

Three Equity Financing Case Studies

Available capital is the lifeblood of the real estate industry in general, and for Real Estate Investor Professionals (REI Pros) in particular. Finding the right funding at the right time is often the difference between making a deal happen and a deal not coming to fruition—or perhaps preventing foreclosure from costing you a property. What follows are three Case Studies about how Short-Term Equity Financing (STEF)—for six months or less—can be used to “grease the financial skids” in order to make more deals happen successfully, and/or prevent financial losses from occurring in the first place.

CASE STUDY No 1: **97% Financing**

Situation: A REI Pro had a property under contract, with a lot of potential equity, however his regular lender recently went out of business.

Problem: The REI Pro needed first position funding.

Solution: Our firm, Creative Transaction Funding LLC (CTF), provided the needed funding, on a joint venture (JV) basis with the REI Pro. CTF provided 97% of the purchase price, in the form of an equity/JV deal, in trade for a share of the profits. The REI Pro covered the other 3% of the purchase price as well as closing costs and a modest interest reserve fund. The fixup costs, paid for by the REI Pro, were very low since this was what is known in the industry as a “lipstick rehab”—essentially paint and minor repairs. At closing, CTF monetized its equity in the deal by accepting a first position note from the REI Pro.

CASE STUDY No 2: **Down Payment Assistance**

Situation: A REI Pro had secured a first position loan from a hard money lender for 80% of the purchase price. The property just needed cosmetic-only rehab (paint, minor repairs). The REI Pro brought 5% of the purchase price or \$40,000 (5% x \$800,000 to the closing) in order to cover closing costs and a modest interest payment reserve.

Problem: The REI Pro only had 10% of the 20% down payment money required to close the deal.

Solution: CTF provided the missing 10% down payment funding, for this equity-rich deal, on a joint venture basis with the REI Pro, for a share of the profits. At closing CTF monetized the equity in the deal by accepting a second position note from the REI Pro.

CASE STUDY No 3: **Landlord Assistance**

Situation: A landlord owned two rental properties. The first property was owned free-and-clear, with an outstanding mortgage on the second property. During the COVID crisis several tenants stopped paying their rent. The landlord applied for COVID-related federal government assistance. However, of course he was still required to make his regular monthly payments (mortgage, taxes, insurance). In desperation, the landlord took a short-term, first position loan to temporarily make up for the shortfall in rental income. He fully expected to either eventually collect the overdue rents from the non-paying tenants and/or to receive the promised federal government assistance.

Problem: The tenants who owed the back rent moved out without paying the arrears they owed, and trashed the units as they were exiting. To add to his woes, the federal government assistance never came

through due to paperwork issues. As a result, the landlord was not able to keep up with the monthly payments on the short-term loan he took out during the pandemic. He was recently served with a NOD (Notice of Default) by the lender. The NOD in turn caused the landlord's FICO score to take a big hit. Further, he lacked the funds to fix up the trashed units, so they remained unrented. Owing to the hit on his credit score, no banks in the area were willing to loan him the money he needed to pay off the overdue first position loan and fix up the units that needed cosmetic help (cleaning out, paint, minor repairs, etc.).

Solution: A loan broker brought CTF into the picture. CTF fronted the money to pay off the overdue first position loan and fix up the trashed units, on a joint venture basis with the REI Pro, for a share of the profits. At closing, CTF monetized the equity in the deal by accepting a first position note from the REI Pro. After six months, with all the units rented out and with his FICO score rising, the landlord was able to secure a new, long-term loan. The proceeds from the new loan paid off the first position note to CTF and left the landlord in pretty good financial shape.

For more detailed information about all three of our Short-Term Equity Financing (STEF) programs, please email your contact information

Name _____
Phone No. _____
Email Address _____

to: **creativetransactionfunding@gmail.com**.

Sincerely,

Tod Snodgrass
President
Creative Transaction Funding LLC
8322 El Paseo Grande
La Jolla, CA 92037
310 408-7015
<https://creativetransactionfunding.com>
creativetransactionfunding@gmail.com

2% Referral Fee: We are happy to pay a perpetual referral fee to those who refer business leads to us. Once the closing (with the closing agent) is complete, you are paid 2% of the amount that we funded. If we fund \$500,000, you earn \$10,000.

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