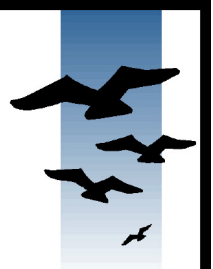




Asociación de Regularización de  
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To really understand how land ownership in Mexico works, it is important to understand the history of property ownership and its evolution in Mexico. Because Mexico had been dominated by foreign owners since the early 1500's, you can see why Mexico is so protective of its land. In 1517, when Hernandez de Cordoba sailed from Spain to the Yucatan Peninsula, these foreigners laid claim to Mexican lands. Spain claimed Mexico as its own, New Spain. It was not until 1822 that Mexico declared its independence from Spain, much like the U.S. declared independence from England. However, the lands of Mexico were still owned by wealthy foreigners, the Mexican upper class, and the Catholic

Church. Porfirio Diaz, President of Mexico for over 30 years, nearly sold all of Mexico to foreigners during his term. The end result was the Mexican Revolution, which cost over one million lives and was the basis for the Federal Constitution of 1917. The new constitution imposed new laws and restrictions on foreign ownership and ownership of lands by the Catholic Church. Article 27 of the constitution allows Mexican Nationals and Mexican Companies to own property, however it restricts foreigners from owning land with the restricted zone. This "restricted zone" is defined as property within 60 miles from any Mexican border or within 30 miles of any Mexican coastline. Not until the 1930's did the Mexican people truly see the property being returned to them. President Lazaro Cardenas disassembled the large property holders and distributed land in the form of cooperative farms or "Ejidos". In 1994, amendments to the Constitution permitted foreigners to purchase and own real estate in Mexico located within the "restricted zone". This Law permitted ownership through a land trust or "Fideicomiso". Obviously, La Cholla is in the restricted zone and foreign owners must have a fideicomiso in order to legally own land. The way it works is the Mexican Government issues a permit to a Mexican Bank of your choice, allowing the bank to act as purchaser for the property. The bank acts as the "Trustee" for the Trust and you are the "Beneficiary" of the Trust. The "Beneficiary" rights are very similar to Living Wills or Estate Trusts in the U.S. The law authorizes Mexican banking institutions to act as trustees. A trustee takes instructions only from the beneficiary of the trust (the foreign owner). The beneficiary has the right to use, occupy and possess the property, including the right to build on it or otherwise improve it. The beneficiary may also sell the rights and instruct the trustee to transfer title to a qualified owner. Many people refer to the trust arrangement in Mexico as a lease agreement, but this is not true. The home or property that you buy will be put into a trust with you named as the beneficiary of the trust - you are not a lessee. You have all the rights that an owner of property in the U.S. or Canada has, including the right to enjoy the property, sell the property, rent the property, improve the property, etc. When the La Cholla master trust was created in the early 90's, the maximum life of a fideicomiso was 30 years. The law changed in 1994 to allow the trusts to be extended to 50 years. Alan Peterson, the first President of the Vecinos de la Cholla AC, arranged for our master trust to be 50 years. Recently, some real estate agents serving clients in La Cholla were telling potential buyers that trusts in La Cholla would expire around 2025. They advised buyers to create a new trust, since our trust would be expiring shortly. Had the trust not been extended, this would be true, but due to the extension negotiated by Pres. Peterson, our original trusts will not expire until 2045. Depending on the age of the buyer, assuming an existing trust is a viable option. Attached to this email is a copy of the trust extension.

Many Vecinos have realized banks, acting as a trustee in a fideicomiso are not very customer service oriented. They make it difficult to pay the annual trust fee and know how much is owed. Many Vecinos have discovered their trust fee had been raised and had not received any notice of the adjustment. There has been cases of late charges being applied and no notice of the charges received. Because of the escalating annual fees and mystery late charges, many Vecinos have been informed they are delinquent on their annual trust payments. When confronting a bank on the lack of communication, they typically reply, "you just know" to the question, "how was I supposed to know this".

Despite the difficulties of dealing with your bank acting as your trustee in a fideicomiso, it is very important to keep your annual fees current. The bank has the power to terminate your trust contact and return your property to the original owner.

Legal details to be aware of:

- You are entitled to use the property until the validity period of the trust is expired. After that, you will have to renew it.
- To obtain full legal ownership of the property in a restricted zone without setting up a Fideicomiso, a foreign buyer has to acquire a Mexican citizenship.
- A Fideicomiso allows you to leave the real estate as an inheritance to your alternate beneficiaries.
- When buying or selling the property within a Fideicomiso, be sure to use the services of a Notario. They are qualified attorneys who are authorized by the government to certify the trust deed and other documents required for real estate transfers. Please note that all foreign investors must hire a Mexican notario for closing property deals legally.
- You have the right to give your estate asset as a pledge and mortgage it by setting up the Guaranty trust. This can be done only if a Mexican bank offers the services of that kind.

All in all, a Fideicomiso is an excellent way to get around the Mexican laws prohibiting foreign ownership of real estate in restricted zones. Establishing this trust means you can invest in any property and use it the way you want without obtaining Mexican citizenship.