



# Fix and Flip & Ground Up Program

	FIX & FLIP	GROUND UP
Loan Amount	<ul style="list-style-type: none"> <li>Min: \$50,000</li> <li>Max: \$5,000,000</li> </ul>	<ul style="list-style-type: none"> <li>Min: \$50,000</li> <li>Max: \$5,000,000</li> </ul>
Maximum Loan to Cost	<ul style="list-style-type: none"> <li>Up to 85% of Purchase Price</li> <li>Up to 100% of Rehab Costs</li> <li>Up to 90% of Purchase Price and up to 100% of Rehab Costs available. Call for Guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>Up to 75% of the lower of land value or purchase price/60% if unpermitted, plus 100% of construction</li> <li>Max 80% of total project costs</li> <li>LTC Catch Up Draw to raise initial advance to 75% at approval of required plans/permits post-closing</li> </ul>
Maximum Loan to ARV	<ul style="list-style-type: none"> <li>Up to 70%</li> </ul>	<ul style="list-style-type: none"> <li>Up to 70%</li> </ul>
FICO	<ul style="list-style-type: none"> <li>Minimum IR = 1 months</li> <li>If past bankruptcy, foreclosure, or FICO &lt; 620: 12-month IR</li> </ul>	<ul style="list-style-type: none"> <li>Minimum IR = 1 months</li> <li>If past bankruptcy, foreclosure, or FICO &lt; 620: 12-month IR</li> </ul>
Term Length	<ul style="list-style-type: none"> <li>12 months, up to 18 at lender discretion</li> </ul>	<ul style="list-style-type: none"> <li>12 months, up to 18 at lender discretion</li> </ul>
Recourse	<ul style="list-style-type: none"> <li>Full Recourse</li> <li>Pledge of Shares</li> </ul>	<ul style="list-style-type: none"> <li>Full Recourse</li> <li>Pledge of Shares</li> </ul>
Experience	<ul style="list-style-type: none"> <li>All levels considered (leverage based on experience)</li> </ul>	<ul style="list-style-type: none"> <li>Professional developers with prior ground up experience</li> </ul>
Profit Test	<ul style="list-style-type: none"> <li>Minimum \$15,000</li> <li>If fail, must pass 1.20 DSCR test on a market 30-year FRM</li> </ul>	<ul style="list-style-type: none"> <li>Minimum \$15,000</li> <li>If fail, must pass 1.20 DSCR test on a market 30-year FRM</li> </ul>

HARD NO LOAN TYPE	
<ul style="list-style-type: none"> <li>Financial crimes on background check</li> <li>&gt; 85% initial loan to cost. &gt; 100% construction holdback/reno budget. &gt; 70% ARLTV</li> <li>Owner occupied properties.</li> <li>Exotic properties in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>Advancing against 'finder's fees' – wholesalers are OK, see guidelines below.</li> <li>Deals without a viable exit (profitable flip or rental loan refinance)</li> </ul>

LOAN CLOSING ISSUES	
PROBLEM	GUIDELINE
Loan Amount > \$250,000	<ul style="list-style-type: none"> <li>Survey or survey exception required</li> </ul>
Loan Amount > \$500,000	<ul style="list-style-type: none"> <li>Attorney opinion letter required.</li> <li>Survey or survey exception required</li> </ul>
Entity Status	<ul style="list-style-type: none"> <li>Certificate of Good Standing required if entity is ≥ 1 year old.</li> <li>Certificate cannot be older than 90 days.</li> <li>Foreign entity registration required in all states where the loan attaches to a property</li> </ul>
Title Issues	<ul style="list-style-type: none"> <li>Clean title</li> <li>No exceptions to Schedule B permitted.</li> <li>Will not fund unless gap insurance provided</li> </ul>
Closing Attendance	<ul style="list-style-type: none"> <li>All guarantors must sign loan documents.</li> <li>Digital closings will be permitted</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>Must conform to guidelines, no exceptions</li> </ul>

