

125% Financing

Hello,

My name is Tod Snodgrass, with Creative Transaction Funding (CTF).

Welcome to CTF's 125% Financing Program.

I. Are you an experienced Real Estate Investor Professional (REI Pro)?

II. Do you have a potential Fix/Flip or Buy/Hold buying opportunity...

A. that is equity rich?

B. includes owner financing, for say 80% of the purchase price?

C. is a "lipstick rehab"

D. but you lack the (additional cash) needed to pull it off, including:

1. down payment

2. rehab expenses

3. closing costs

4. small amounts still due on any outstanding liens or loans amounts by the current owner.

5. interest payments that are owed while the rehab is under way

III. If your deal meets our standard funding criteria, CTF may be able to help. For deals that meet CTF's standard criteria, we may fund the difference between the 80% seller carryback amount, and how much you need to bring your deal to fruition, up to 45% of the PP for the above 5 categories.

IV. CTF's 125% Financing Program is like hard money, but with one important distinction: CTF does not offer loans. Instead, CTF offers Joint Ventures (JVs), a form of equity. REI Pro brings a deal that meets CTF's funding criteria, and CTF brings the funds to make it happen. Profits are split 50/50.

V. CTF's ARV "sweet spot" are properties where the purchase price ranges from \$200,000-\$800,000. We are open to smaller and larger amounts, if the deal is really right.

A. Term: Six Months or less

B. Security: Six-month notes with no prepayment penalty, 9.9% interest.

1. CTF's note: 1st position

2. Seller's note: 2nd position

VI. Features & Benefits

A. Creative Transaction Funding (CTF) normally limits its funding to experienced REI Pros.

B. CTF limits its funding to deals where the property purchase includes a generous amount of equity, i.e. approximately 35%-40% in total (difference between the purchase price and the ARV and/or FMV), comprised of the following potential components:

1. 10%-25% discount off the current Fair Market Value (FMV) from the seller, perhaps because the seller is in financial distress of some sort and needs to move out of the property ASAP. For example, it may be the result of a cash-for-keys/deed-in-lieu transaction between the REI Pro and the current property owner. For example, there are millions of seniors who are on fixed incomes yet still must make a mortgage payment each month. That can cause a lot of financial distress.

And/Or

2. Value added to the property as the result of cosmetic rehab work, undertaken by the REI Pro after the close of escrow, for say a 10%-25% increase in the After Repair Value (ARV).

And/Or

3. The REI Pro brings in an equity investor for say 5%-10% of the purchase price.

And/Or

4. The REI Pro brings some of their own funds to the table.

5. A combination of 1., 2, 3. & 4.

C. To qualify, the deal must meet the following criteria:

1. Where the current owner owns the property

a. Free and clear.

or

b. Owes very little on their current mortgage.

2. Seller is highly motivated to move out of the property. They may wish to downsize, “right-size”, or they may be in some form of financial distress, or they just don’t want to live there anymore for whatever reasons, i.e. because their spouse recently passed away or their health is in decline.

D. The buyer only needs to use CTF’s funding for a relatively short period of time. i.e. six months or less.

E. The current owner is open to seller carryback (owner) financing for the bulk of the purchase price via a temporary, **subordinated, second position note**.

F. Once escrow has closed, the REI Pro owns the property, the JV agreement ends, and CTF leaves with a first position promissory note (6-month term, 9.9% simple annual interest, payable monthly), that includes CTF’s 50% share of the net profit + the amount that CTF originally provided, less any expenses that are split 50/50 between CTF and the REI Pro.

G. Time Frame for CTF funding: Typically, six months or less.

H. CTF does not charge any upfront or origination fees.

I. CTF's funding is available nationwide.

J. CTF is happy to pay a 2% referral fee with full account protection.

VII. Explanation, Details

A. Deal-related expenses are subsequently deducted from the gross profit before the 50/50 profit split. Deal-related expenses include title and related closing (escrow) expenses (including preparation of CTF's 1st position promissory note), recording all docs, initial document preparation by a Professional Document Preparer or PDP, the result being a full and complete package that meets all the requirements of CTF's underwriters and investors, prior to funding.

