

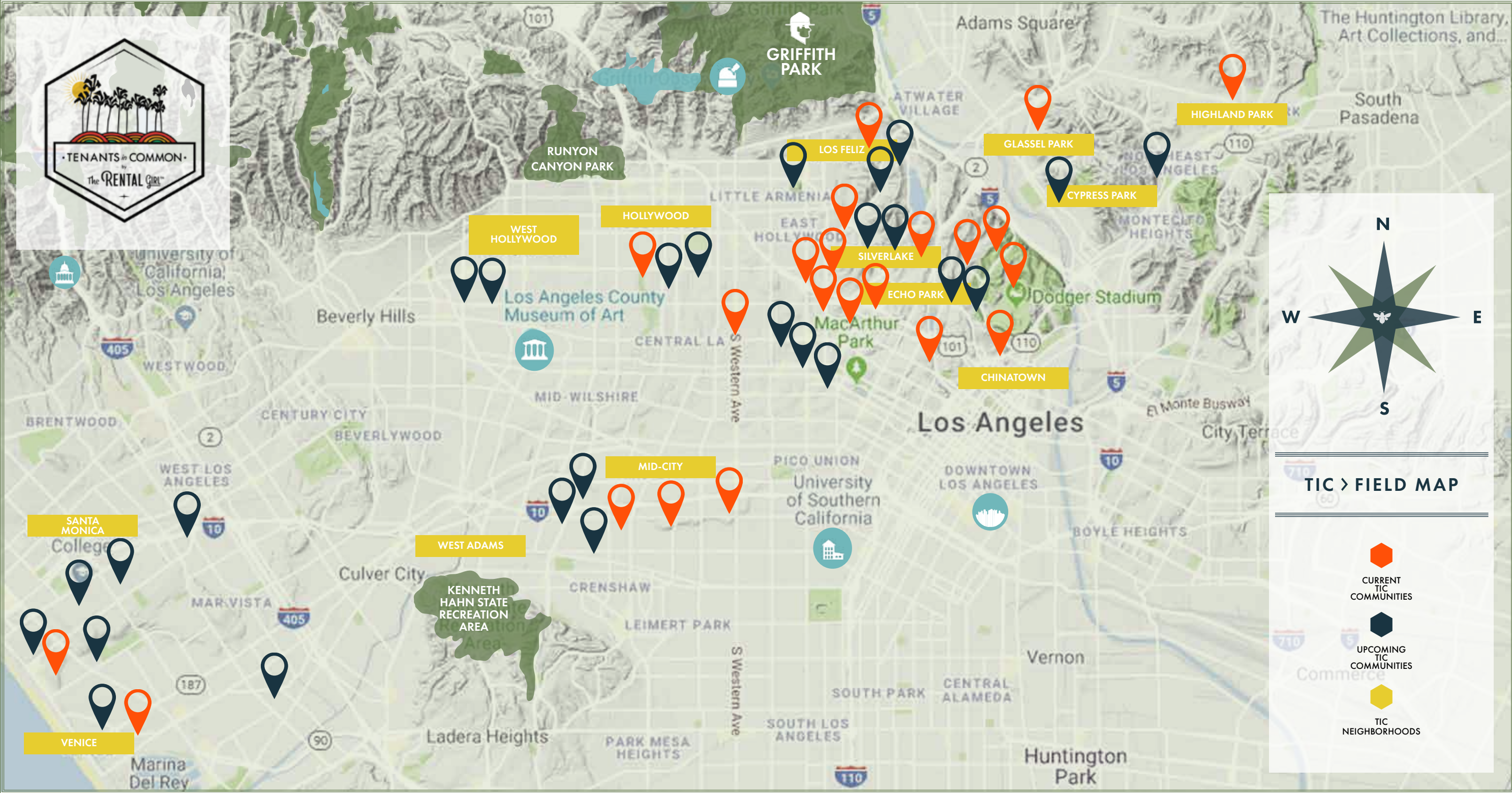
The RENTAL GIRL™

A TENANTS IN COMMON FIELD GUIDE

BECOME A
TIC
TENANTS IN COMMON
INSIDER

THE FUTURE OF
LOS ANGELES HOUSING

TIC COMMUNITIES IN LOS ANGELES





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At The Rental Girl we believe all renters should have the possibility of owning property. This possibility is difficult to accomplish because the shortage of available real estate has driven up prices making renting the only option. TIC ownership provides a solution to this problem. TIC ownership allows renters to purchase a rental unit at a low enough price that keeps the monthly mortgage payment comparable to what the rent amount would be. Mortgages can be acquired with as little as 10%

“All renters should have the possibility of owning property.”

down. While living in a TIC unit, the TIC owner is now making a monthly mortgage payment, building equity with each payment, and contributing to his or her future financial security.

