

Faster Disposition. *Tighter LGD.* Cleaner LP Letters.

Private lenders don't operate under OCC examination — they operate under a different and equally unforgiving discipline: the LP. Every quarter a non-performing asset sits in REO without movement is a quarter of carry against the fund waterfall, a markdown in the next LP letter, and a drag on IRR carrying into the next fundraise. **The institutions that systematize their REO management are the ones writing the next vintage. The ones that don't are the ones explaining recoveries to LPs.**

— THE CARRY-BURN MATH

A private lender carrying **\$20M in REO** at industry-typical 12–24% annual carrying cost is burning **\$2.4M–\$4.8M per year** against fund returns. Compressing average hold time by even three months across that book — through faster, defensible disposition decisions — recovers **\$600K–\$1.2M of that burn directly to LPs**. Every quarter of unmanaged carry is direct value taken off your waterfall.

— WHAT'S COMPOUNDING AGAINST YOU

→ Recovery Velocity

LGD in private lending is heavily driven by hold time and disposition discount — both functions of how fast the asset can move from default to clean sale.

→ DSCR / Non-QM Aftermath

Origination programs that flooded balance sheets with REO never built the operational layer to manage what came back.

→ LP-Letter Defensibility

"REO under active monitoring with documented disposition timelines" reads materially differently than a static line item on a quarterly report.

→ Borrower-Network Reputation

Private lending is a referral business. How you manage REO matters in the broker channel where you originate next.

Direct acquisition optionality. Where the disposition call is "sell," B2B can in select cases be the buyer. For lenders with assets they need to move and a relationship that warrants it, the conversation extends beyond monitoring.

THE CONVERSATION STARTS HERE

Let's Look at *Your Book.*

A 30-minute call walks through your current REO position, the carry burn against your fund, and what compressing disposition timelines delivers back to LPs over the next four quarters.

Reach Out.

NO OBLIGATION