



TERRA FIRMA
GLOBAL PARTNERS

COMMERCIAL LENDING OPTIONS

	ADVANTAGES	DISADVANTAGES
SAVINGS AND LOANS	Local and on the spot Know property and area Have confidence in area Long pay-out High percent of loan to value More lenient in qualifying both the property and the borrower	High Points Personal Liability Nonassumable at times Prepayment penalty
COMMERCIAL BANKS	Local and on the spot Know property and area Have confidence in area Lower points Construction and land loans	Low percent of loan to value Want other business Higher interest rate Sometimes prepayment penalty Shorter term of years
INSURANCE COMPANIES	Have ample money Like big borrowers Lower interest rate Low points Permanent loan usually nor personally guaranteed	Not local Can be impersonal Highly selective Demand greatest qualification on property and borrower Long processing time
REITS (**See page 2)	Same as insurance companies Less conservative Loan terms more flexible	Not local Can be impersonal Generally short-term lender Long processing time
PENSION FUNDS	Same as insurance companies	Same as REITS
THE SELLER	Depends on the situation and the Seller No points at all Usually best rate No processing time to worry about	Seller may be limited in the amount he or she can hold Term usually shorter

Real Estate Investment Trusts (REITS)

The three basic types of REITS:

THE EQUITY REIT. This is similar to a mutual fund except the investors own an interest in whatever real estate the organization acquires. The form of ownership is like a corporation; only the income and losses are treated, for the investor, as though this is a major buyer of office buildings, shopping centers, and the like. It takes part in joint ventures, develops, builds, and otherwise is involved in many forms of real-estate investing.

THE MORTGAGE REIT. This form of real-estate trust is designed for lending. They vary in size but are very potential in the lending game. They got into trouble in the early 1970s by being overzealous with their lending practices. Many of their loans went bad and they ended up owning property through foreclosures. Some of the mortgage REITS found themselves in irreversible trouble as they made construction loans on projects that failed prior to the permanent loan paying off the REIT. As the earlier mortgage REIT based its success on a shorter duration loan, i.e., the development land, it was not a surprise that these REITS have undergone the greatest change over the years. Where they still exist, there are more often found as a part of the third form of REIT.

THE HYBRID REIT. This is a mixture of the two earlier REITS. Some of the REITS were formed by accident, others by design. They have found the best and worst of both worlds, but in a counterbalance they seem to now make up the majority of REITS. Hybrids generally participate in the project, lending money and taking a percentage of ownership or override on income.