Your Partner in Possibility: What Makes a Loan Attractive To Us?

As conservative lenders, charging interest rates higher than banks, Enact Partners does not see many easy, slam-dunk deals. Borrowers come to us because they don't check all the boxes standard lending institutions require. To get things done, they rely on Enact Partners to offer creative, hassle-free solutions.

YOUR PARTNER IN POSSIBILITY

The goal of Enact Partners is to fund borrower projects. We want you to succeed. By crafting innovative funding solutions tailored to borrower needs, our clients feel they've found a partner, not an opponent. Sometimes during the process, our clients even realize additional opportunities for success. In our book, that's a win-win.

Our clients like to move quickly. Most have already engaged in numerous real estate projects over the years. They know how complicated and slow working with traditional lenders can be. Most of our loans typically fund within 7 to 30 days.

YOUR DIRECT CONNECTION TO DECISION MAKERS

While our clients want things to move quickly and smoothly without the usual red tape, transparency and accountability is critical to them. Like us, they don't like surprises.

Enact Partners is a boutique-sized finance team with a thriving, stable fund and an extensive background in real estate and business purpose lending. Our streamlined process means borrowers get to work directly with us, the decision makers, not a nameless, faceless loan bureaucracy beholden to regulations and paperwork.

We put our deep knowledge of real estate development and commercial lending to work for our clients, quickly making sense of borrower collateral, needs, and goals to design lending solutions that work for all parties. The result is unmatched expediency and transparency.

WHAT MAKES A LOAN ATTRACTIVE TO US?

When Enact Partners decides to offer loan terms to a borrower, it's only after careful consideration of four main factors:

1. Can the borrower make the monthly loan payments?
2. Can the borrower pay off the loan at maturity?
3. Can the borrower make it through project delays or cost overruns?
4. Can we negotiate an appropriate interest rate?

#1. ABILITY TO MAKE MONTHLY LOAN PAYMENTS

If the property has tenants, such as an existing apartment building, office building, or industrial setting, we examine whether the property's Net Operating Income is enough to cover the loan payments. If not, we'll explore whether the borrower has enough financial strength to make up the difference.

Some properties do not have income, such as vacant land or residential construction. In such cases, we almost always include an interest reserve in the loan budget. This interest reserve uses loan funds to make the monthly payments. This approach usually means the borrower has to bring in more cash up front, so the borrower is effectively paying future interest at loan closing.

#2. ABILITY TO PAY OFF THE LOAN AT MATURITY

When designing a lending solution, we look at whether the borrower's business plan adds enough cash flow and/or value to the property so the borrower can either sell it for a profit or obtain a cheaper conventional loan to pay off our loan. The appraisal we obtain prior to loan closing is critical for evaluating this factor.

#3. ABILITY TO PERSEVERE THROUGH ADVERSITY

The borrower's ability to complete the project despite delays and/or cost overruns is a critical decision point. Before funding, we'll ask questions such as:

- "Does the borrower have experience with this kind of project?"
- "Does the borrower have sufficient personal liquidity or outside cash flow to inject funds into the project if needed?"
- "Has this borrower been through hard times before. If so, how was it handled?"

In most cases we get personal guaranties from the borrower. To-date, Enact Partners has never had to take action on a guaranty.

#4. APPROPRIATE RETURN

When pricing loans, we look at whether the borrower will pay what we consider to be the appropriate risk-adjusted return.

For example, a fully-occupied San Diego apartment building tends to be a safer lending opportunity than a plot of vacant land that does not have income. As a result, we would expect the vacant land loan to have a higher interest rate to reflect the higher risk.

We also do our best to achieve the Enact Partners Fund's goal return to investors after expenses. Because there is a lot of competition in the market, especially with Wall Street entering the private lending space, we weigh a variety of factors when pricing loans.

Even though our interest rates may be higher than traditional lenders (indicative of the ease, speed, and flexibility of our process, which costs a premium), a loan through Enact Partners is often much less expensive to borrowers than using investor cash.

OTHER FACTORS WE CONSIDER

Land Loans

Land loans can be difficult for borrowers to secure. They are often complicated, and they require lenders to have the specialized industry experience necessary to feel comfortable providing financing.

Borrowers need to select a lender that not only understands the land development process but can also provide insights and resources that serve as value-adds to the borrower. With roots in land development and construction, Enact Partners brings a deep understanding of complex land development projects.

Construction Loans

Construction loans are one of the most complicated types of loans to finance. Unlike non-construction loans, where borrowers have little interaction with the lender after closing, with construction loans there is often frequent coordination and communication between borrower and lender throughout the entire project.

Borrowers seeking construction loans are wise to consider what happens after closing as they work with a lender through the draw process and how a lender will respond if things don't go as planned (a common occurrence). Enact Partners brings both the experience necessary to underwrite the loan as well as provide an effective and efficient loan draw process for the borrower.

Commercial Bridge Loans

Commercial bridge loans come in many forms. In most cases, speed and timing are essential.

- When purchasing a commercial property, borrowers often need to close quickly to ensure the purchase of one property before they sell another.
- Investors involved in time-sensitive 1031 exchanges typically seek to defer capital gains or losses or capital gains taxes otherwise due at the time of sale.

Whatever the reason for seeking a commercial bridge loan, borrowers need a lender who is willing to take the time to understand a project, who can assess available collateral, and has the ability to close quickly. With years of industry experience, Enact Partners has expertise in all of these areas.

THE BOTTOM LINE

None of the four main factors outlined above are more important than others. Some loans are weak in one area, but strong enough in other areas to provide confidence in a project.

Lending is partly a science but mostly an art. The science part is easy. The art only comes with experience. The Enact Partners team has vast experience on both the lending and borrower sides of projects. We often see strengths and opportunities that typical lenders do not.

Contact us about your borrowing needs. Enact Partners specializes in quick turnaround times, flexibility, and providing access to decision makers who can connect you to the capital you need to buy and develop property.

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