

Common Questions About TIC Financing

What is a TIC?

Tenant in Common (TIC) refers to an arrangement in which two or more people co-own a parcel of real estate without "right of survivorship." Each buyer owns an undivided percentage interest in the building with the exclusive right to occupy one of the units. The right of a TIC owner to use a particular TIC unit comes from the Tenancy In Common Agreement (TICA).

What is a Tenancy in Common Agreement?

A Tenancy in Common Agreement (TICA) is a contract which shows how the co-owners live in the TIC building- including unit usage rights, description of co-tenants' financial obligations and management of property. This agreement protects the owners of the property, specifies how unforeseen events will be handled and ensures the property is well maintained and managed properly.

Will I have to share a loan with other co-tenants?

While "group" TIC loans are available through most lenders, "fractional" or "individual" loans are much more popular due to the fact that as a TIC owner, you are not held responsible for other owners, should they default.

What is securing the loan?

For each loan, a note is signed by the owner of a particular TIC interest and secured by a deed of trust. Each borrower is responsible for their own mortgage. Therefore, in the event of a default, the lender can only foreclose on that owner's interest in the TIC.

What type of financing is available for TIC's?

NCB offers a 3/1, 5/5 and 7/1 Adjustable Rate Mortgage (ARM), with a minimum down payment of 20%. There is no secondary market for TIC loans, so fixed rate financing is currently unavailable.

Why are there so few TIC lenders?

TIC's, like housing cooperatives, are a relatively small part of the overall real estate market in California. Most TIC's are in San Francisco, where there are a few lenders that provide fractional TIC financing. The reason that there are so few lenders is because there are not as many investors available to purchase TIC loans from the lender compared to condominium or single family residences. National Cooperative Bank began lending to TIC in 2006 and remains one of the most active TIC lenders in California.



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