

Lending startup focuses on funding deposits

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BCRM, a New York-based real estate deposit funding startup, is seeking situations where it can fund earnest money deposits for operators during the due diligence period of an acquisition. The company, formed by Ben Cohn and Randy Modell, aims to provide capital for due diligence periods, typically 30 to 120 days. “We’ve seen countless professionals with proven operating track records who have had to pass on deals because they didn’t have the available deposits for the due diligence period,” Modell said. “Until an operator has a contract, it is difficult to speak to banks and raise equity.”

The company will work with emerging and experienced operators, financial investors who prefer to delay the internal rate of return clock by funding deposits off balance sheet, and 1031 investors. “We’re trying to formalize a market that in some sense exists but is not formal,” Cohn said.

The company can lend for as long as 12 months but is more typically looking at 45-90 days, charging a monthly fee of 1%. That means that for a \$5m acquisition with a deposit of \$500,000, the operator would be paying about \$5,000 a month. “If and when an operator buys a property,

we have a 1% success fee,” Modell added. BCRM requires the deposit to remain with the title company that is handling the transaction for the seller.

BCRM will look at deals nationally, considering any potential transaction that has a due diligence period. “We’re not a hard money lender and we’re only going to be with you as long as the contract is soft. The day you go hard on a contract is the day you’re going to have to pay off our loan,” Modell said. “We have no desire to own the property or be a partner in the property.”

At this point, the company is working with its own capital but is in talks with investors to help expand the strategy, Cohn said. BCRM has seen good demand from operators in the fast-paced Tri-State market as well from experienced operators nationally who are often working on multiple transactions. Another growing segment is 1031 exchange investors. “These borrowers still need capital to tie up a property before completing the exchange,” Modell said.

In one deal the company is considering, a borrower was able to win the bid for a property with a 20% deposit. The borrower, however, had only budgeted 10% for the transaction and likely will be funding the remaining 10% from BCRM, Modell noted.