and home equity lines on buyers' primary residences allowing "cheap" funds and liquidity to purchase second homes in Mexico's luxurious markets. With the U.S. mortgage market changing drastically over the last twelve months, so did the cash sources and cost of purchasing Mexico real estate.

**As a result, today's market is quite similar AND quite different than yesterdays.** What remains similar is that buyers need to leverage some type of asset to purchase a second home in the resort areas of Mexico. What differ are the type of assets to be leveraged and the costs of that leverage. While the desire to purchase Mexico homes is far from lifeless, most of today's Mexico buyers must now finance the Mexico property itself through traditional cross-border Mexico mortgage financing rather than leveraging other assets including properties in the U.S.

**Yes, Mexico mortgage financing is more expensive than yesterday's second mortgage and home equity loans! However, as mentioned in Part II of this series (How Different Are Rates, Costs & Programs), financing in today's more challenging economic times is more expensive in general and again, lacking transparency.** Just how expensive today's Mexico mortgage financing really is needs to be better understood by the real estate community. In order to educate potential buyers, one must completely understand a real comparison between yesterday and today and, more importantly, financing options so they may continue to sell second homes in Mexico. Without this understanding, potential real estate sales opportunities will certainly be lost!

**In order to arm the real estate community with this information, upon request, we are able to provide an in-depth document we title "Understanding the Good Faith Estimate (GFE)"** which clarifies, in great detail, the costs of financing a Mexico second home as compared to paying with cash (e.g. leveraging a U.S. or Canadian based asset). This document is a complete roadmap to understanding all costs associated with purchasing a home in Mexico with cash or with financing.