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12 OF THE MOST COMMON QUESTIONS REGARDING PRIVATE MORTGAGE LENDING

Alberta - BC – Ontario – Manitoba – Saskatchewan

1. What is the contract interest rate?
2. Are there any upfront fees?
3. What is the Loan-to-Value (LTV) that you can finance against my property?
4. What are the pre-payment penalties?
5. What are the fees associated with getting a private mortgage?
6. What happens at the end of the term and I cannot get non-private financing?
7. If I don't have enough equity in my property, do I still have options?
8. Are there advantages to using a broker over looking for a direct private lender?
9. How long does the process take?
10. What documentation will I need to provide?
11. If I own other real estate, can I use it as additional security to get the mortgage loan?
12. What sets Amansad Financial Services apart from other companies?

FAQ 1. What is the contract interest rate?

Answer: Interest rates vary depending on the down payment, existing equity, mortgage position, property type, ability to verify and the application. Generally, the more you can provide the more options that are available. Land only, Modular Homes, and other non-conventional properties are also subject to higher interest rates.

A typical private lending first mortgage on a residential property of 50% LTV starts at 6% - 8% plus applicable fees. A general rule of thumb is for every 10% the LTV increases the annual yield increases by 1%. The Annual Yield is a combination of the contract rate and lender fee for each year. Brokerage Fees are extra. Land, Modular Homes, and other unique properties are subject to higher interest rates.

A typical private 2nd mortgage on a residential property starts at a 10% plus applicable fees. A lender yield generally starts at between 12% - 14%. A general rule of thumb is for every 5% the LTV increases over 65%, the annual yield increases by 2%. The Annual Yield is a combination of the contract rate and lender fee for each year. Brokerage Fees are extra.

FAQ 2: Are there any upfront fees?

Answer: There are no upfront fees on residential private mortgages. Commercial mortgages have upfront fees on a case by case basis.

FAQ 3: What is the Loan-to-Value (LTV) that you can finance against my property?

Answer: On your typical residential property in an urban centre, private lenders will loan up to 80% of the property value. We do have access to lenders that will lend greater than 80%, but there needs to be either a clear and quick exit strategy and/or a favorable 1st mortgage in place. Smaller rural communities are generally maxed out at 60% of the property value, with some lenders in the network that will consider 70%.

***Some exceptions apply to all files. ***

FAQ 4: What are the pre-payment penalties?

Answer: Pre-payment penalties vary depending on the type of deal and the objective, but the common industry standard on closed mortgages is 3-months interest pre-payment, or a fixed percentage of original registered principal amount. Some provide open or partially open options. No pre-payment penalties will apply to a fully open mortgage.

FAQ 5: What are the fees associated with getting a private mortgage?

Answer: Combined Brokerage & Lender Fees generally start at 4% of the gross mortgage on mortgages greater than \$150,000. Combined Brokerage & Lender Fees generally start at 10% of the gross mortgage on mortgages less than \$150,000.

Example: \$100,000 Gross Mortgage.

\$100,000 – Principal Gross Mortgage
- \$10,000 – Total Brokerage/Lender Fee (10%)
- \$3,000 – Lender Legal & Title Insurance
= \$87,000 – Net to Customers

Example: \$400,000 Mortgage

\$400,000 – Principle Gross Mortgage
- \$16,000 – Total Brokerage/Lender Fee (4%)
- \$3,000 – Lender Legal & Title Insurances
= \$381,000 – Net to Customers

*** Borrower is responsible for Own Legal Fees & Closing Costs.

FAQ 6: What happens at the end of the term and I cannot get non-private financing?

Answer: As a property owner, it is your responsibility to put yourself in the best position possible to transition from private financing, but we also understand that life happens. When your maturity date is coming up, you will essentially have the following options:

1. Renew with your existing lender. Good Repayment history is required for the Lender to consider.
2. Refinance with a new private lender. All costs associated with securing a private mortgage will apply again.
3. Refinance with a non-private lender provided you qualify. Minimal costs are associated with this option.
4. List the property for sale and move.
5. List the property for sale to an investor and become a tenant with an agreement to buy-back in the future or be a permanent tenant.

If the above options are not exercised, the lender can/may initiate power of sale foreclosure proceedings.

FAQ 7: If I don't have enough equity in my property, do I still have options?

