



Tenancy In Common (TIC) Ownership & Financing Overview

What is a TIC?

TIC stands for Tenancy-in-Common. As applied to residential property, it can be used as a legal arrangement that allows exclusive-use ownership percentages to be established within multi-unit buildings. Tenancy-in-Common effectively creates undivided ownership interests within a real property, but ensures owners retain full inheritance / survivorship rights to their ownership interest as they would with single family / condo property types.

What is a TIC Agreement?

A detailed written agreement – TIC Agreement – conveys all the usage rights and obligations of the community TIC members and grants the contractual rights of each owner to their exclusive interests within the community. It specifies maintenance responsibilities and expenses, and assigns all exclusive usage rights for residences, parking, decks, yards, storage, etc. TIC Agreements should cover the management of financial affairs, governance of the property, legal protections for financial institutions who provide Fractional TIC mortgages and dispute resolution. The TIC Agreement is a private agreement between TIC owners. It is not recorded and is not a public document. However, a Declaration of Property Tax, Maintenance Covenants and Non-Partition document is recorded when the TIC is established. This Declaration puts the public on notice that TIC owners have an agreement that outlines their rights to the property.

How Does Fractional TIC Financing Work?

Fractional, or individual, mortgages, allow for an independent mortgage on each undivided interest and are secured by a deed of trust covering only that ownership interest. Fractional financing allows each owner within the TIC community to secure their own financing, limiting risk to the building, and making the sale and transfer of units with the TIC community very easy. If an owner defaults on their mortgage, lenders can only foreclose on that borrower's interest.

How are TICs Different than Condos / Cooperatives?

TICs are different from both co-ops and condominium property types. Condominiums are formally subdivided properties, have their own APN (Assessor's Parcel Number) and receive their own property tax assessment. In a stock cooperative, or co-op, a corporation, or legal entity owns the property and ownership is represented through usage rights and membership stocks / shares. By contract, tenancy-in- common represents ownership interests within one APN parcel with exclusive use ability outlined in the TIC agreement. Converting an existing multi-unit building to TIC ownership does not represent a formal subdivision of that property.

Conversions of existing multi-unit properties to TIC-based ownership have become steadily more popular since the late 1980's, as housing costs and prices have risen sharply within California. The Introduction of Fractional TIC mortgages in 2005, allowing each TIC owner to have an individual loan, has lowered ownership risk and made resale of TIC interests much easier.

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TIC Financing Overview

30 year fixed rate

Only 15% down needed for qualified borrowers

Available for primary residences and 2nd homes only

Advantages of Buying a TIC Property

- **Affordability:** TIC properties are often more affordable compared to traditional condos, making them a great option for first-time buyers or those looking to get into popular neighborhoods at a lower price point.
- **Location, Location, Location:** TICs allow you to own in desirable neighborhoods where single-family homes or condos may be out of reach. Many TICs are in vibrant, walkable areas with great amenities, like our unit in Echo Park.
- **Community Living:** With a TIC, you have the opportunity to build a small community of co-owners, often sharing a vision for enhancing the property. This offers a sense of community while still maintaining independence.
- **Low Monthly Costs:** Typically, TICs come with lower monthly expenses compared to condo HOAs, allowing you to invest more in your home without worrying about high monthly dues.
- **Unique Renovations and Upgrades:** TICs, like this one, often feature beautiful renovations and upgrades, allowing you to enjoy a modern living space at an attainable price.

Frequently Asked Questions

1. What does "Tenant-in-Common" mean exactly? A TIC arrangement means you own a percentage of the entire property with exclusive rights to your specific unit. Each owner holds a shared interest, which means a community-oriented way of owning real estate.

2. How is a TIC different from a condo? While condos have individually titled units, TICs have shared ownership of the entire property. The agreement between owners gives each party exclusive rights to their unit, but there's no separate title for individual units like in a condo.

3. What financing options are available for TICs? Financing for TICs is available through specialized lenders who understand TIC agreements. These loans are often called "fractional loans," where each owner finances their portion individually. We work closely with experienced lenders who can assist you.

4. How are decisions made in a TIC property? TIC owners work together, typically under a shared agreement that outlines decision-making processes. Major decisions often require consensus or majority agreement, depending on what is outlined in the agreement.

5. What are the responsibilities of each owner? Each owner is responsible for their unit's maintenance and for contributing to common expenses like insurance, maintenance, and utilities. These contributions are outlined clearly in the TIC agreement.

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6. Are TIC properties a good investment? TICs can be a smart investment for buyers looking for affordability in prime locations. Since they are often priced lower than condos, they provide an opportunity to build equity in a desirable area at a more attainable cost.

7. What about resale value? The TIC market has been growing steadily, especially in desirable areas like Echo Park. TIC properties offer buyers a chance to enter popular markets affordably, and with the increasing demand for creative ownership models, resale potential is strong.

8. Is a TIC property right for me? If you're looking for an affordable entry into a prime neighborhood, enjoy the idea of community ownership, and are open to shared decision-making, a TIC could be perfect for you. Plus, TIC properties often offer amazing locations and upgraded features that might otherwise be out of budget.

If you have more questions or would like to see if a TIC property is the right fit for you, feel free to reach out! We're here to guide you every step of the way.

Approved TIC Lenders

MERIWEST CREDIT UNION
CONTACT: HENRY JEANES
MORTGAGE LOAN CONSULTANT
PHONE: (415) 990-5620
EMAIL: HJEANES@MERIWEST.COM
NMLS #657755

NATIONAL COOPERATIVE BANK
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