B. The (cosmetic rehab) upgrades to the property (i.e. the anticipated Scope of Work) need to be limited to cosmetic fixups, no building permits needed, no added square footage, or serious structural flaws etc. The result is what most in the industry refer to as a "lipstick rehab": cleaning, painting, minor repairs, etc. In other words, the entire rehab is estimated to be completed, the property listed and sold (or refinanced if it is to be retained as a buy-and-hold investment), in six months maximum, sooner if possible.

C. The 125% Financing program functions as a Joint Venture Agreement (JVA) between CTF's LLC and the REI Pro's business entity (LLC or Corp.). Closing Instructions are also provided by CTF that support the JVA as well.

D. Once escrow has closed on the property purchase, the JVA between the REI Pro and CTF is dissolved.

E. CTF's exit strategy: CTF leaves with a six-month, 9.9% simple (annual) interest, business-to-business, first position, non-recourse, commercial promissory note with no prepayment penalty, payable monthly. Simply put, CTF monetizes the (JV) equity into a commercial note (debt) as its share of the net profit.

F. The REI Pro's exit strategy: Once rehab work is complete, they can either refinance the current note (buy and hold) or sell the property to a new owner (fix, then flip).

G. At the close of escrow, an accounting is prepared detailing:

1. Gross profit

2. All the expenses involved, which may include, but are not limited to:

a. Deal related expenses: closing costs (escrow and title fees), document preparation, etc.

b. Rehab costs

c. Interest only payments: 9.9% annual simple interest rate on the first position note, which the REI Pro must pay monthly to the holder of the 1st position note. FYI: 9.9% annual = 4.95% for 6 months.

d. 8% discount, off the face value of the first position note that CTF takes back. This modest discount off face value is necessary for CTF to be able to sell the notes quickly in the secondary note marketplace.

3. Net profit is determined by deducting all expenses from the gross profit.

4. The net profit is split 50/50 between the REI Pro and CTF at closing.

a. To reiterate, CTF takes away their profit share in the form of a first position, six-month, note.

b. The REI Pro is rewarded with their profit when they sell the property, or it is retained as equity if they decide to refi the property and keep it as a buy and hold.

5. The seller receives say, 20% down payment at close of the initial escrow, and receives the 80% balance due + interest after six months.

H. Once the initial escrow closes:

1. CTF is not involved in, nor do we intend to interfere with, the rehab portion of the project; all of that is accomplished by the REI Pro after escrow closes.

2. Once CTF departs with a commercial note, that effectively ends CTF's direct involvement with the property and the JV Agreement.

I. It is strongly suggested that the REI Pro already have THEIR exit strategy worked out in advance, so that once the cosmetic rehab work on the property is completed, one of two outcomes can reasonably be expected:

1. A pre-qualified buyer (that the REI Pro previously secured and vetted) is ready to open escrow and buy the property, forthwith.

2. The REI Pro plans on keeping the property as a buy-and-hold investment, and has already lined up permanent, long-term (refi) funding to pay off the first position promissory note.

J. REI Pro's responsibilities include: Provide a brief, monthly rehab progress report, to the holder of the promissory note, summarizing the work completed to date towards completion of the cosmetic fixup.

K. CTF will supply the text for the JVA, closing instructions and promissory note, and other documents as required, etc. It is the job of a Professional Document Preparer (that CTF retains, and the Joint Venture pays for), to then oversee all the final documents that will eventually go to the closing agent.

L. CTF normally assigns (sells) the first position note, at a discount to the face value of note (usually a 8% discount) that secures the funding CTF provided to make the deal happen. As a result, CTF reserves the right, at any time and without restriction (for any notes they take possession of), to pre-sell, assign (sell), hypothecate (borrow against) or pledge the deed and note from this transaction to any other party of its choosing, and the note will be assigned without recourse.

M. There must be a minimum of \$12,500 profit to CTF.

N. Funding and deal operational details

1. CTF normally runs the (wire transfer) funding for all deals through our LLC, however the final decision about whether we opt to fund via CTF's LLC or from CTF's funding arm, The Edith Capps Trust (TECT), is at CTF's sole discretion.

2. CTF (again, at its sole discretion) may assign all responsibility for any funding project to TECT.

3. TECT wire transfers the funds needed by the REI Pro into escrow, when we are instructed to do so by the closing agent.

