

Down Payment Assistance Program

Hi

Please find below information about the Down Payment Assistance Program for experienced real estate investors.

The Down Payment Assistance Program (hereafter referred to as DPAP), provided by Creative Transaction Funding LLC (hereafter referred to as CTF) offers short-term, alternative down payment (gap) funding assistance to experienced Real Estate Investors Professionals (REI Pros) who need to close a real estate purchase, but lack the cash for all of the costs involved, etc.

NOTE: DPAP funding works best with seller carryback, subject to or similar private funding sources. It tends to NOT work as well with hard money lenders since many of them frown upon allowing second position promissory notes to be recorded against any property on which they hold a first position loan.

Features & Benefits

- A. Our profit comes from the seller of the property.
- B. We do not require any out-of-pocket origination fees from the REI Pro.
- C. We provide down payment/gap funding nationwide.

Explanation, Details

A. We fund deals where:

1. The property acquisition includes at least 10% equity position when it is first acquired; that is to say, the REI Pro was able to buy the property for 90% (or less) of the current appraised Fair Market Value (FMV).
2. The REI Pro is able to buy the property for 70% or less of the After Repair Value (ARV).

B. Joint Venture details:

1. The CTF Program is NOT a loan.
2. It functions as a Joint Venture (equity) Partnership (JVP), starting with the acquisition, through to the end.
3. We form a Joint Venture Agreement (JVA) with the REI Pro's business entity (LLC or Corp.) and CTF's LLC.

C. When the property is initially acquired (once escrow has closed with the seller):

1. The JVA is dissolved.
2. CTF leaves with a 6-month, business-to-business, 2nd position, non-recourse, promissory note with no prepayment penalty that includes 10% equity from the seller + the funding amount that CTF provided + 14% simple annual interest. Simply put, we monetize the (JV) equity into a commercial note (debt).

D. 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 3% "skin-in-the-game" money (of the purchase price) that includes the following:
 - a. 1% or so to cover closing-related expenses related to the DPAP funding: 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, including the closing agent, title company and PDP.
 - b. 2% 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 2%. For example, if the actual amount of monthly interest is say, \$2,400 (or \$14,400 after six months) the REI Pro is only required to show (at closing) that they have \$4,800 set aside as a modest interest payment reserve. Then, once a month, they send \$800 (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 \$9,600 (\$14,400-\$4,800), which gets paid when the property is sold or refinanced.
3. 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.
4. The REI Pro is responsible for 100% of the cost for the cosmetic-only rehab work (paint, etc.), with no building permits, that helps create the 30% in equity (70%/ARV) which helps justify CTF making an investment in the deal in the first place. It is the new equity in the deal that creates the security for the second position note that we receive at closing. Typically, the (rehab) upgrades to the property are limited to what some in the industry refer to as a "lipstick rehab": cleaning, painting, minor repairs, etc. that can be finished in relatively short order.

E. We limit our DPAP Program to property investments where the REI Pro has their exit strategy already planned out:

1. Fix/Flip.
2. Buy-and-hold the property. The REI pro plans to refinance the property in a matter of a few months—six months max. The refi pays off the second position note.

F. 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.

G. 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.

H. There must be a minimum of \$20,000 net profit in the project for CTF.

Deal Work Up Form: Generic Example, Math details

1. ARV: \$600,000
 (confirmed by a recent appraisal)

2. FMV of the property to be acquired = \$500,000
 (confirmed by the same appraisal)

3. Purchase Price \$400,000

a. 80% primary funding \$320,000
 (80% x \$400,000)

b. 20% down payment required

(20% x \$400,000 = \$ 80,000
 10% or \$40,000 from CTF &
 10% or \$40,000 from the REI Pro)

\$400,000

4. Gross profit (\$600,000/ARV-\$400,000/PP) \$200,000

5. CTF equity profit \$ 50,000
 (discount from the seller), 10% x \$500,000/FMV

6. Remaining balance: \$200,000/#4-\$50,000/#5 \$150,000
 NOTE: This is the REI Pro's potential profit, less:
 cosmetic rehab expenses, closing-related costs,
 promissory note interest expense, 1st & 2nd notes, etc.)

\$200,000

7. Purchase Price \$400,000

8. After Repair Value (ARV): \$600,000

C. Deal details, at closing

1. FVN (Face Value of the Note) that CTF receives at closing \$90,000
 (\$40,000/V. 3. b. above + \$50,000/V. A. 5. above)

2. Estimated amount REI Pro receives \$110,000
 (after the sale or refi of the property,
 \$200,000 DP/ V. A. 4. above - \$90,000/#V. C. 1. above)

\$200,000

3. Purchase Price \$400,000

4. After Repair Value (ARV): \$600,000

Free info pack. I

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

1. Name
2. Phone number
3. Email address

Sincerely,

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