



## Stewart Title Guaranty de Mexico, S.A. de C.V. Mexico City, Mexico - Houston, Texas

### PROCESS FLOW, COMMITMENTS, FEES & PREMIUMS

Stewart Title Guaranty de Mexico, S.A. de C.V. (“STGM”), would like to present a process flow for the title examination procedure, issuance of the Commitment for a Policy of Property Ownership, Escrow Agreements and most title search and escrow fees. The title policy, subject to the terms, conditions, stipulations and exceptions as contained in the STGM Commitment or as negotiated, will be issued by STGM. The STGM Policy of Property Ownership is reinsured by Stewart Title Guaranty Company in the United States of America.

- The first order of business is the Application for Policy of Property Ownership and the Application Fee. The Application is a one-page form that is easy to fill out and must be signed by the proposed insured customer. Generally, a title search or a title update requires an Application Fee of between US\$500-\$3,000, paid once. If the property is a “one off” search where STGM has never done title work, the Application Fee may be US\$3,000. On properties that STGM already has a base file on, for example, developments in the Los Cabos, Puerto Peñasco or Puerto Vallarta markets, a title update fee may be as little as US\$500. If multiple searches are to be done in the same municipality or subdivision, STGM may be able to discount the cost of the title work. In all cases, the buyer or real estate agent should check with us on the search fee, but we will always use our best effort to get the lowest fee possible for the benefit of the customer. A copy of the escritura publica (current deed of record) with the recording information of the public registry for the subject property **must** accompany the Application and the Application Fee. Once STGM has received all three (3) above items, we will begin the title search. STGM, under normal circumstances, will issue the Commitment within 30 days of receiving these 3 items including the subsequent receipt of the legal opinion or title report on the subject property.
- Escrow accounts may be established through the Houston office of Stewart Information International (“SII”) for any transaction in Mexico subject to a fully executed SII escrow agreement. **NOTE:** SII is not in business to provide escrow accounts. We are in the business of issuing title policies. Escrow is an ancillary service we provide for the benefit of the parties involved. Generally speaking, if the parties are only interested in our facilitating an escrow service and **NOT** in the issuance of a title policy, we’re not interested! With that said, the escrow fee in **every case** is US\$500. SII will receipt the required deposit per the instructions contained in the SII Escrow Agreement. SII **will not** receipt an earnest money deposit without an Escrow Agreement fully executed by the respective parties. Upon receipt of same, SII may, in most cases, invest that deposit into an interest bearing money market account established with Southern National Bank for the benefit of the depositor or as stipulated in the escrow agreement.

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- If the deposit is of short duration (30 days or less), Stewart will then advise the customer as to their desire. In deposits that earn interest, there **MUST** be a W-9 form (verification of U.S. taxpayer status) or a W-8 form (verification of foreign residence status) executed and returned to SII as well.
- Upon issuance of the Commitment, STGM can insure the purchaser at the time of closing with the receipt of the following items: 1) a copy of the executed escritura publica (public deed), 2) a copy of the aviso preventivo (preventive notice), 3) a copy of the certificado de libertad de gravamen (lien certificate), 4) written notification from the notario publico closing the operation (transaction) that the deed is fully executed and the operation is closed, 5) STGM must have received the premium for the Policy at the time of closing and satisfied all of the STGM underwriting requirements.
- Generally speaking, the one time premium payment for residential properties will be calculated at US\$8/1000 of the **purchase price plus Mexican IVA**. STGM will insure the property for the actual investment made. In the case of land transactions or industrial properties, the premium is fully negotiable based upon the aggregate insured value, i.e., total coverage for land and improvements. The general range for premiums is between US\$5-8/1000 of insurance coverage. **NOTE:** STGM can issue a “factura” (invoice) for the premium paid. The premium expenditure is a fully deductible expense on the real estate when the property is sold and will reduce the income tax liability payable to Mexico’s Hacienda.
- In the case of residential projects where the developer is willing to pay for the title policies at the time of closing, STGM can offer a discount to the developer. The premium would then be calculated at US\$6/1000. However, there must be a signed agreement between the developer and STGM concerning the premium structure and the method of payment. STGM is willing to provide the discount in order to issue title policies on **all** of the units, villas or lots in the subject development.

I trust this will help explain some of the issues to proceed on any property. In any case, you should always feel free to consult us or check with us on a particular matter. We are here to serve your needs and get deals closed, funded and insured! If we can be of service, we welcome the opportunity to assist you or your customers.

Saludos,

**Mitch Creekmore**

*Vice President & Manager  
Stewart Title Guaranty de Mexico  
Houston Office*