



Evaluate Your Private Lending Risks

The number 1 thing to KNOW when going into a private lending opportunity is the: EXIT STRATEGY!
ALL Lending Opportunities should have a CLEAR Exit Strategy

Exit Strategy #1 – Sell the Property

Exit Strategy #2 – New Financing

The Title Company plays an important role in private lending. They:

- Act as the “Middleman”
- Hold all money in Escrow – Until agreement is signed by all parties
- Complete the Title Search – Ensure no other liens or collateral
- Provide Title Insurance – Protects against errors in faulty title search
- Will Record New Liens – Protect your \$ by placing lien on collateral

As the BANK you must evaluate all opportunities on the numbers. The two most important analysis tools available to you are the “Loan-to-Value” and “Loan-to-Cost” ratios. By being strategic with the numbers you’ll always be able to know when an investment opportunity is a fit for you.

LTV = Loan Amount / Value of Collateral

You want the LTV to be low on your investment opportunities. LTV of 75% or Less = Relatively Safe Investment Opportunity.

LTC = Loan Amount / Cost to Build

Cost to Build includes: Land, Construction, Materials, Labor, Professional Fees, Permits, etc....

Other Factors to Consider when Evaluating Risk include:

- Borrowers Experience
- Borrower’s Credit Worthiness
- Property’s Cash Flow
- Insurance Risk