

Down Payment & Rehab Funding for Owner Finance Deals

Hello,

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

Are you an experienced Real Estate Investor Professional (REI Pro) who needs down payment and/or rehab funding for an owner-financed deal?

Welcome to CTF's Down Payment & Rehab Funding Program (DP&RFP).

DP&RFP is like hard money, but with one important distinction: CTF does not offer loans. Instead, CTF offers Joint Ventures (JVs), a form of equity. The REI Pro brings a deal that meets CTF's funding criteria, and CTF brings the funds to make it happen, for a share of the profits.

Overview

To qualify, the deal (and/or the seller) must meet the following criteria:

- A. CTF only funds where the deal comes with 30%-40% equity (60%-70% LTV)
- B. The owner is probably in some form of financial distress and needs to move out of the property ASAP. For example, the owner agrees to a cash-for-keys/deed-in-lieu transaction.
- C. Short-term, cosmetic-only Fix/Flip (F/F).
- D. Owns the property free and clear
- E. Open to seller carryback financing for the bulk of the purchase price via a 10%, 2nd position note
- F. CTF receives a 1st position note that includes our invested capital + share of the profits + 14% simple interest
- G. Time Frame: Six months or less to rehab, list for sale, close escrow.

Details, Features & Benefits

- A. CTF does not charge any upfront or origination fees.
- B. The DP&RFP is available nationwide.
- C. No payments due on CTF's note during the six-month time frame; the note features a balloon payment due in six months, for both principal and 7% interest/6 months (half of 14% annual)
- D. Once CTF has been paid off, the seller carryback note automatically assumes first position.

Explanations

A. All expenses are split between the REI Pro and CTF: Buyer-related closing-related expenses (including appraisals, inspections, 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 REI Pro, in addition to paying for his half of the buyer-related closing costs, also donates his labor to the enterprise. Upgrades to the property (Scope of Work) are usually limited to cosmetic fixups i.e. cleaning, painting, minor repairs, etc.--no building permits needed, no added square footage, or serious structural flaws etc.

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

D CTF takes away their profit share in the form of a first position note.

E. The REI Pro is rewarded with their profit when they sell the property at the conclusion of the fix-flip process.

Case Study

A. What follows are details for a generic JV deal. It is based on a cosmetic rehab project undertaken by an experienced REI Pro. Time frames from beginning to end of the average for this type of 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.

B. Situation: A REI Pro had a property under contract, with a lot of potential equity, however his normal funding source for down payment and rehab money recently went out of business.

C. Problem: The REI Pro needed funding, and soon

D. Solution: CTF) provided the needed funding, on a joint venture (JV) basis with the REI Pro, in trade for a share of the profits (50% markup).

E. At initial closing:

F. The details of the deal are as follows:

1. After Repair Value (ARV):	\$360,000
(confirmed by a recent appraisal,	
& this was the eventual selling price after rehab)	

2. Purchase Price

a. Owner Financing	\$160,000
b. CTF-Down Payment funding	\$ 40,000

Total	----- \$200,000
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3. Rehab money provided by CTF	\$ 25,000
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4. Expenses that the REI Pro and CTF agreed upon for:

a. 1st position note: 7% interest paid over 6 months

b. 1st position note: 8% discount off of 1st position note
face value that CTF must pay to quickly sell it

c. 2nd position note, 5% interest paid over 6 months -----

Total #5 (a.-c.), approximately \$25,000

5. CTF's 50% markup on \$65,000 investment \$32,500

Grand total costs \$282,500

6. Profit to the REI Pro \$ 77,500
(\$360,000-\$282,500)

F. The (final) result of the deal are as follows:

1. CTF monetized its equity position in the deal by accepting a six-month first position note.

Face value of CTF's 1st position note \$ 97,500
(\$40k/DP + \$25k/rehab = \$65k + \$32.5k/50% markup)

2. The previous owner accepted a second
position note with a face value of \$160,000
and a 10% interest rate.

Face value of seller's 2nd position note \$160,000

G. Result: The REI Pro's out of pocket expenses for closing costs, etc. totaled \$5000 vs. \$77,500 in profit. Yes, the REI Pro donated a lot of labor to the enterprise, but strictly from a cash-on-cash, ROI basis, \$5000 vs. \$77,500 is a pretty good return.

h. 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.

1. Finish sooner. If the REI Pro can finish the job SOONER than six months (rehab, then either refi or list and sell) they can save say \$5,000 in debt service they don't have to pay because the note contains no prepayment penalty and can be paid off early.

2. Reduce rehab costs. If the REI Pro can knock down the rehab costs from say, \$25,000 to \$20,000 = that equals \$5,000 more net profit to him.

Potential new profit available = \$10,000 (\$5,000 + \$5,000)

Grand total potential REI PRO profit: \$87,500 (\$77,500 + \$10,000)

We (also) offer:

>>>Down Payment & Rehab Funding for Owner Financed Deals

>>>101% Financing available for Investor Property Purchases

>>>Landlord Bailout Funding

>>>2% Referral Fee happily paid

>>>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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