Don't let fractional or partial property title stand in the way of squeezing liquidity from a good property

by Rick Harmon

If you're an attorney who attracts clients with fractional interests or defective real estate title ownership, there are few solutions beyond forcing a sale to create liquidity.

How to get through the economic draught when cash is drying up…

If you can imagine your client as a parched, thirsty hiker who must tap a cactus tree with prickly spines with a hornet nest or die of dehydration…

Consolidate Interests When Possible

You might be wondering, "So, how does the client make use of equity? Especially when title is a mess of several deceased owners and gawd only knows how to get the buzzing to stop."

Ideally, two or more parties can cooperate sufficiently to complete a loan, even when co-owned by two entities.

In one case, through multiple mistakes of the settlor trustee, a trust only had a one-half undivided interest in the real property. We agreed it made sense for us to lend on this fractional one-half interest under the right circumstances and terms.

This works. We helped both clients maintain control of the property. Plus, we did this without forcing them to sell at massive discounts to a very limited market. Despite the start, they were still able to pull cash out of their properties completing their time-sensitive objectives.

This "upstream" financing plan is preferable to waiting even when all parties don't get along like kittens.

If a dispute is brewing, one sibling could hint at a partition action that would compel the other sibling to take meaningful action before becoming a contentious lawsuit.

If the Client Must Only Use Their Fractional Share…

Nobody wants a one-half of a property any more than they want one-half of a car. Yet it may be possible to pull money out of the equity of a property.

One of the methods is to borrow with a specialty lender who understands these fractional interests and title defects. However, beware the lost opportunities from last-minute discoveries (as somebody could easily screw up the front end).

Here's What NOT to Do...

For example, brother and sister inherited a house and vest title tenants-in-common, pursuant to court's typical order for distribution.

> *"Is the juice worth the squeeze for a fraction of the action?"*

Once title was in the name of a living individual who resides in the property, the ability to borrow on that fractional share is severely limited without full cooperation and qualifications of both owners.

However, had the attorney who probated the parent's estate or administration of a trust counseled the siblings to ***borrow prior to distribution,*** they could have accessed liquidity on at least half the equity.

If there's one thing you can rely on, it's that people will never stop leaving inherited property messes.

Here's the Next Step...

If you have an unusual situation involving a partial/fractional or defective interest in real estate, let's discuss how you can be a hero to your client and still get paid. You can call me at **1-800-779-2552.** Please tell your client the FIRST STEP is to go to our website, **CloseProbate.com** and the SECOND STEP is to call (and they can get started 24/7).

Rick

Rick Harmon

"Property can be distributed and kept in the family just for now... or forever. CloseProbate℠ Fiduciary Mortgages are equity-based and non-recourse"

Call me directly to discuss these (and other) property issues:

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- Creditors, Claims & Back Taxes
- Title or Dispute Workouts
- Elders or Relocation Challenges
- Property Preservation/Remediation Loans

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RICK'S RANTS:

The CloseProbate™ Fiduciary Mortgage product was created so that the people in charge of probate estates, trusts and conservatorships can use the equity in the house or other collateral without personal financial obligation.

Otherwise, California legislators would treat these as consumer loans and no ethical lender would violate the law.

As a refresher, Fiduciary Mortgages are driven by private money and compete with other investment types besides lending.

The market is typically a 4-6% premium higher than banks' conforming (I.e., government insured) mortgages.

So, borrowers can expect market rates in the 10-12% range on typical trust and estate mortgages, depending on the collateral. This follows the rule of premiums over conventional loans which are now in the 6% + range and are not available to estates and irrevocable trusts.

Your client may be thinking, *"Hey, this is a higher interest rate than the bank charges!"*

They are correct.

Most of our borrower clients require financing that solves one or more current problems. They're pleased with the appreciation in both value and equity as well as having a simple way to keep their inherited home in the family for future generations.

Rick

We make loans to the people in charge of cash-poor estates and trusts in California.

Contact us when your client requires liquidity without selling or you wish to "strategize" financial and other solutions.

(800) 779-2552

Be the Hero™

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