

12 Questions

TO ASK YOUR PROSPECTIVE LENDER





We have been in the business of lending for years now and have seen quite a lot. Many borrowers come to us after things did not quite go as planned with their previous lender. There are a lot of good lenders out there, but there are also some bad apples. We have put together a list of questions to ask your lender before signing a term sheet.



1. Are you a lender or a broker?

Sometimes business will market themselves as lenders when they are just brokering the loan. Why is this problematic? Because any commitments they are making with respect to timing and funding are not fully within their control. They are not the final decision makers and therefore cannot guarantee that a loan will be funded. A borrower who wants to confirm that they are dealing with a lender versus a broker can check the local land records and see if the lender's name appears in the land records as having originated loans previously. In addition, some lenders sell loans as well. The borrower should ask the lender if he intends to keep the loan inhouse or sell it.

A borrower should seek a lending relationship with a lender who is funding loans directly rather than a broker masquerading as a lender. Pimlico Capital is a direct lender that (1) never failed to fund a loan based on our commitment and (2) never sold a loan to a third party.



2. Do you have references that you can provide to me?

A lender's website will no doubt have glowing testimonials from customers. But the lender should allow a prospective borrower to speak to references (preferably current ones) so that he can obtain a first-hand account of the experience with that lender. Reputable lenders should never resist providing this information. The borrower should also search the public domain for any reviews of the prospective lender.

If the lender holds himself out to be BBB accredited, then the borrower should also check the lender's [BBB rating](#).



3. How long have you been in business?

If the prospective lender just got into the private hard money lending business, he has no proven track record. This is not a risk a borrower should take, particularly when the need for funding is immediate.

Pimlico Capital was established in April 2016. With four years of experience already under our belt, we have established ourselves as a reputable industry player. We have experienced a growth in business thanks in large part to referrals and repeat business.



4. How long does it take to get a term sheet?

If a borrower is looking for short-term financing, the time it takes for each step of the process is going to be important. Some lenders may take days to issue a term sheet. With cooperation from the borrower, Pimlico Capital can turn around a term sheet in one day.





5. What fees will I have to pay?

Sometimes prospective customers will compare our rates to a competitor's rates and question us as to why our rates are higher. What they are not taking into consideration is that our competitor has extra fees that are not disclosed in their marketing materials whereas we are **fully transparent** regarding any fees that the borrower will incur. For example, look at the comparison below:

Loan Amount	ARV	Loan Term
\$150,000	\$225,000	9 months

EXAMPLE:
Bridge Loan

	 PIMLICO CAPITAL	Competitor
Interest Rate	9% = \$10,125	9% = \$10,125
Loan Origination Fee	2.5 points = \$3,750	2 points = \$3,000
Processing Fee	\$0	\$950
Appraisal Fee	\$0	\$695
Draw Fee	\$0	\$195 x 4 = \$780
Legal Fee	\$450	\$900
Total	\$14,325	\$16,450

Savings with
Pimlico Capital:
\$2,125

What is even more troublesome than the fact that some private money lenders charge these fees is that the borrower may not even find out about them until they are at the closing table and are seeing the final HUD-1.

When assessing which private money lender to use, a borrower must ask questions as to the nature and amount of **all** fees he will be charged.



At Pimlico Capital:

- We mostly work with experienced real estate investors, which lowers our risk.
- We are working with our internal funds, so we are the final decision makers and do not need to consult with or comply with anyone else in making our lending decisions, restrictions and rules. We do not have to promise outside investors higher rates of return.
- We do not use or charge for third party appraisals.
- We underwrite in-house and do not need to spend resources communicating back and forth with other parties.

This means that we can make our services available for a lower cost than our competitors can.



6. Is there a pre-payment penalty?

The borrower may also be optimistic about paying off the loan before it matures, but blissfully unaware that his lender charges a hefty prepayment penalty. It is therefore important that the borrower do his due diligence and ask the question. At Pimlico Capital, there is no pre-payment penalty.



7. Do you require an appraisal?

Many lenders rely on third party appraisals for which the borrower will pay a fee. At Pimlico Capital, we underwrite our short-term loans in-house—meaning that we do not require an appraisal.

In addition, the commitment we make to a borrower on our term is final—not subject to a last-minute adjustment that often results with other lenders because of a lower than expected appraisal.



8. How quickly can you close?

An institutional lender might take a month or more to approve and fund a loan. Pimlico Capital can approve and fund a loan for real estate investment within 1 day.



9. Can I use any contractor that I want for my fix and flip?

A lender may or may not have requirements regarding the borrower's selection of a contractor. At Pimlico Capital, we are invested in our borrowers' success. That means that we will require that the contractor be licensed, that we have references, that we meet him, etc. We have separately prepared guidance for borrowers about how to approach the contractor selection process. [Contact us](#) for more information.



10. Does a third party perform draw inspections?

If a third party is responsible for draw inspections, the likelihood increases of it taking longer from the time the draw is requested to the time the draw is funded.

At Pimlico Capital, we focus our lending on the local market. This enables us to conduct all draw inspections ourselves, lending expediency to the process.



11. How long does it take to receive funds from a draw?

With some lenders, a draw request might take days to be funded, during which time interest is being charged. In addition, without a quick draw process, a borrower will not have access to immediate funds in the event of any emergency with the property.

With our streamlined online draw request process, our borrowers will receive the funds for their draws quickly (often within 24 hours). We typically disburse funds by ACH transfer or wire. However, we can also bring a check with us to the construction inspection and provide funds immediately.



12. Are there any other services that you provide to your borrowers?

Many lenders are focused on one thing only—the collection of their fees. At Pimlico Capital, we are invested in the success of our borrowers and view the lending relationship as a partnership. We will provide guidance to our borrowers throughout their project—for example, on how best to select a contractor, on best practices for renovations, and on pitfalls to avoid.

A quality lender will be ready, willing and able to provide guidance on a borrower's deal.



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