

San Diego Lending, Inc.

Commercial Lending Services

What are the loan rates?

Interest rates during the term of the loan are set based on a spread above the US Treasury Bill Rate Constant Maturity Rate.

During the credit line period (project build out phase), interest rate floats based on a margin over the Wall Street Journal Prime Rate.

During the period of principal pay down, the interest rate can be fixed for different increments of time.

Are there any fees or additional expenses?

The borrower pays the bank's attorney costs in conjunction with costs of their own counsel.

What will the bank finance?

Any common element repair or upgrade.
Purchase of real estate to be held by the association.
Purchase of land leases.
Equipment purchase (non-titled).

What does the bank use for collateral?

Assignment of Common Charges/Assessments. (please review the details of this with your legal counsel.)

No personal guarantees.

No liens on individual units.

If the loan request is to purchase real estate, a lien on the real estate may be requested.

In some circumstances, a pledge of some amount of cash balances may be requested.

What percent of financing will the bank lend?

It is appropriate to fund the entire cost of the capital improvement project.

Financing can also cover soft costs, such as start-up and engineering fees.

How does a loan affect the unit owners?

The association's monthly assessment income may need to be increased by some amount in order to support the loan payment, or the association may opt to levy a special assessment over the loan term.

The unit owner is not directly obligated for the association's loan. Units can be bought and sold regardless of whether there is a loan in place.

The loan does not become reported on a personal credit report.

What is the typical structure of a Community Association loan?

Loan term depends on the type of capital improvement project (landscaping, roofs, etc.).

If the association knows they will use 100% of the loan proceeds, a standard amortizing loan may be suggested to save the

borrower interest expense during a line period. In this case, the funds are put into a temporary deposit account and funds are released as invoices are presented.

Non-revolving credit lines available upon request.

There aren't any prepayment penalties allowing the association to make partial prepayment during the loan term and the association may request that the monthly payment be reset at any time during the loan.

How does an association qualify for a loan?

While some of these items are non-negotiable, we have been able to overcome other items with creative loan structuring.

The Developer (Declarant) may not be in voting control of the association board and may not have ownership of anything more than 10% of the annual budget.

Unit owner delinquency rate to the association cannot be more than 10% of the total number of units being more than 60 days past due.

The minimum number of units per property should be at least 20 units in order for the bank to distribute its risk.

Absentee owners should not exceed 40% of the community. Absentee is defined as investor ownership distinguished by a long term lease relationship between an owner and a tenant. There is not intent by the owner to have personal use of the unit.

Ownership concentrations in their summation should not exceed 30% of all owned units. No one unit owner should have control of over 15% of the units or 20% of the budget.

Proposed budget increase to service the loan should not exceed 50%. In the event it does, the bank may require the increase to be put in place for a minimum of 4 billing cycles without 60 day delinquencies exceeding 10% of units.

How long will it take to get a loan?

Once all required documentation is received, the loan can typically be underwritten and approved in approximately 10 business days, barring any delays in response time to underwriting questions.

Once the association has accepted a loan commitment from the bank, we can close as soon as we receive the required documentation, including the attorney opinion letter. In our experience, this process typically takes about 30 days.