VIII. Deal Work-Up Form, generic example

A. What follows are details for a generic JV deal.

B. It is based on a cosmetic-only rehab project undertaken by an experienced REI Pro. Time frames from beginning to end of the average for this type of no-permit project usually takes a few months. The REI Pro has an investment opportunity that he has penciled out as viable; it is ready to go.

C. The numbers that follow may or may not reflect current costs in your area, due to regional variations in the costs for labor, supplies, loan rates, etc. The following are just “ballpark” estimates and are not intended to reflect current market conditions and may not include all fees, costs and expenses. Due to changing market conditions over time, please only use the following as a rough guide about how to fill out the form below.

1. After Repair Value (ARV): (confirmed by a recent appraisal & this was the eventual net selling price after rehab)	\$800,000
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2. Fair Market Value (FMV) of the property to be acquired: (confirmed by the same recent appraisal; it was purchased from a financially distressed seller)	\$650,000
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3. Purchase Price:	\$500,000
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4. 80% x \$500,000 PP/seller carryback =	\$400,000
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5. 20% DP/CTF	\$100,000
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Total	----- \$500,000
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6. Other costs, paid for by CTF

a. rehab expenses	\$ 50,000
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b. deal prep/closing costs	\$ 5,000
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c. Amount(s) still due on any outstanding liens, loans, taxes	\$ 20,000
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d. interest payments x 4.95%, 6 months, \$400,000 1 st note	\$ 20,000
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e. interest payments x 4.95%, 6 months, \$100,000 2 nd note	\$ 5,000
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f. Total	----- \$100,000
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7. Grand total costs	\$600,000	
8. Gross profit (\$800,000-\$600,000)	\$200,000 -----	
		\$800,000
9. \$200,000 50/50 profit breakdown		
10. Note discount 8% x \$800,000 =	-\$ 65,000	
11. \$200,000-\$65,000 =	\$135,000	
12. 50/50 profit split, \$135,000 =		
a. REI Pro = his equity in the property	\$ 67,500	
b. CTF profit =	\$ 67,500	

E. REI Pro potential results based on the details above

1. Additional potential profit improvement opportunities. Anytime that the REI Pro or CTF can reduce costs, that increases their share of the net profit proportionally. Take the REI Pro for example.

a. Finish in three months vs. six months: If the REI Pro can finish the job SOONER than six months (rehab, then either refi or list and sell) they can save about \$12,500 of dollars in debt service costs.

b. Reduce rehab costs. If the REI Pro can knock down the rehab costs due to efficiencies along the way, compared to the original estimates found in the Scope of Work, they can save say \$12,5000 more.

c. Potential new profit available = \$25,000 (\$12,500 + \$12,500)

2. Again, these numbers are rough estimates since every deal is different. For example, the REI Pro may wind up with less net profit than originally estimated, or in a best-case scenario, their net profits could be higher than initially predicted.

E. Here are the potential results based on the details above, at closing (of the initial escrow when the property is first acquired)

1. The seller receives a total of \$525,000 within six months (\$100,000/DP + \$400,000/balance due + about \$25,000 interest, assuming the notes are paid in full within six months.

2. The REI Pro is rewarded with:

a. ownership of the property

b. virtually no out-of-pocket costs

c. \$67,500 equity + perhaps another \$25,000 if the job is done sooner and cheaper.

d. Even more potential equity via appreciation during the six-month rehab time frame.

3. CTF is provided with a first position note in the amount of approximately \$332,500

(\$100,000/DP + \$100,000/V.C.6.f. above + \$65,000/8% discount + \$67,500/CTF profit).

IX. Referrals

CTF is happy to offer:

A. To pay you a 2 percent referral fee, based on the amount that CTF funds. For secondary referrals, CTF is happy to pay 1/2-percent; for tertiary referrals, CTF is happy to pay 1/4-percent).

B. Full account protection and referral fees in perpetuity.

X. Creative Transaction Funding (CTF) offers:

>>>125% Financing, Owner Financing Deals

>>>101% Financing available for Investor Property Purchases

>>>Free info pack. If you would like CTF to send you free, detailed information, instructions, etc. about our funding programs, Referral Program, etc. please send us an email and include your

1. Full name
2. Phone number
3. Email address

to creativetransactionfunding@gmail.com

Sincerely,

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