



Calle 16 de Septiembre No. 15
Col. Centro 23000 La Paz, B.C.S.

The Land Trust Act

In 1917 at the end of the Mexican revolution, a new Constitution was established and part of it dealt with the regulation of foreign ownership of land. It was ruled that no foreigner could acquire land within 50 Kms of the coastline, or 100 Kms of any border. With this in place, there was no way an American, or any foreigner, could own a home or property in Baja and coastal perimeter of Mexico.

In 1971, when Echeverria was President of Mexico, his administration could see the benefits of foreign investment, but had to figure out a way of allowing foreign ownership, without having to change a very important part of the Mexican Constitution. The answer was the Land Trust Act or Fideicomiso, pronounced "Feedaycomeeso".

This permitted a non-national who wished to invest in property in any of the Prohibited Zones to do so through a Bank Trust. In effect a Mexican Financial Institution holds the title to the subject property 'in trust' for the benefit of the non-national.

The trust clauses declare that as the beneficiary of this trust, the non-national, has all the rights, as though he were a Mexican National, to use it as a residence, rent it, improve it, or sell his rights at will at any time.

An initial limit of 30 years was put on the life of the trust, at which time it was to be either sold, transferred or possibly renewed. In 1989, however, all uncertainty was removed and the Act was amended so that the trusts may be renewed automatically, within 45 working days of application, for additional periods of 30 years, if requested prior to the expiration of each successive trust period.

Since then the life of the trust has been increased to 50 years, also renewable automatically as above. In essence this has made the life of a trust unending by simply making an application to renew as each period of 50 years expires.

Should anything happen to the first beneficiary during the life of the trust, the second beneficiary, (previously appointed by the first beneficiary), will automatically receive a brand new trust and in turn will have to appoint their second beneficiary. In this way, the property will automatically pass from beneficiary to beneficiary, according to their wishes



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To understand this system a little better, a good analogy is to compare it to a corporation where you own all the shares and the corporation owns a house or piece of property. You do not have title to the property, the corporation does, but as you own all the shares of the corporation, for all practical purposes you own the property to do with as you please.

It is also important to remember that the only reason for the trusts existence is to make it possible for non-nationals to invest in Mexico without the necessity of changing the Mexican Constitution.

Through this Trust process, owning property in Mexico is as secure as owning property anywhere.