



Escrow

When purchasing property outside of the United States, one of the most important considerations for both a buyer and a seller is whether and under what conditions the transaction funds will be safely held and distributed by an independent party. In many markets, brokers or attorneys hold transaction funds on behalf of an interested buyer. Should either party, the buyer or seller, feel uncomfortable with this option, Stewart International offers the safest alternative: depositing transaction funds into a Stewart Title Guaranty International Group (Stewart) escrow account.

Once the buyer and seller have agreed to the terms of the escrow agreement, an escrow file is opened. All funds will be deposited into Stewart's Escrow Account and distributed according to the instructions you have provided. Payments can be made to third party providers to set up the Trust, obtain legal documents, order an appraisal, survey, title search, even pay commissions. Utilizing Stewart's escrow services provides cost-effective security to all parties in the real estate transaction. With billions of dollars of experience, Stewart's escrow team can administer deposited funds ensuring an efficient and secure disbursement process.

General Requirements of Escrow

- Escrow agreements must be completed and signed by all parties prior to receiving funds into escrow.
- Please include a copy of:
 - Two forms of government-issued photo ID for both buyer and seller. Examples: driver's license, passport and military identification;
 - A copy of the preliminary sales contract;
 - If buyer or seller is a corporation; sufficient documents of the legal representative (showing legal capacity to act on behalf of the company, such as bylaws, power of attorney, etc.) and a copy of the representative's identification should be provided.

- Upon receipt of the signed escrow agreement, we will notify you once your file has been opened and provide you with a Guaranty File number (GF#).
- To ensure your funds are properly applied, please always reference your GF# when sending funds to Stewart.
- We are required by law to return any funds to the sender when they cannot be identified to a specific escrow account.
- Stewart will receipt the required deposit per the instructions contained in the escrow agreement.
 - Stewart will not receipt any money deposited and establish escrow without an escrow agreement fully executed by the respective parties.
- At the time of closing, Stewart will require the agreed upon documents that signify the closing has taken place, such as:
 - A copy of the written deed or instrument which effects the transfer of the property;
 - A letter from a licensed attorney or notario stating that the deed/trust has been fully executed;
 - Where applicable, a registered preventive notice, caution or inhibition referencing the property;
 - A written certification from the public registry stating that the property is free of all liens.
- All legal documents and transactional information must be provided to Stewart at least five days prior to the proposed closing date. These documents may be mailed, faxed, or scanned and emailed to Stewart.
- In order to properly review documents and disbursement instructions, Stewart is allowed at least two business days for completion of all disbursements/releases upon receipt of all documents as listed. We understand that every transaction is different; therefore, should the transaction require special instructions, please contact the International Escrow Manager.



The Trustee

Foreigners may obtain direct ownership of property in the interior of Mexico. However, foreigners cannot acquire direct ownership of residential property 100 kilometers from the border and 50 kilometers from the coastline. This area is known as the restricted zone.

In order to purchase residential real estate in the restricted zone, foreigners must acquire the property through a bank Trust, known as a “fideicomiso.” Although foreign individuals may be the beneficiaries of the Trust, only a Mexican bank may act as the Trustee. There is an initial fee to set up your Trust and an annual maintenance fee as long as you have the Trust. Fees are negotiable and they can vary from bank to bank. The bank, as Trustee, must obtain a permit from the Ministry of Foreign Affairs to establish a real estate Trust and acquire rights on real property located within the restricted zone.

The bank Trust is established for a 50-year renewable term and grants the beneficiaries the right to possess, use, rent, mortgage, modify or sell the property. An advantage of the bank Trust is the avoidance of probate upon the death of the Beneficiary when the Substitute Beneficiary is named.

Closing Costs

Closing costs, paid by the buyer, are usually about 6%-8% of the purchase price. A 2% transfer tax, based on the sales price or declared value of the property is assessed to all real estate transactions by the Mexican Government. Other closing costs, such as title search, bank trustee fees, Notario Publico (public notary), tax and lien certificates, foreign ministry permit, and the registration and filing of all legal documents as required by the local government are approximately an additional 4%-6%.

DISCLAIMER

Stewart Title Guaranty Company — International Escrow Group is not engaged in rendering legal, accounting, or other professional advice or services. If legal advice, services or other expert assistance is required, the services of a competent professional should be sought. The information contained herein has been obtained by Stewart from sources believed to be reliable. However, because of the possibility of human or mechanical error, whether by our sources or by others, Stewart does not guarantee the accuracy, adequacy or completeness of any information herein.

ⁱ Provided that all of the underwriting requirements of Stewart Title Guaranty de Mexico, S.A. de C.V. have been satisfied.

ⁱⁱ The issuance of a Title Commitment is not guaranteed and is subject to the underwriting guidelines of Stewart Title Guaranty de Mexico, S.A. de C.V.

The seller is responsible for certain fees such as the Capital Gains Tax, any unpaid utilities and property taxes. All these fees need to be paid at or before the time of closing. Once the transaction is closed, the new owner will “inherit” those bills. Bills that remain unpaid will accumulate penalties and late charges.

Title Insurance

Most active real estate markets have a system for organizing and recording property purchases; however, those systems vary widely. For an investor or mortgagor to have true peace of mind about a property acquisition, a fundamental concern should be to secure “good title”.

Stewart’s title insurance policies are crafted to address the local title issues. Senior underwriters and local offices collaborate to deliver market-driven title protections addressing pertinent concerns.

After a satisfactory title search has been conducted on the property and a clear chain of title established, a title commitment will be issued.ⁱ In order for Stewart Title Guaranty de Mexico, S.A. de C.V., to issue a final title policy, they will require a copy of the fully recorded Public Deed, the Preventive Notice, a current Certificate of Liens, the title insurance premium paid in full with satisfaction of all conditions and terms contained in the title commitment and satisfaction of all other underwriting requirements.ⁱⁱ

Title insurance is the only monetary indemnification a buyer can obtain to guarantee ownership of real estate in Mexico.