# 97% Financing

Welcome to Creative Transaction Funding's Hard Equity Financing (HEF) Program.

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

Do you have a potential Fix/Flip or Buy/Hold real estate investment that is rich with potential equity, however you lack the cash needed to pull it off?

We may be able to help. For deals that meet our standard criteria, we can fund up to 97% of the Purchase Price (PP). NOTE: Our 97% HEF program is similar to hard money, but with one important distinction: We don't do loans. Instead, we offer Joint Ventures JVs), a form of equity.

**Features & Benefits**

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

B. CTF covers 97% of the PP of the investment property, the other 3% of the down payment comes from the REI Pro.

C. CTF's profit comes from the seller of the property.

D. We do not charge any upfront or origination fees to the REI Pro.

E. The HEF program functions as a JV Agreement (JVA) between CTF and the REI Pro.

F. We provide HEF funding nationwide.

G. We only fund deals where the property purchase includes a minimum 10% equity position when it is first acquired: the REI Pro was able to buy the property for 90% of the current appraised Fair Market Value (FMV), or better. Once escrow has closed on the initial property purchase from the seller, our firm leaves with a (1$^{st}$ position) promissory note & deed (6-month term, 14% annual simple interest), that includes, 10% equity + 97% funding amount that CTF originally provided.

H. Should the REI Pro be fortunate enough to acquire the property, where the equity is HIGHER than 10% equity position, all the extra equity (above 10%) belongs to the REI Pro, and thereby increases the total amount of profit they could potentially earn on the project when it eventually sells, refinances, etc. In a best-case scenario, it is very possible that the REI Pro himself/herself could secure an **additional** 5%, 10% or even 15% equity in the property at the very start of the project if they can negotiate a low enough price from the seller.

**Explanation, Details**

A. The REI Pro is required to bring to closing the following estimated percentages of the purchase price; total: 5%

1. Down payment: 3%

2. Closing-related expenses: 1%

3. Modest interest payment reserve: 1%

B. In order for CTF to fund a property purchase, a current appraisal must show a substantial amount of (brand new) equity can be added to the property as the result of the rehab work the REI Pro undertakes after the initial escrow closes = After Repair Value (ARV). For example, the REI Pro finds a property where he is able to add, say, 30% in new equity (70% of ARV), i.e. the difference between the FMV and the ARV.

C. The REI Pro is responsible for 100% of the cost for the cosmetic-onl rehab work (paint, etc.). The (rehab) upgrades to the property need to be limited to cosmetic fixup, no building permits needed, i.e. what some in the industry refer to as a "lipstick rehab": cleaning, painting, minor repairs, etc. In other words, the entire job 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.

D. What if the REI Pro can't come up with the necessary rehab money?

Depending on the REI Pro's own personal and financial situation, there are a number of different, potential "Rehab Money Sources" (RMS) available:

1. temporarily borrow against a retirement plan (401k, corporate, IRA);

2. take out a loan against one or more credit card(s);

3. car title loan;

4. pawnshop loan, i.e. hock some jewelry;

5. HELOC against a property already owned by the REI Pro or other property loan;

6. salary loan from an employer (i.e. an advance against future wages);

7. loan from a family member, friend, neighbor, co-worker, etc.

E. Joint Venture details

1. The HEF program functions as a 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.

2. CTF's exit strategy:

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

b. CTF leaves with a six-month, business-to-business, first position, non-recourse, promissory note with no prepayment penalty. Simply put, we monetize the (JV) equity into a commercial note (debt).

3, The note is comprised of the following components:

a. Return of the 97% of the PP that CTF provided

b. 10% equity profit that was secured when the property was purchased by the REI Pro.

c. The annual simple interest rate on the commercial note is 14%. However, since the note is due and payable in six months, the note actually calls for a total of 7% interest for the six-month term of the note.