The beauty of TIC ownership is that it spreads equity more evenly among our community. Instead of one person owning multiple units & monopolizing the equity, equity will be spread among multiple people - affording those who are often

excluded from this opportunity the benefits of homeownership.

The Rental Girl created and maintains a network of renters and buyers who are interested in purchasing a TIC (therentalgirl.com/tic). We are working with investors and landlords to develop future TIC communities, setting them up to our TIC Gold Standards, what we have determined to be TIC community best practices. We are now matching our buyer network with our upcoming communities.



Liz

Liz McDonald
The Rental Girl™
Founder & TIC Team Co-Lead



LIZ MCDONALD
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WHAT IS A TIC?

TIC ownership is an alternative to the condominium market. The Rental Girl is pioneering the TIC market in Los Angeles, but TIC sales have been hugely popular in San Francisco for quite awhile. The TIC market in San Francisco is similar in popularity to the co-op market in New York City.



1



WHAT IS TIC . . . TECHNICALLY?

TIC stands for “Tenants In Common” and is a way to hold title when two or more people co-own. You can hold title in multiple ways, such as your personal name, or as an entity like a corporation, or LLC. When two or more people buy a property together each of their names will be listed on title and they can hold title as Tenants in Common or as Joint Tenants.

TENANTS IN COMMON

With Tenants in Common ownership the interest of each co-owner is distinct, and can be separately sold, transferred, or willed to heirs. With Tenants in Common, you own a fraction of the whole property. We have been holding title as Tenants in Common before California was a State. But now we’re taking this concept, creating co-ownership which feels very much like condo ownership.

2



OK, SO WHAT IS TIC REALLY?

TIC with exclusive rights is a way for strangers to buy a property together, with ownership rights very similar to condo ownership. If you take two side-by-side identical apartment buildings, one has been converted to condos, the other is owned as TIC, you would not be able to see the difference. They look the same, act the same, day-to-day operations are the same.