Answer: The options when property is lacking are few, but there are options. If the property is in an urban center or direct surrounding area and there is 10%-15% equity, the options would be as follows:

1. Provide some cash injection to meet a private lender's criteria for the loan to value requirements.
2. If other property is owned where there is adequate equity, a blanket mortgage can be considered.
3. Sell your property. If the equity is less than 10%, the suggestion is to simply sell your home if you are in a foreclosure situation. (Refinance Situations)
4. Enter in to Lease Buyback program. This is when an investor purchases the property from the property owner. A separate agreement is also prepared by both parties with the intention of the home being purchased back at a pre-determined date. (Refinance Situations)

FAQ 8: Are there advantages to using a broker over looking for a direct private lender?

Answer: This is a "YES" and a "NO". First and Foremost, looking for direct private lenders through various website and newspaper ads is time consuming. If a direct private lender is found, it is unlikely that they are regulated by their provincial body. Mortgage Brokerages are regulated. The best option for anyone in need of private money is to obtain the funds from parents, family, or friends that are in the position to assist you. This may not be available nor a desirable option.

Dealing with just any broker isn't recommended either. Many mortgage professionals find private lending to be foreign. The downside to this is that they may not be familiar enough with private lending to provide adequate service. In addition, some mortgage brokers are too proud and will not inform their customers that they are unable to effectively work your application; so, they will instead shop your application or refer to another brokerage that is comfortable working on your file. While doing this, as a customer you end up paying fees for multiple brokers and the lender. Not the wisest decision.

Amansad Financial does not your files to other brokers. Once we have everything required for your application, a summary is presented to our DLGN (Direct Lender Group Network) without providing your confidential information or property details. Direct Private Lenders will basically get your first name, the property type, property value, a general location, the LTV ratios, and some background information. Our partners generally confirm interest within 2 business days, but in many cases the same day. When LTV's exceed 80%, we have secondary options with our MIC partners.

FAQ 9: How long does the process take?

Answer: The process is relatively fast provided we are receiving requested documents in a timely fashion. On average, once an appraisal, application, and supporting documents are received, a commitment can be issued in 3 days or less, but in many cases within 24 hours

FAQ 10: What documentation will I need to provide?

Answer: On standard urban residential properties where the combined mortgages on the property value is less than 65%, basically all this required is 2 pieces of Valid ID, a current mortgage statement, property tax assessment notice, an appraisal from an approved appraisal, and copy of home insurance policy. This is classified as equity based approval. When the LTV exceeds 65%, more documentation is needed such as appropriate income verification which varies depending on each file.

FAQ 11: If I own other real estate, can I use as it as additional security to get the mortgage loan?

Answer: This is always a consideration. At times, there may not be enough equity in the primary property, so if you own other real estate with adequate equity, this will be considered. This is referred to a “blanket mortgage” or “Inter Alia” mortgage. This type of mortgage is not offered by traditional or semi-traditional lenders on residential real estate. It is only offered by private lending institutions and individual lenders.

FAQ 12: What sets Amansad Financial Services apart from other companies?

Answer. Turnaround time, brokerage firm pre-underwriting, and transfer of trust from our DLGN (Direct Lender Group Network)

Amansad Financial Process

1. Application sent to applicant (s)
2. Application returned & reviewed
3. Appraisal Completed & Commitment Issued
4. Commitment returned & sent to DLGN
5. Commitment is signed off by DLGN & instructed to Lenders lawyer

Most Other Brokerage Firms

1. Applicant sent to applicants
2. Applicant returned & reviewed
3. Applicant sent to 1 private lender for underwriting.
4. Underwriter sends to Lending Committee for review
5. Commitment returned to brokerage firm if approved. If not approved, go back to step 3 with new lender
6. Commitment Issued by Brokerage firm to applicant(s) with summary of terms and conditions
7. Commitment returned to brokerage firm
8. Commitment sent back to Private Lender by Brokerage Firm
9. Lender Committee completes final review
10. File Instructed to Lenders Lawyer for closing provided key conditions are satisfied by applicants.

As an Alberta Based Mortgage Broker with DLC Brokers for Life Inc.; Amansad Financial provides traditional bank financing, non-traditional, and private equity creative solutions to customers. Amansad Financial focuses on Alt-A, Private Equity Lending & Alternative Mortgage Solutions. If a borrower doesn't fit a bank mold but have the necessary down payment or equity; obstacles can be overlooked with our [private mortgage lending partners](#). With adequate equity or down payment, security, or a combination of both... a solution will likely be found. Borrower credit is the least of our worries.