

TICs Fast Facts (Source: SFAR*)

A TIC is NOT like a Condo" ever, no exceptions. A TIC is a way of *co-owning* property allowed under State law. It is never "like a condo" as the latter is a *subdivided* interest in real property, which historically has been easier to finance and sell.

There are no "TIC units," only TIC interests. Calling a TIC interest "a unit" suggests to buyers and sellers that they are getting something "like a Condo." ***It is the percentage or fractional "undivided interest" in a tenancy in common for the entire property with the exclusive right to occupy a particular physical residential unit that is typically being bought or sold, not a "TIC unit."***

"Fractionalized" loans do not change the character of TICs, they only allow an owner to sell his or her fractional share of the property without forcing a refinancing of the property and a lender to foreclose against an individual owner, instead of every co-owner, when there is a default.

- A "fractional" loan for a TIC does not allow for relatively easy refinancing due to ***an unestablished secondary market.***
- Unlike a true "individual" loan, with a "fractional" loan, ***the lender steps into the shoes of the TIC owner/debtor and becomes a co-owner in the event of a foreclosure.*** This could create unintended consequences such as ***if the TIC becomes controlled by such lenders as they may seek more conservative reserve amounts, repair and replacement schedules and the like.***
- No one can say if "fractional" loans will be offered in a high interest/high foreclosure rate market, making it difficult, if not impossible, to sell or refinance.

Buyers and sellers should always engage a qualified attorney to prepare and review TIC Agreements, answer any questions about TICs or the TIC transaction and provide any related advice. For sellers before or shortly after listing and for buyers before making an offer or well before they must remove any contingencies.

*No representation, warranty or guarantee of any kind is made as to the completeness or accuracy of the information presented.