3





TIC



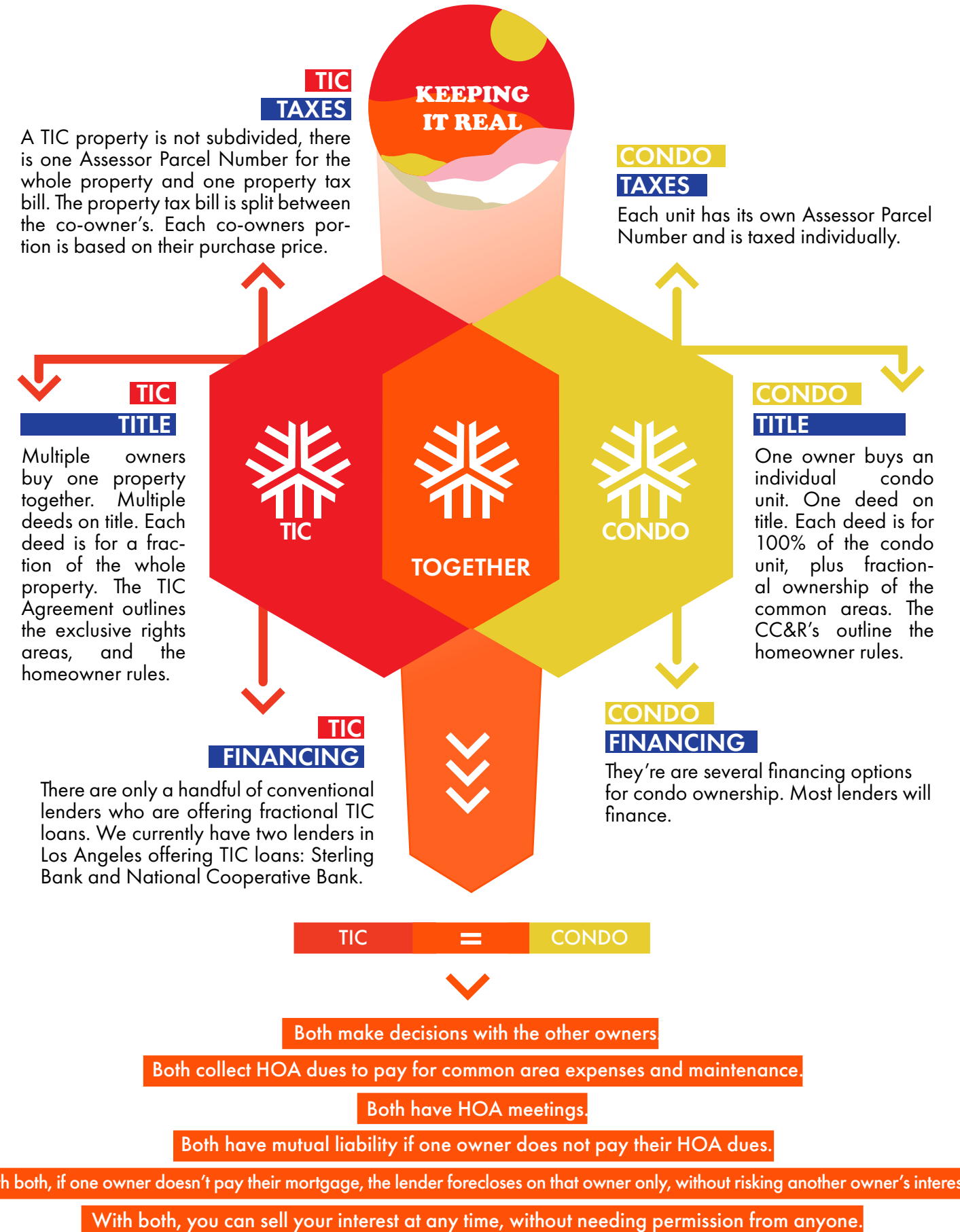
One deed per property, listing all co-owners names. As an example, with a 4-unit property you own 25% of the whole property but have exclusive rights and use to one unit as outlined in the TIC Agreement.



CONDO

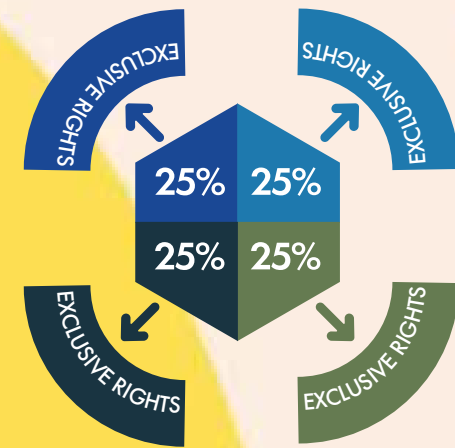


With a 4-unit property you own 100% of everything within the walls of your unit and 25% of common areas.



WHAT DOES A FRACTIONAL LOAN MEAN?

With a TIC purchase you are buying a multi-unit apartment property with multiple people. For example, with a 4-unit property there would be four owners. Each owner would be purchasing 25% of the whole property, with exclusive rights to one unit. Each owner would have a fractional loan for their 25% ownership.



HOW IS A FRACTIONAL LOAN DIFFERENT THAN A CONVENTIONAL LOAN?

Conventional lenders such as Chase, Wells Fargo, US Bank, etc. do not offer TIC fractional loans. Why? Because conventional lenders want to loan on the whole property not on a fraction of it, in the same way they would not lend on half a house. Fractional loans have a history of high performance and low foreclosure rates. Because of this, we expect other mid-size lenders to enter the TIC fractional loan market as the TIC sales market grows.

APPLYING FOR A TIC LOAN

Applying for a TIC loan is similar to the conventional loan application process. They use the same loan application, and request the same documentation as any lender would. They have slightly stricter borrower requirements, such as debt-to-income ratios, credit and reserves.

HOW IS A TIC VALUED?

The value of your TIC fraction is not in your 25% interest, but in your exclusive rights area: how big is the unit? Does it have views? Upgrades? Parking? Traditionally TIC'S are valued 10-15% less than comparable condos due to the fact that there are limited options for financing.

FRACTIONAL



OFFERS FRACTIONAL PROPERTY LOANS.

