

Title:

Bridging the Gap

Word Count:

356

Summary:

One of the primary advantages of private money is that it allows for creative problem solving due to the flexible nature of the beast. There are usually ways in which one can make a private money transaction work, on any given project, even when the LTV initially appears to be too high.

Keywords:

Bridge Loans, private money, hard money, loans, mortgages, construction, lending

Article Body:

We are able to base LTV on the true value of a property, as opposed to purchase price; frequently our savvy investors are able to buy under value and thus this makes a significant difference.

We are able to base LTV on the projected value of a property when rehab or construction is involved.

We will allow a seller carry back in second position when a buyer is able to negotiate this type of arrangement to his/her advantage. (We loan up to 75% LTV,

but allow CLTV to exceed 125% under certain circumstances.) We will allow a borrower to pledge other real estate assets as additional collateral to make up

for a shortfall in down payment money or earned equity. Besides these options, there is one additional and very effective tool for bridging the gap when the

LTV ratio is running too high: My father has often said that the difference between being able to do a loan and not being able to do a loan is generally our fee. And there was a time when that was too often the case.

Well, we at California Private Money Loan have made a conscious policy decision to not let that happen ever again. Based on the premise that a dollar

tomorrow is better than no dollars today, we have decided to carry some or all

of our fee (as a small second) any time that this is necessary to make an otherwise good loan fit our LTV criteria.

This is no small thing, as our fee generally runs 4% of the gross loan amount, and our originating brokers (when involved in a transaction) charge anywhere from 1-5% for their part in the loan process; so with combined fees ranging from 5-10% (I never claimed that private money was cheap; I said that it is fast and flexible), and assuming broker cooperation, we are able to stretch 75% LTV to as high as 85% LTV. That is a big stretch and frequently it has made the difference between doing a loan and frankly the opposite of that.

--Jeff Chaney - VP
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