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For Bridge Loans, Smaller Can Be Better

**Loans from small private funds may help
stimulate growth in today's market**

In many aspects of life and business, people are getting back to the basics. In doing so, people also are frequenting smaller, specialized businesses. This also is true for the commercial mortgage industry.

Even in today's economic climate, many real estate and business opportunities still exist. The challenge for mortgage brokers and their clients is finding the capital to take advantage of these opportunities.

With current institutional-credit and liquidity restraints, borrowers cannot obtain financing as easily as in the past. The red tape has quadrupled.

Further, most banks and other large financial institutions are focusing on the areas that are more urgent to their imminent survival. These include maintaining deposit ratios.

Before borrowers despair and choose inertia as their plan of attack, they should know that there is a viable alternative: bridge loans.

In fact, bridge loans from small private funds can be an effective solution for clients who are looking for a fast turnaround on a large sum of money for their investment.

Fast capital

For many small private funds, their only focus is delivering loans that give borrowers the capital needed to pursue profitable investments.

As such, these funds often can complete deals without having to put borrowers

through all the paces that they would have to undergo with larger institutions.

This is because banks and larger financial institutions have strict underwriting guidelines that typically result in a lengthy application process — sometimes taking as many as 60 to 90 days. For a number of borrowers, this often culminates in a loan rejection.

When this happens, valuable time has been lost, and borrowers are left without the capital they need.

On the other hand, working with a small private fund offers borrowers certain flexibility, which often leads to a quick turnaround with minimal paperwork. Brokers and their borrowers typically are in touch directly with the loan committee from the beginning.

As with any financing, the first step brokers and their clients take with a bridge lender is the actual loan submission.

If a loan is not a good fit, the private fund often will let you know quickly, usually in 24 to 48 hours.

If the loan is approved, it usually can close within two to three days.

Ultimately, small funds can close loans more efficiently and often at lower rates than their institutional counterparts.

Crossing the bridge

In a nutshell, bridge loans are short-term instruments that are used to help bridge a time gap until borrowers can cross over to permanent financing.

For example, someone looking to acquire a value-add property — one that

will generate little or no cash flow during lease-up or renovation — may approach a bridge lender to provide the capital to acquire the property and to execute that value-add plan.

In the current economic situation, private lenders are thinking about bridge loans in a broader context. They can be the solution for any type of loan that a bank or other institution rejects.

Bridge loans are suitable across property types and can provide the answer for transactions on industrial buildings, apartments, mixed-use and residential properties.

Integrity, hard work and a great reputation are all part of the equation when working with small lenders. They often provide a level of intimacy that cannot be found with the larger institutions. Borrowers often can know the fund's history and know who its investors are upfront.

Expertise, efficiency, service and trust are some of the ingredients that can stimulate growth in today's economy.

Bridge loans from small private funds are available, and investment opportunities abound.

Brokers can help their clients achieve their investment goals in today's economy by turning to these smaller lenders to bridge the financing gap. ●

Stephan Kachani is vice president of sales and marketing at Lone Oak Fund, a private mortgage fund that is larger than many banks and that makes short-term loans ranging from \$250,000 to \$10 million on commercial properties throughout California. Kachani brings a unique perspective to his role at Lone Oak with extensive experience in the residential and commercial lending industry as a broker and a lender. Contact him at (310) 826-2888, ext. 28, or stephan@loneoakfund.com.