

Fix and Flip Program Without Gap Funding

These represent general guidelines and loan terms are subject to lender discretion.

	FIX & FLIP
Loan Amount	- Min: \$50,000 - Max: \$5,000,000
Maximum Loan to Cost	- Up to 90% of Purchase Price - Up to 100% of Rehab Costs
Maximum Loan to ARV	Up to 75%
FICO	- Minimum IR = 1 months - If past bankruptcy, foreclosure, or FICO < 620: 12 month IR
Term Length	12 months, up to 18 at lender discretion
Recourse	- Full Recourse - Pledge of Shares
Experience	All levels considered (leverage based on experience)
ProfitTest	- Minimum 30% ROI - If fail, must pass 1.20 DSCR test on a market 30 year FRM

HARD NO LOAN TYPE	
- Financial crimes on background check > 85% initial loan to cost; > 100% construction holdback/reno budget; > 70% ARLTV - Owner occupied properties - Exotic properties in rural areas	- Advancing against 'finders fees' – wholesalers are OK, see guidelines below - Borrowers with a bankruptcy or foreclosure within the last 4 years - Deals without a viable exit (profitable flip or rental loan refinance)

LOAN CLOSING ISSUES	
PROBLEM	GUIDELINE
Loan Amount > \$250,000	Survey or survey exception required
Loan Amount > \$500,000	- Attorney opinion letter required - Survey or survey exception required
Entity Status	- Certificate of Good Standing required if entity is ≥ 1 year old - Certificate cannot be older than 90 days - Foreign entity registration required in all states where the loan attaches to a property
Title Issues	- Clean title - No exceptions to Schedule B permitted - Will not fund unless gap insurance provided
Closing Attendance	- All guarantors must sign loan documents - Digital closings will be permitted
Insurance	Must conform to guidelines, no exceptions

LETTER OF EXPLANATION REQUIREMENTS CREDIT	
	WHEN TO COLLECT LOE
30D	if past due > \$0 and <> EDU
60D	if past due > \$0 and <> EDU
90D	if past due > \$0 and <> EDU
Collection Account	if > \$2K tradeline and no (medical or utility)
Bankruptcy	if < 7 years old
Foreclosure	if < 7 years old
Forbearance	if active and not covid related
IRS Lien	if active
Liens	if active and > \$10,000
Judgments	if active and > \$10,000

LETTER OF EXPLANATION BACKGROUND	
Traffic	No
Driving under the influence	2 or more times
Marijuana	2 or more times
Misdemeanor	Always
Felony	Always

Fix and Flip Program Without Gap Funding

PROBLEM LOAN TYPES AND GUIDELINES	
PROBLEM	GUIDELINE
Foreign National Borrower	Eligible with valid visa or green card and US credit history
Lop-Sided Loans (renovation budget > purchase price)	- Borrower must have at least 10% of the total project cost in at closing - Full boat interest strongly encouraged
Inexperienced Flippers / First Timers (experience score=1)	No more than 70% initial LTC (70/100)
IRS Tax Liens / Federal Tax Liens	Must be cleared prior to closing
Rural Areas	- Low initial advance rate (~55% of purchase price) - Should generally stick to lending in densely populated areas
Borrower Background Issues	- Must not have financial crimes - Professional flipper or repeat borrower at lender's discretion
Heavy Construction	- Highly experienced borrower - Verifiable track record - Liquid takeout (the properties sell easily)
High Loan to Cost (85/100)	Experienced borrowers, profitable flips, liquid properties
High ARLTV	Capped at 70%
Cash Outs	- Borrower should have 15% skin in the game at all times - All members of borrowing entity must PG the loan and show up to closing to sign the loan documents - Should be a well-defined exit strategy
Mid-construction Projects	- Need As-Is AND ARV Appraised values (same report) - The entire rehab budget must be specified in the appraisal with a % complete per line item of work - Receipts help to justify work completed - Property taxes, interest/debt payments, insurance, legal fees, and closing costs do not qualify as reimbursable costs - Our initial release will be based on the lesser of As-is value and cost basis
Refinancing Another Hard Money Lender	- Are we the market fool? - Borrower must have at least 15% skin in the game at all times - Reasonableness test
Low Profit Deals	- Minimum profit 30% ROI - Experienced borrower (at least 3 on a scale of 1-5) with verifiable track record - Lower advance rates - Liquid takeout (the properties sell easily)
Wholesaler	- Not higher than 15-20% of total purchase price - Wholesaler sourcing from MLS is awkward - why wouldn't the borrower buy the property directly if publicly listed High degree of scrutiny required. - Transparency – we need full chain of title from owner of record to borrower: ☐ Wholesaler assigns contract to borrower - Need wholesaler contract and assignment agreement ☐ Wholesaler sells entity that is in contract to borrower - Need wholesaler contract and share purchase agreement ☐ Wholesaler double closing (A->Wholesaler->B) - Need contract from A->Wholesaler and contract Wholesaler->B - Transaction should not 'shock the conscience'
Marginal Urban Areas (high crime, poverty, transitional, etc)	- Lower advance rates - Experienced borrowers with verifiable track records in subject area - Liquid takeout (the properties sell easily)
Condo Conversions	- Architect letter, condo questionnaire, and feasibility study required - Legal opinion regarding conversion required - As-is on the current collateral and ARV on each unit (Separate appraisals)
Adding Square footage (vertical and/or horizontal expansion) or change of use (2 family to 4 family)	- Zoning analysis from architect. The project must conform to local zoning code and be as-of right (no variances required). - Experienced borrower with verifiable track record of similar projects - Permits in place preferred - Lower advance rates - Construction budget feasibility study by engineering firm (at lenders discretion)
Subdivision of Lot	Loan terms to be based on the property as if the subdivided lot land value is \$0
Luxury Properties	Property must be liquid
Appraisals	Appraisals > 6 months old not accepted