F. CTF is not involved in, nor do we intend to interfere with, the rehab portion of the project; all of that is funded exclusively by the REI Pro with their own funds. All of the rehab work occurs after the initial escrow closes, at which point CTF has already departed with its commercial note, which ends CTF's direct involvement with any work on the property.

G. 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.

I. REI Pro's responsibilities include:

1. 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.

2. Put up 5% total "skin-in-the-game" money (of the PP) that includes the following:

a. 3% of the PP.

b. 1% to cover closing-related expenses: escrow, title, transfer fees and doc prep by a Professional Document Preparer or PDP (the result being a full and complete package that meets all the requirements of CTF prior to the opening of escrow with the closing agent). FYI: CTF has preferred service providers that we will designate for the second escrow, including the closing agent, title company and PDP.

c. 1% devoted to a modest interest payment reserve held onto by the REI Pro, and paid out monthly to the note holder. FYI: Please note that the real amount of interest the REI Pro will eventually owe after six months is actually 7%, not 1%. For example, if the actual amount of monthly interest was say $7,000 per month (or $42,000 after six months) the REI Pro is only required to show (at closing) that they have $6,000 set aside as a modest interest payment reserve. Then, once a month, they send $1,000 (from the set aside reserve) to the note holder, for six months. Fast forward six months, and the balance due in this case would equal $36,000 ($42,000-$6,000), which gets paid when the property is sold or refinanced.

To reiterate, the REI Pro must show (prior to closing) that they have in their possession both the needed rehab funds and 5% of the purchase price.

J. The REI Pro must have previously and successfully completed three or more real estate deals. For those who have NOT successfully finished three deals on their own, we strongly suggest that they partner up with a mentor (who HAS the prerequisite experience…three or more completed deals). They can, for example, form a joint venture partnership where both parties benefit from the involvement of the other.

K. CTF will supply the text for the JVA, closing instructions and promissory note, and other docs as required, etc. It is the job of the PDP to then oversee all the final docs that will eventually go to the closing agent.

L. 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 $20,000 net profit in the project for CTF.

**<u>Deal Work-Up Form</u>, generic example**

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

1. 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.

2. The numbers that follow:

a. May have been rounded slightly up or down.

b. 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 <u>rough guide</u> about how to fill out the form below.

B. Deal details, prior to close

| | | |
|---|---|---|
| 1. After Repair Value (ARV):<br>(confirmed by a recent appraisal) | | $900,000 |
| 2. Fair Market Value (FMV) of the property to be acquired:<br>(confirmed by the same recent appraisal) | $750,000 | |
| 3. Purchase Price/PP:<br>($582,000/97%/CTF + $18,000/3%/REI Pro) | | -$600,000<br>------------ |
| 4. Gross profit ($900,000/ARV-$600,000/PP) | | $300,000 |
| 5. CTF equity profit<br>(discount from the seller), 10% x $750,000/FMV | $ 75,000 | |
| 6. Remaining balance: $300,000/#4-$75,000/#5<br>NOTE: This is the REI Pro's potential profit, less:<br>cosmetic rehab expenses, closing-related costs,<br>promissory note interest expense, etc.) | $225,000<br><br><br><br>----------- | |

| | | |
|---|---|---|
| | $300,000 | |
| 7. Purchase Price | $600,000<br>----------- | |
| 8. After Repair Value (ARV): | | $900,000 |

C. Deal details, at closing

| | | |
|---|---|---|
| 1. FVN (Face Value of the Note) that CTF receives at closing<br>($582,000/#B. 3. above + $75,000/#B. 5. above) | $657,000 | |
| 2. Estimated amount REI Pro receives<br>(after the sale or refi of the property,<br>$18,000 DP/#B. 3. above + $225,000/#B. 6. above) | $243,000<br>----------- | |
| 3. After Repair Value (ARV): | | $900,000 |

**Free info pack**

If you would like us to send a Deal Work Up Form, Instructions, etc. about this program to someone else, please EMAIL their information to: **creativetransactionfunding@gmail.com**
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1. Name
2. Phone number
3. Email address

Sincerely,

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