

Title:

Private Money Land Loans

Word Count:

520

Summary:

We seem to have touched a nerve with our raw land loan product. It is very popular with our clients. Most banks pretty much stay away from raw land. There is no way to process raw land loans with an automated system. A raw land loan is to put on your boots, roll up your sleeves, and prepare to get a bit dirty. It involves many conversations with city and county governmental authorities, and to make decisions based on an understanding that there are no certainties when it comes to raw land development.

Keywords:

Private Land Loans, Private Money Land Loans, Hard Money Land Loans, Hard Money, Private money

Article Body:

We seem to have touched a nerve with our raw land loan product. It is very popular with our clients. Most banks pretty much stay away from raw land. There is no way to process raw land loans with an automated system. A raw land loan is to put on your boots, roll up your sleeves, and prepare to get a bit dirty. It involves many conversations with city and county governmental authorities, and to make decisions based on an understanding that there are no certainties when it comes to raw land development.

So, as it turns out, our only real competitors in this niche--as far as I can tell--are other lenders that I don't really understand, many of those lenders won't loan more than about 50-55% LTV on raw land. We are able to offer loans on raw land at as high as 75% LTV. Let me give you one example of the scenario:
Scenario: We were approached by a developer seeking a loan on a forty acre parcel of land just in the process of applying for a zoning change, which would allow him to then subdivide the property into lots. He stood to make a very tidy little profit.

Problem: Our borrower needed a loan for 75% LTV on raw land and needed to base the value assessment on the lots was based on the borrower being able to successfully obtain the zoning change and then subdivide into separate building lots.

Analysis: We went out and walked the property with the borrower. We also visited and walked the property with the plan and his explanation of why he believed it would be successful. We reviewed all of his contracts and all of the supporting documentation. We talked to the county ourselves to assess the probability of the project, and in the end we concluded that our borrower was for real and that his plans were on track. We concluded that he would succeed.

Solution: We arranged a \$375,000 loan (at 75% LTV based on future value), with a three year term construction holdback for money to be spent on development of the lots, and we included 18 months of interest which would have no cash commitments during the development stage of his project.

--Jeff Chaney - VP California Private Money Loan
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