

Fully Financed Fix-Flips

Hello,

My name is Tod Snodgrass, with Creative Transaction Funding (CTF). Welcome to CTF's Fully Financed Fix-Flips (4F) 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. you are buying for less than the current Fair Market Value (FMV), from say a distressed seller?
- C. is pretty much a cosmetic fix-up, a “lipstick rehab”?
- D. there is the opportunity for good profit margins on the deal?
- E. however, you lack the cash needed to pull it off, including one or more of the following :
 - 1. purchase price
 - 2. rehab expenses (for which you have already created a realistic Scope of Work or SOW), including:
 - a. the rehabber's labor costs (his own and his subs, as needed).
 - b. ongoing costs during the rehab: insurance, utilities, taxes, etc.
 - 3. interest payments that must be paid while the rehab is under way
 - 4. closing costs
 - 5. reserve fund
 - 6. miscellaneous expenses such as document preparation, etc.

III. To reiterate, for deals that meet CTF's standard 4F criteria, we cover all normal out-of-pocket costs, as described above.

IV. CTF's 4F 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. A 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 between the REI Pro and CTF.

V. CTF's “sweet spot”: ARVs between \$100,000 and \$1,000,000. We are open to smaller and larger amounts, for deals that are really right.

- A. Term: Six Months or less

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

C. CTF's note =1st position

VI. Features & Benefits

A. Creative Transaction Funding normally limits its funding to:

1. REI Pros, i.e. rehabbers who have experience with the standard 70% ARV Rule for fix-flip deals
2. Deals that include a generous amount of equity at the outset, i.e. where the purchase price is at least 20% less than the current FMV, confirmed by a recent appraisal. Or, the REI Pro is prepared to make up the difference.

B. CTF's funding is to be used for a relatively short period of time. i.e. six months or less.

C. 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).

VII. Explanation, Details

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

B. CTF's funding is available nationwide.

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

D. 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.

E. The cosmetic rehab upgrades to the property, i.e. the anticipated Scope of Work (SOW), needs to be limited to cosmetic fixups: no building permits required, no added square footage, no serious structural flaws etc. The SOW should include the rehabber's labor costs (his own and his subs, as needed).

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.

F. Fund Administration. CTF requires that an experienced Fund Administrator (FA) to oversee any funds (provided by CTF) to be distributed, as different phases of the job are successfully completed, for the rehab work. The vast majority of experienced real estate investors usually have previous experience with FAs (specialized third-party service providers). The REI Pro is responsible for identifying which FA they wish to use. FAs are normally retained to oversee the following key functions:

1. Process funding disbursements; managing the release of funds to the rehabber in stages, known as "draws," based on the progress of renovation work; ensuring compliance; reviewing documentation; coordinating with all parties; keeping accurate financial records, etc.

2. Processing monthly interest payment disbursements to the appropriate note holder. .

G. The REI Pro is responsible for any Earnest Money Deposit (EMD) funds that are needed. The EMD is to be refunded to the REI Pro, once all contingencies have been met, at close of escrow. The EMD is not to be used as part of the purchase price.

H. To reiterate, the 4F program functions as a Joint Venture Agreement (JVA) between CTF's LLC or designated trust account, and the REI Pro's business entity (LLC or Corp.). Closing Instructions, etc. are also provided by CTF that support the JVA as well.

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

J. 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, interest is payable monthly. Simply put, CTF monetizes the (JV) equity into a commercial note (debt) as its share of the net profit.

K. 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).

L. 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 = 4.95% for 6 months. CTF is willing to cover these costs as well, again assuming the deal meets our standard criteria.

d. Miscellaneous costs. See the Deal Work Up Form example below for more details.

e. An 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, then subsequently recycle our investment capital to be able fund your next deal, for example.

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.

L. 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.

M. 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.

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

O. 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.

P. CTF normally assigns (sells) the first position note, at a discount to the face value of note 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.

Q. There must be a minimum of \$25,000 profit in a deal: \$12,500/REI Pro, \$12,500/CTF.

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

2. CTF/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 with a \$500,000 ARV. It includes all the cost breakdowns, predicted profit, etc. that ultimately resulted in a promissory note with a face value of \$425,000. CTF's out-of-pocket costs, totaled \$350,000.

B. It is based on a cosmetic-only rehab project undertaken by an experienced REI Pro. Average time frames from beginning to end 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. Some math below has been rounded, slightly, either up or down. Due to changing market conditions over time, please only use the following as a rough guide about how to fill out the actual form below.

A. What follows are details for a generic JV deal with a \$500,000 ARV. It includes all the cost breakdowns, predicted profit, etc. that ultimately resulted in a promissory note with a face value of \$433,500. The rehabber's equity/profit = \$66,500.

B. It is based on a cosmetic-only rehab project undertaken by an experienced REI Pro. Average time frames from beginning to end 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. Some math below has been rounded, slightly, either up or down. Due to changing market conditions over time, please only use the following as a rough guide about how to fill out the actual form below.

1. After Repair Value (ARV): \$500,000
(confirmed by a recent appraisal
& this was the eventual selling price after rehab)

2. Fair Market Value (FMV) of the property to be acquired (confirmed by the same recent appraisal): \$300,000

3. Purchase Price: \$250,000

4. Other costs paid for by CTF

a. rehab expenses \$ 50,000

b. REI Pro interest to be paid over six months, 4.95% x \$350,000 \$ 17,325

c. Note discount, 8% x \$425,000, CTF must pay to quickly sell the note \$ 34,000

d. Paperwork preparation, closing costs, attorney's fees, etc. \$ 5,000

e. Fund Administrator fees \$ 4,000

f. utilities, taxes, insurance, misc., etc., for six months during rehab \$ 6,675

Total other costs paid by CTF \$117,000

c. Grand Total paid out by CTF (\$250,000/PP + \$117,000/costs) \$367,000

d. Gross profit (\$500,000/ARV-\$367,000) \$133,000

5. \$133,000 gross profit breakdown

a. REI Pro = profit/equity in the property \$ 66,500

(50% \$133,000)

b. CTF profit = \$ 66,500
(50% \$133,000)

E. REI Pro potential results based on the details above:

1. The REI Pro is not required to put any money into the deal, only the earnest money deposit, which we will request be refunded back to the REI Pro at close of escrow.
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 due to overall market appreciation while the rehab is underway.

F. 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 \$250,000
2. The REI Pro is rewarded with:
 - a. ownership of the property
 - b. no out-of-pocket costs
 - c. \$66,500 profit/equity
 - d. Even more potential equity via appreciation during the six-month rehab time frame.

G. CTF leaves with a note for \$433,500, as follows:

1. Return total investment capital: \$367,000 (\$250,000 + \$117,000)
2. CTF's share of the \$133,000 profit = \$66,500

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 (third and subsequent generation referrals, CTF is happy to pay 1/4-percent).

B. Full account protection and referral fees in perpetuity.

C. Free info pack. If you would like CTF 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

X. Creative Transaction Funding (CTF) offers:

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

>>> Fully Financed Fix-Flips (4F) Program

>>>We are happy to pay a 2% Referral Fee with full account protection

>>>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 creativetractionfunding@gmail.com

Sincerely,

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