HISTORY OF HIGH PERFORMANCE AND LOW FORECLOSURE RATES.

CONVENTIONAL



OFFERS WHOLE PROPERTY LOANS ONLY.

WILL PACKAGE AND RE-SELL YOUR LOAN ON THE SECONDARY MARKET.

OUR POINT OF VIEW

The TIC market started in San Francisco 40 years ago by Andy Sirkin. Liz and Cristina had lunch with Andy the last time he was in Los Angeles and got his story. Andy Sirkin is the attorney who came up with the idea of TIC ownership with exclusive use area. Andy came up with the idea because he himself was not able to afford a home in the early 80's. So, he and 3 friends bought a 4-unit Victorian together and each lived in one unit. They all got on one group loan together. They wrote the first TIC Agreement. Other friends and colleagues heard about what they did, and Andy started writing TIC Agreements for others. Soon, a market began, where multiple people, strangers often, were buying properties together, and each getting on one group loan together. The TIC market was a consumer conceived idea, a solution to the unaffordable housing market. These first TIC buyers pushed lenders for a TIC fractional loan product. They finally got one. In 2004 other lenders caught on and began offering the TIC fractional loan product.

Liz and Cristina's take-away from their meeting with Andy Sirkin is that the TIC market is driven by consumers, and will continue to be led by consumers, largely due to the lack of housing affordability. Los Angeles is following in San Francisco's footsteps in regard to lack of inventory and affordability. Sterling Bank recognized this and came to LA in 2016 to offer their TIC loan product here. More lenders will enter the market as the consumer continues their demand for affordable housing through fractional ownership.

THE PAST

THE PRESENT

“ In 2001, I was living in a studio above a garage in Burbank and the landlord increased my rent by \$300 a month. I was so upset but I knew I had to move. I decided I would buy a house, rent it out, and live in my own converted garage. This idea got me started on a search to buy. I started to realize that if I had a little more down-payment, I could buy multiple units. So, I spoke to my two brothers and we ended up pooling our resources together and buying a multi-unit apartment building. We got on one loan together, we each moved into one apartment unit, and we held title as Tenants in Common. We still live there today in our family compound. Buying a property fractionally, as Tenants in Common, was my way of entering the real estate market and obtaining the ability to own.

Liz

Liz McDonald
The Rental Girl
Founder & TIC Team Co-Lead



+ **TIC** = *yes!*

Tenants in Common Agreement

Today, strangers can buy a property together, holding title as Tenants in Common. The reason this model works so well is due to two main reasons, the Fractional Loan and the TIC (Tenants in Common Agreement).