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 & Ground Up Program

PROBLEM LOAN TYPES AND GUIDELINES	
PROBLEM	GUIDELINE
Lop-Sided Loans (Renovation budget > purchase price)	<ul style="list-style-type: none"> <li>■ Borrower must have at least 10% of the total project cost in at closing</li> <li>■ Full boat interest strongly encouraged</li> </ul>
Inexperienced Flippers / First Timers (experience score=1)	<ul style="list-style-type: none"> <li>■ No more than 70% and (70/100)</li> </ul>
IRS Tax Liens / Federal Tax Liens	<ul style="list-style-type: none"> <li>■ Must be cleared prior to closing</li> </ul>
Rural Areas	<ul style="list-style-type: none"> <li>■ Low initial advance rate (~55% of purchase price)</li> <li>■ Should generally stick to lending in densely populated areas</li> </ul>
Borrower Background Issues	<ul style="list-style-type: none"> <li>■ Must not be financial crimes.</li> <li>■ Professional flipper or repeat borrower at lender's discretion</li> </ul>
Heavy Construction	<ul style="list-style-type: none"> <li>■ Highly experienced borrower</li> <li>■ Verifiable track record</li> <li>■ Liquid takeout (the properties sell easily)</li> </ul>
High Loan to Cost (85/100)	<ul style="list-style-type: none"> <li>■ Experienced borrowers, profitable flips, liquid properties</li> </ul>
High ARLTV	<ul style="list-style-type: none"> <li>■ Capped at 70%</li> </ul>
Cash Outs	<ul style="list-style-type: none"> <li>■ Borrower should have 15% skin in the game at all times.</li> <li>■ All members of borrowing entity must PG the loan and show up to closing to sign the loan documents.</li> <li>■ Should be a well-defined exit strategy</li> </ul>
Mid-construction Projects	<ul style="list-style-type: none"> <li>■ Need As-Is AND ARV Appraised values (same report)</li> <li>■ The entire rehab budget must be specified in the appraisal with a % complete per line item of work.</li> <li>■ Receipts help to justify work completed.</li> <li>■ Property taxes, interest/debt payments, insurance, legal fees, and closing costs do not qualify as reimbursable costs.</li> <li>■ Our initial release will be based on the lesser of As-is value and cost basis</li> </ul>
Refinancing Another Hard Money Lender	<ul style="list-style-type: none"> <li>■ Are we the market fool?</li> <li>■ Borrower must have at least 15% skin in the game at all times</li> <li>■ Reasonableness test</li> </ul>
Low Profit Deals	<ul style="list-style-type: none"> <li>■ Borrower should be making 40%+ cash on cash return.</li> <li>■ Minimum profit \$15K</li> <li>■ Experienced borrower (at least 3 on a scale of 1-5) with verifiable track record</li> <li>■ Lower advance rates</li> <li>■ Liquid takeout (the properties sell easily)</li> </ul>
Wholesaler	<ul style="list-style-type: none"> <li>■ Not higher than 15-20% of total purchase price</li> <li>■ Wholesaler sourcing from MLS is awkward - why wouldn't the borrower buy the property directly if publicly listed? High degree of scrutiny required.</li> <li>■ Transparency – we need full chain of title from owner of record to borrower: <ul style="list-style-type: none"> <li>□ Wholesaler assigns contract to borrower. <ul style="list-style-type: none"> <li>- Need wholesaler contract and assignment agreement.</li> </ul> </li> <li>□ Wholesaler sells entity that is in contract to borrower. <ul style="list-style-type: none"> <li>- Need wholesaler contract and share purchase agreement.</li> </ul> </li> <li>□ Wholesaler double closing (A-&gt;Wholesaler-&gt;B) <ul style="list-style-type: none"> <li>- Need contract from A-&gt;Wholesaler and contract Wholesaler-&gt;</li> <li>- Transaction should not 'shock the conscience'</li> </ul> </li> </ul> </li> </ul>
Non Arm's Length Transactions	<ul style="list-style-type: none"> <li>■ Need As-Is AND ARV Appraised values (same report)</li> <li>■ Reasonableness test</li> </ul>
Marginal Urban Areas (high crime, poverty, transitional, etc)	<ul style="list-style-type: none"> <li>■ Lower advance rates</li> <li>■ Experienced borrowers with verifiable track records in subject area</li> <li>■ Liquid takeout (the properties sell easily)</li> </ul>
Condo Conversions	<ul style="list-style-type: none"> <li>■ Architect letter, condo questionnaire, and feasibility study required.</li> <li>■ Legal opinion regarding conversion required.</li> <li>■ As-is on the current collateral and ARV on each unit (Separate appraisals)</li> </ul>
Adding Square footage (vertical and/or horizontal expansion) or change of use (2 family to 4 family)	<ul style="list-style-type: none"> <li>■ Zoning analysis from architect. The project must conform to local zoning code and be as-of right (no variances required).</li> <li>■ Experienced borrower with verifiable track record of similar projects</li> <li>■ Permits in place preferred.</li> <li>■ Lower advance rates</li> <li>■ Construction budget feasibility study by engineering firm (at lender's discretion)</li> </ul>
Subdivision of Lot	<ul style="list-style-type: none"> <li>■ Loan terms to be based on the property as if the subdivided lot land value is \$0</li> </ul>
Luxury Properties	<ul style="list-style-type: none"> <li>■ Property must be liquid</li> </ul>
Appraisals	<ul style="list-style-type: none"> <li>■ Appraisals &gt; 6 months old not accepted</li> </ul>