

## SECOND MORTGAGES & PRIVATE LENDING

When banks say no, there are still options. The honest truth about rates, fees, and when these tools make sense.

PREPARED  
BY

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### 1. What Is a Second Mortgage?

A second mortgage is a loan that sits **behind your existing first mortgage**. It uses your home equity as security, just like your primary mortgage, but it's in second priority position.

#### When a second mortgage makes sense:

- You need funds but **don't want to break your first mortgage** (avoiding penalties)
- You need money **faster than a refinance** allows (second mortgages can close in days)
- You **don't qualify** for a refinance through traditional lenders
- You need a **short-term solution** (6–24 months) while you work on your financial situation

#### The trade-off:

Second mortgages carry **higher interest rates** (typically 8–18%) and may have **lender fees** (1–3% of the loan). They're a tool, not a long-term solution.

### 2. Private Lending — When Banks Say No

Private lenders are individuals or companies that lend their own money, secured by real estate. They don't follow the same rules as banks.

#### Private lenders focus on:

- **Property value and equity** — The property is their security
- **Exit strategy** — How will you repay or refinance?
- **Loan-to-value ratio** — Usually up to 75–80% of the property value

### Private lenders are less concerned about:

- Credit score (damaged credit is common)
- Income verification (non-traditional income is fine)
- Debt ratios (they look at equity, not ratios)

*Shawn's Tip: Private lending has a stigma it doesn't always deserve. For some clients, a 12-month private mortgage that buys them time to fix their credit and qualify with an A-lender is the smartest move they can make. I'll be honest about whether it's right for you.*

## 3. Common Situations

I help clients with second mortgages and private lending in these situations:

- **Tax arrears** — CRA has registered a lien and you need to pay it off to protect your home
- **Bruised credit** — Past bankruptcy, consumer proposal, or missed payments
- **Urgent debt** — Creditors are pressing and you need time to restructure
- **Bridge financing** — You're buying a new home before your current one sells
- **Business needs** — Short-term capital for a business opportunity
- **Renovation costs** — Need funds quickly for time-sensitive repairs
- **Separation/divorce** — Need to buy out a spouse quickly

## 4. Costs and Terms to Expect

### Second mortgages (alternative lenders):

- Interest rate: **8–14%**
- Term: **1–2 years**
- Fees: **1–2% of loan amount**
- Minimum loan: typically **\$20,000–\$50,000**

### Private mortgages:

- Interest rate: **10–18%**
- Term: **6–12 months** (renewable)
- Fees: **2–4% of loan amount** (broker + lender fees)
- Fastest closing: **3–7 business days**

Yes, these rates are high. But if the alternative is losing your home to CRA, paying 22% on credit cards, or missing a business opportunity, a short-term private mortgage at 12% can save you money overall.

## 5. The Exit Strategy Is Everything

A second mortgage or private loan should always have a **clear plan for how it ends**:

- **Refinance to an A-lender** once credit is repaired (usually 12–24 months)
- **Sell the property** and pay off all debts
- **Pay down from income or asset sale**
- **Roll into your first mortgage at renewal** (if equity supports it)

If there's no clear exit strategy, I won't recommend a private mortgage. It's that simple. The fees and rates only make sense if they lead somewhere better.

***Shawn's Tip:** Before we go down the private lending path, I'll always check whether there's a better option first. Sometimes a creative approach with an alternative A-lender or B-lender gets you a better deal. Private is the last resort, not the first call.*

## Need Options Beyond the Bank?

No judgement. I'll check every option — A-lender, B-lender, alternative, and private — and recommend the best path for your situation.

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