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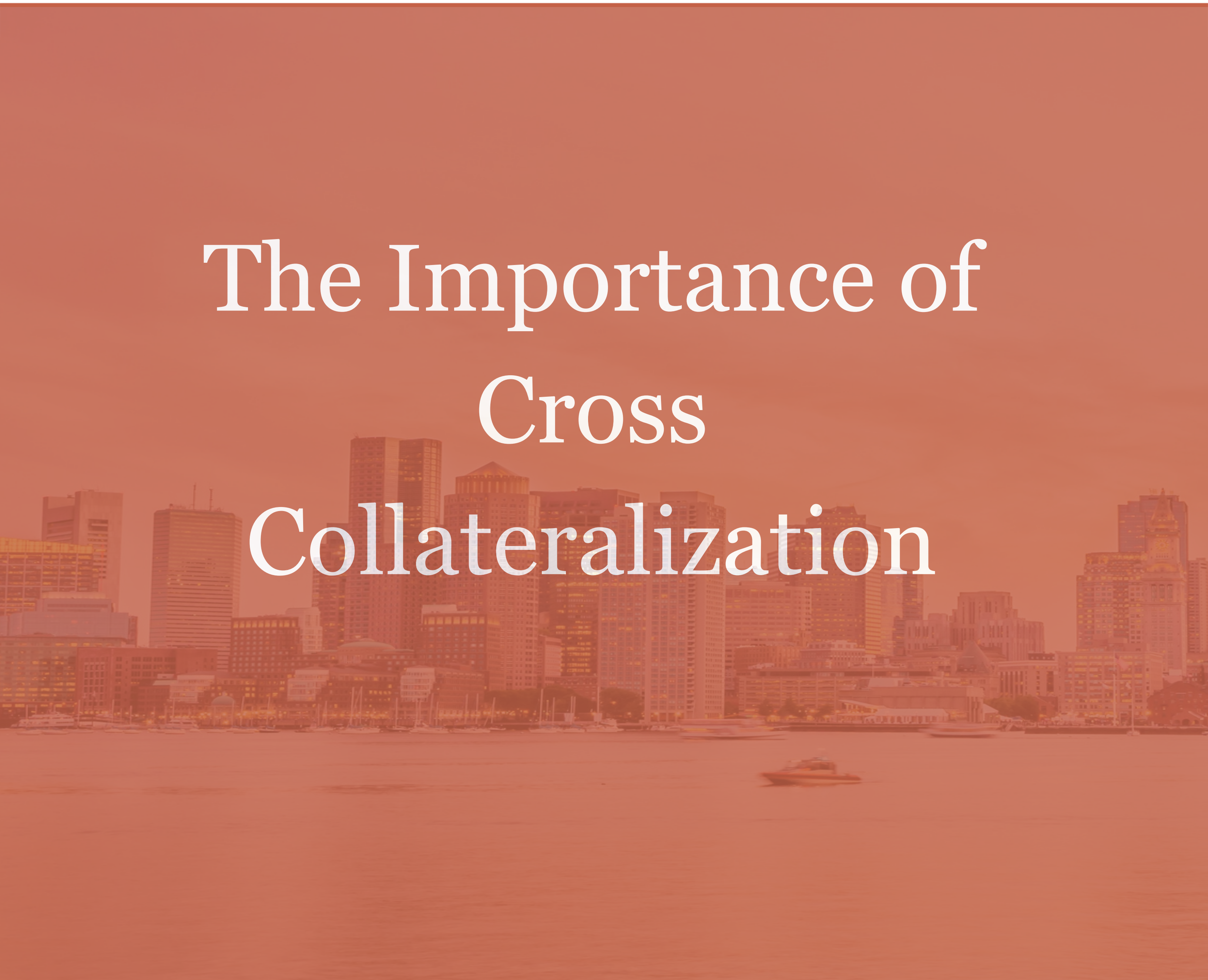

The Importance of Cross Collateralization

As a real estate investor, you may be interested in purchasing a new investment property but do not have enough funds available for a down payment. One solution to this problem is to use the equity in your existing investment properties to obtain 100 percent financing for the new property. This can be achieved through a process called cross-collateralization.

Cross-collateralization is a financing strategy that involves using the equity in one property as collateral for a loan on another property. In this case, you would use the equity in your existing investment properties to obtain a blanket mortgage on the new property. This means that the new property and your existing properties would be used as collateral for the loan. The first step in this process is to determine the value of your existing investment properties and calculate the amount of equity you have available. You can do this by obtaining an appraisal or by using other valuation methods. Once you know the value of your properties, you can then approach a lender and apply for a blanket mortgage

A blanket mortgage is a single loan that covers multiple properties. In this case, the blanket mortgage would cover the new property as well as your existing investment properties. The lender would use the equity in your existing properties as collateral for the loan, allowing you to obtain 100 percent financing for the new property.

One advantage of cross-collateralization is that it can help you avoid the need for a large down payment. This can be especially helpful if you are just starting out as a real estate investor and do not have a lot of cash on hand. Additionally, by using the equity in your existing properties, you can avoid the need to sell those properties to obtain financing for the new property.

However, it is important to keep in mind that there are also risks associated with cross-collateralization. If you default on the loan, you could potentially lose all your properties. Additionally, if the value of your existing properties declines, it could affect you ability to obtain financing for future investments.

In conclusion, using cross-collateralization to obtain 100 percent financing on a new investment property can be a useful financing strategy for real estate investors. However, it is important to carefully evaluate the risks and benefits of this approach before making a decision. By working with a knowledgeable lender, such as Boston Trust, and taking a strategic approach to financing, you can increase your chances of success in the real estate market.

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