WHY LOS ANGELES NEEDS TIC

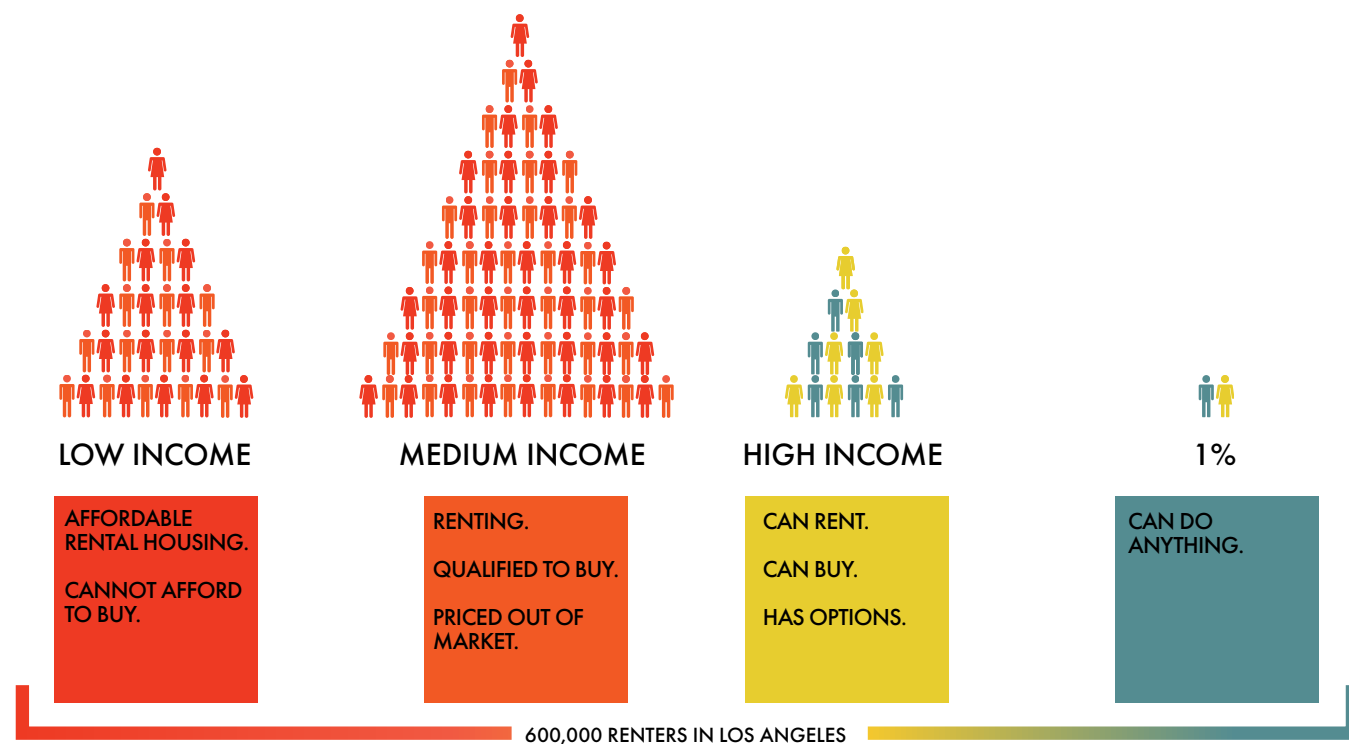
2019 was The Rental Girl's 15th year in business. For 15 years we have been assisting renters with a goal: helping renters enter homeownership. Owning a home has always been a way to build wealth. As the rich get richer, and the poor get poorer, the opportunity to buy has become increasingly difficult. The past few years, we felt that possibility fading away as home prices soared. More and more, we hear our renters say that owning a home in Los Angeles will never be possible.

IT'S TIME FOR A CHANGE

For too long owning or renting have been the only options for housing. Looking into the future, we will see hybrid markets emerging. TIC is one such market. We need to be forward-thinking, demanding laws and incentives to build new affordable housing, create down-payment assistance programs, create new ways to own property and discover new ways for renters to regain their power over their housing. For this to happen, we need a shift in our mindset, we need to think of renting as a shorter term housing solution and start envisioning a future where homeownership is not just an "American dream" but a reality. We demanded rent control, and we got it. If we demand affordable homeownership opportunities, we will get it. Mindsets are changing. This is the future. TIC is the start of this future.

What does the future of real estate hold? Follow The Rental Girl to explore a future of homeownership possibilities with us. (therentalgirl.com/tic)

HOUSING OPTIONS BY INCOME LOS ANGELES, CALIFORNIA



FACT vs. FICTION

TENANTS in COMMON

FICTION

FACT

TIC loans are more expensive than conventional loans.

Rates and loan costs are comparable. The difference is you can rate shop with conventional loans. With TIC loans, the rates are all going to be comparable between TIC lenders.

TIC loans are harder to get than conventional loans.

TIC is not a low-income product. The TIC buyer has to meet the loan criteria (debt-to-income ratio, credit, down-payment minimums). If you are qualified, the TIC loan is not any harder to get than a conventional loan.

TIC loans are riskier than conventional loans.

All TIC loans are ARMS, adjustable rate mortgages, and TIC lenders do not offering 30-year fixed rates. Some borrowers may see ARMS as riskier than 30-year fixed rates. The interest rate is capped at how high it can adjust over 30 years, and is capped at how high it can increase at the end of each fixed period. Some ARM products are riskier than others. The TIC ARM is a "smarter arm" - think of it as a rent controlled ARM.

A TIC owner is affected if another co-owner defaults on their loan.

Just like a condo, each owner will apply for and be responsible for their own individual fractional loan. If a TIC co-owner does not pay their loan, the lender will foreclose on that co-owner's loan. The other owners' loans are not affected.



The majority of renters who come through our doors are paying rent equal to a mortgage payment and should be buying, but they are priced out of LA. The Rental Girl was founded in 2004 by creating a niche market through rentals, with the goal of empowering renters to become future home-owners. This goal has been difficult to attain due high real estate prices and low inventory.

