

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 a relatively short period of time, for an owner-financed deal?

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

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.

## I. Overview

To qualify, the deal must meet the following criteria:

A. CTF only funds where the current owner:

1. Owns the property

a. Free and clear

or

b. Owes very little on their current mortgage.

2. Is highly motivated to move out of the property. They may wish to downsize, or they are in some form of financial distress, or the property is in probate, or they just don't want to live there any longer for whatever reasons.

B. The REI Pro only needs to use CTF's (down payment and rehab) funding for a relatively short period of time because perhaps most of their investment capital is tied up in other projects. They need the funding:

1. For a fix-flip

or

2. Buy and hold.

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

D. CTF receives a first position note that includes our invested capital + share of the profits + 14% simple interest.

E. Time Frame for CTF funding: Typically, six months or less, though we are flexible for the right deal.

## II. 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 while the property is being rehabbed; the note features a balloon payment due, in say six months, for both principal and interest, with no prepayment penalty.

D. We recommend that the REI Pro include the same term request in their offer to the seller. Best case scenario: The REI Pro winds up with no payments on either the first or second notes for the entire time frame that the rehab takes to successfully complete.

E. Even potentially better for the REI Pro: Request from the seller 36–180-month assumable financing.

1. If it is a buy and hold, then the REI Pro enjoys some long-term financing.

2. If a fix-flip, then:

a. After say six months, once the first position note to CTF is paid off, the second position note automatically moves into first position and the new buyer assumes the outstanding loan.

b. The new buyer makes payments to the original property owner on the outstanding balance.

F. CTF's exit strategy is as follows: CTF leaves with a six-month, 14% simple (annual) interest, business-to-business, first position, non-recourse, commercial promissory note with no prepayment penalty. Simply put, CTF monetizes the (JV) equity into a commercial note (debt) as its share of the net profit as agreed to by both parties.

G. For providing DP&RFP, CTF receives a 50% markup (i.e. a share of the profits from the deal). For example, if CTF puts up \$100,000 we receive a first position note for \$150,000 + 14% simple annual interest (or 7% for six months since there is no prepayment penalty).

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

### **III. Explanations**

A. All expenses are paid for by the REI Pro. Expenses may include, but are not limited to: appraisal, inspection, title and related closing costs, document preparation (1<sup>st</sup> position promissory note and 2<sup>nd</sup> 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 also donates his labor to the enterprise.

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

D. 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

3. CTF takes away their profit share in the form of a first position note.
4. The REI Pro is rewarded with their profit in the form of equity in the property if a buy and hold, or when they sell the property at the conclusion of the fix-flip process.

### Case Study

What follows are details for a generic JV deal. It is based on a 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.

1. Purchase price from the current owner: \$200,000
2. Current owner:
  - a. owns the property free and clear
  - b. is willing to offer owner financing for the bulk of the purchase price
3. The ARV is \$360,000

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) and a first position note as exit strategy for CTF.

E. At initial closing, the details of the deal are as follows:

1. ARV/Selling price to the new buyer		\$360,000
2. Provided funds		
a. Owner Financing	\$140,000	
b. CTF-DP & Rehab funding	\$ 60,000	
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Purchase Price from the current owner	\$200,000	
3. CTF markup 50% x \$60,000	\$ 30,000	
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5. Total		-\$230,000
6. Gross profit (\$360,000-\$230,000)		\$130,000
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Total		\$360,000

### Results:

1. CTF exits at closing with a first position note, face value = \$90,000

(\$60,000 + \$30,000)

2. REI Pro earned \$130,000 gross profit and/or equity, less closing costs and interest paid on both the first and second position notes.

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## **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](mailto:creativetransactionfunding@gmail.com)

Sincerely,

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