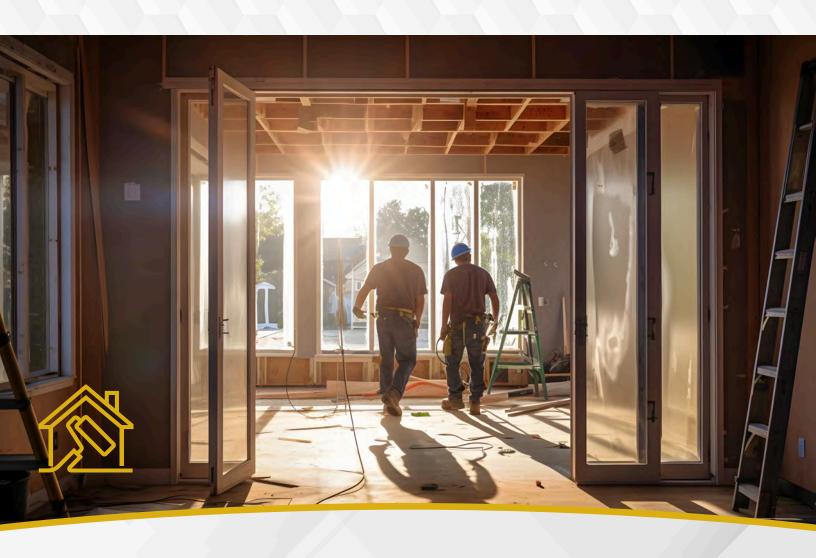


### **ICC INSIGHTS**



# Understanding Bridge Loans as a Strategic Tool for Real Estate Investment



#### Bridge loans, often compared to Residential Transitional Loans (RTLs), share similarities like short terms (typically less than 24 months) and non-bank private mortgage structures.

However, key differences set bridge loans apart. Unlike RTLs, bridge loans do not include a construction component and are secured in the property's "as-is" condition. Furthermore, bridge loans cater to various situations beyond the traditional purchase-renovate-sell model of RTLs, making them a versatile option for real estate investors.

#### Bridge loans are useful in time-sensitive transactions, aka Time of the Essence (TOE) deals.

These scenarios occur when investors face urgent deadlines, whether due to bank fallout, 1031 tax exchange pressures, or auction limits. In these cases, conventional banks often cannot meet the short

timelines, so investors turn to bridge loans to secure funding swiftly and avoid the risk of losing a deal. For example, in a bank fallout scenario, unexpected delays or complications with bank financing can lead investors to seek bridge financing to protect their investment and meet deadlines.

Another common use case for bridge loans is recapitalization. For buy-and-hold investors, bridge loans provide quick access to the equity built over time in a property, enabling them to reinvest in new opportunities. Additionally, bridge loans can be used for partner buyouts, allowing remaining partners to refinance the existing debt and maintain control of the asset.



Bridge loans are also valuable tools for addressing financial distress or reorganizing capital structures. When a property is under foreclosure or encumbered by tax liens, a bridge loan can offer a lifeline, allowing sponsors to stabilize the asset and potentially reenter traditional capital markets.

At Insignia Capital Corp, our expertise in bridge loans offers tailored solutions for real estate investors, ensuring quick, flexible funding to capitalize on opportunities, or navigate complex situations. Whether you're pursuing a quick acquisition or restructuring a partnership, a bridge loan can provide the financial agility you need.

Contact us today to learn how we can support your next real estate project with strategic bridge financing.



# The Insignia Capital Process



At Insignia Capital Corp, when evaluating a bridge loan, a well-organized applicant will quickly speed up the underwriting, approval and funding process. As a general best practice, our focus in underwriting begins with following few key credit elements:

- Does the borrower have reliable credit and liquidity?
- If credit is challenged, what was the cause of the credit event?
- If liquidity is light, does the borrow have another property to offer up as additional collateral?
- Does the borrower have experience? Lack of experience is not an issue but will result in lower dollar proceeds and potentially higher cost
- Does the borrower have a plan for the property?
- Does the borrower have the capital to improve the property with own funds?
- Is the property in a marketable area?
- Is there the potential for this to be a profitable deal?

These are the initial questions that established bridge lenders asses in sizing up a loan offer. The better prepared the potential borrower is, the more likely their deal is to fund and close with competitive terms.

## \$6.8M Recent Funding.

High-Leverage Mid-Construction Financing in the Hamptons by Insignia Capital Corp.



#### Loan Solution Overview:

- Sophisticated builder wanted to locate a maximum leverage, mid-construction solution for a 10,000 square foot home in the Hamptons, NY.
- We quickly located a local capital partner who offered a loan commitment within 3 weeks.
- 18-month term was offered to complete the project as well as market the property for sale.