The TIC market was a perfect match for The Rental Girl. No stranger to niche-markets, The Rental Girl saw the opportunity TIC ownership offered renters, and has been instrumental in pioneering this new market here in LA. Within two years, we brought over twenty TIC communities to Los Angeles. We have learned multiple lessons along the way. Our approach has been to study and understand the San Francisco market, learn from them as they have tested and proven this market there for 40 years. We learn from the buyers we meet at each TIC open house, from past TIC buyers and from our experiences with each TIC transaction. Our goal is to create a successful TIC market in LA, providing more renters opportunities to buy. With this goal, and through these experiences, we have created our Gold Standard, what we have found to be TIC best practices. Our TIC communities moving forward will all have our stamp of approval. When you see this stamp, you'll know that thought, care and experience has been put into setting up the TIC Agreement and community, that it is a TIC community you can trust.



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THE GOLD STANDARD OF TIC

When you see our stamp on a TIC listing, you can have the assurance that our TIC best practices have been applied to the community.

TICA

Tenants in Common Agreement –

Prepared by the office of Andy Sirkin with The Rental Girl oversight and approved by TIC lenders.

01

ESCRW

Escrow –

Experienced Los Angeles escrow company prepped, trained and with ongoing oversight on TIC transactions by The Rental Girl.

02

TITLE

Title –

Experienced Los Angeles title company, officer and rep trained and with ongoing oversight on TIC transactions by The Rental Girl.

03

HOD

Home Owners Dues –

Proposed dues drafted, reviewed and approved by The Rental Girl and a professional finance manager.

04

HOAP

Home Owners Association Prep –

Before we list our TIC properties we have set up, reviewed and approved the HOA structure.

05

HOAS

Home Owners Association Setup –

Once all transactions close escrow, The Rental Girl provides the new co-owner's setup and oversight as they begin their new HOA.

06

EUA

Exclusive Use Areas –

Drafted and reviewed by The Rental Girl, based on our knowledge and experience and reviewed by independent sources.

07

IP

Insurance Policies –

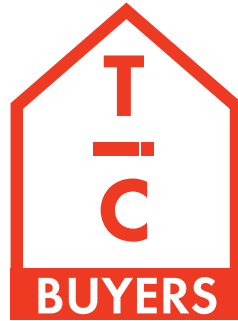
The Rental Girl has performed extensive market research on insurance policies that best align with the TIC Agreement, TIC co-owner's best interests and that are approved by TIC lenders.

08



With The Rental Girl's TIC Gold Standard stamp of approval, you know you can buy and sell with confidence.

09



>>> LET'S CHAT

Contact Liz and Cristina to be connected with a TIC Buyer specialist.

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>>> JOIN OUR TIC BUYER NETWORK

Go here to read about why we love TIC'S and how to join our network.

therentalgirl.com/tic

>>> WHY BUY WITH THE RENTAL GIRL™

Innovators

We pioneered the TIC market in Los Angeles.

Experience

We have sold more TIC units than any other brokerage in Los Angeles. We know the TIC Agreement and loan product inside and out.

Exclusive Access

We have 100+ TIC units hitting the market in 2020. You will be the first to view our upcoming inventory.

Education

We will guide you through the TIC transaction. We will educate you about TIC ownership, the benefits and risk.

Invested

We are not just selling TIC units, we are invested in the TIC market succeeding in Los Angeles. We're invested in your future.

NEXT STEPS



<<< LET'S CHAT

Learn more about selling TIC. Contact Liz & Cristina to discuss selling your building fractionally as Tenants in Common.

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<<< WHY SELL WITH THE RENTAL GIRL

We are dominating the TIC market in Los Angeles

50+ TIC units sold, 20 TIC communities created, 40+ TIC communities currently being developed. There hasn't been a successful TIC sale in Los Angeles without our involvement.

We are committed

We are continually working with new lenders, legal advisors and local government to ensure a successful future for TICs.

We are trailblazers

We continually educate the real estate community. We're not just following a roadmap, we are creating it and setting the standards for the rest. We set the Gold Standard of TIC communities to ensure the future success of the overall market.

With The Rental™ Girl, you get more

We're involved from the first day of your acquisition to the last TIC close. We develop the project from beginning to end. We created the framework for TIC sales in Los Angeles.





THERENTALGIRL.COM/TIC