

Project Name

09.04.20XX

Customer Name

Your Company

123 Your Street

Your City, ST 12345

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Executive Summary

Project and Principals involved. It tells the complete story of the deal. Basic information about the property, and location including municipality and county. The type of loan you are seeking? Information about the customer - brief biography. Why should the lender lend you money? Qualifications, Employment, Income, Assets. Is there any unfavorable information in customers' backgrounds such as gaps in employment, collection accounts, or tax liens on credit reports? What is the customer's experience in real estate including photos of successful real estate investments? A brief narrative of major projects completed. Educational background, List of seminars and training taken regarding real estate. Are any advisors intended to be used?

Real Estate references? Does the customer have business partners? If so need the above information. Will there be any guarantors? If so give their background. Copy of driver's license or government IDs. Copy of Social Security card or Tax Identification Number. All personal properties. All business properties. All rental properties. Projects completed in last 24 months.

Entity Formation

Is the customer an LLC or Corporation? What are the officer's names? Corporate minutes and name an agent for service of process? They may still need a personal guarantee. The loan will be a business-purpose loan exempted from Truth in Lending Act TILA and the Real Estate Settlement Procedures Act or RESPA. Not owner occupied. Include the Operating Agreement or Partnership Agreement. Current Secretary of State verification. Copy of IRS EIN/TIN SSR-4. Witten power of attorney.

Purchase and Sale Agreement

Not the final agreement. Purchase is contingent upon your ability to obtain financing. How you will move forward once the financing is in place? Price of the property. Closing Date. Best guess how long the loan will be in escrow. Earnest Money. Copy of canceled check or have a deposit receipt from escrow. Closing Agents. Terms of Financing - How you plan to pay the balance. The terms of your mortgage. A statement that the purchase is contingent upon your ability to obtain a mortgage at a particular interest rate. Addenda, Riders, and Extensions. Rider status of current tenants. Warranty that the seller has taken care of hazardous waste disposal requirements and is in compliance. Contingent upon certain repairs. Appliances and other items. Signed by All Parties.

Assets & Financials

Current Pay Stubs from all parties? Last Two Years Personal and Business Tax Returns. Personal Financial Statement - Net worth. Just go back one year. Current Interim Business Year-to-Date Financial Statement with Profit and Loss for Business? Last Three Years of Business Financial Statements? Last Two Months of Bank Statements and Other Assets personal and business bank statements. Every page needs to be stamped by an officer/representative of the bank. Proof of Liquid Assets - Letter and bank statement from any partners or silent investors. Gap funding documentation.

Appraisal And Property Photos

The lender may want their own appraisal. Assessment from the county for property taxes. Complete labeled photos of all subject properties. Each interior room from multiple angles including windows, doors, closets, architectural details crown molding, floors, and fireplaces. All exterior sides of the property, including an unobstructed view of the front door. All areas of the lot that are included with the property, including other buildings such as detached garages or barns; landscaping features water gardens, pools, etc. Third Part Valuation - broker price opinion or comparative market analysis. Include either myFirstAm Report, REI Blackbook Report, or Bank of America home valuation. Other home value estimators. Collateral DNA Report. Video Walk-Through of the Property.

Insurance Binder

Either currently insured or will be insured at the time of closing. Obtain copies of relevant policies from the current homeowner and do some research and preliminary work to demonstrate that you can obtain insurance to cover the property. Borrower or Entity Name as the Insured as it appears on the Secretary of State's website. Insured Coverage Greater than the Requested Loan Amount. Landlord/rental policy - hazard insurance for nonowner occupied 1-4 unit properties. Commercial policy - hazard insurance for 5+ unit properties. Vacant home policy - home is or will be vacant. The course of construction/builder's risk policy - home is under construction or rehab. Coverage Term at least 12 months or term of the loan. Premium Owed or Proof of Payment - statement or invoice from the insurance carrier. Paid invoice or canceled check paid in full. Information About Insurance Company - Lenders will want to add themselves as additional insured for the closing of the property. Name of the insurance company. Name of the insurance agent. Contact information for the agent.

Title Commitment/Payoff Letter

Title insurance policy and payoff letter - reveals all potential liens and encumbrances. The borrower opens the title search with a title company before approaching a potential private money lender. Schedule B, II, including Rights and claims of parties in possession not shown in the public record. Easements or claims of easements not shown. Encroachments, overlaps, or boundary line disputes. Any lien or right to a lien for services, labor, or material not shown. Taxes or special assessments not shown. Rights of the state or federal government to any part of the land. Whether the property is included in an organized taxing district. You need to obtain a payoff letter from each creditor. Ask for a payoff amount that will be good for another month or two. A mortgage or outstanding loan that used the property as collateral. Any judgment issued against the current property owner or property. Any tax assessment or outstanding tax bill associated with the property. Any tax liens associated with the other property. Any construction liens associated with the property.

Repair Estimates and Inspection Report

A professional inspection of the property. The loan must address the repairs required to make it safe and habitable. Scope of the work to be completed and a budget. Include a complete copy of the inspection. The structure of the property, entryways, foundation, sidings, and porches. The exterior of the property decks, balconies, eaves, soffits, and fascias. Roofing inspection, drainage, and chimneys. Interior water supply and distribution system. The electrical system. Heating and air conditioning systems. Ventilation (mold/mildew issues). Appliances and Fireplaces. Scope of Work and Budget Spreadsheet get repair estimates first then put in a spreadsheet. Repair Estimates from Licensed and Insured Contractors - Obtain several quotes. Should be in writing and the general contractor's letterhead. It should match the scope of work outlined in the inspection report. Copy of each contractor's license and insurance information. Their general liability policy.

Project Timeline

Detailed timeline for the deal - dates for all of the acquisition of the property. The rehabilitation of the property. The listing of the property, including average times and prices. The sale of the property, including comps, prices, and the number of days you expect it to be on the market and why. The time to rent the property.

Estimated Numbers and Profitability

Use property appraised and inspected values. Quotes from contractors. Researching comparable properties. Calculate the unexpected and add cushion or reserves. Soft Costs - architect's fees, engineering reports, and fees, appraisal fees, toxic report fees, government fees

Exit Strategy - How Lenders Will Receive Their Money

Budget - Acquisition with acquiring the property purchase price. Holding costs associated with owning the property, utilities, and property taxes. Financing costs associated with closing, including legal costs. Rehabilitation costs, materials, labor, and building permits. Selling cost listing fees, broker's commission, and closing fees.

DSCR	Debt Service Coverage Ratio = $\text{NOI} / \text{Mortgage payments for 12 months}$
Debt Yield	Debt Yield = $\text{NOI} / \text{Loan Amount}$
Discounted Cash Flow	$\text{DCF} = (\text{CF1} / (1 + i)^1) + (\text{CF2} / (1 + i)^2) + (\text{CF3} / (1 + i)^3) + (\text{CF4} \dots)$
Net Present Value	$\text{NPV} = \text{Purchase Price} - ((\text{CF1} / (1 + 12)^1) + (\text{CF2} / (1 + 12)^2) + (\text{CF3} / (1 + 12)^3) + (\text{CF4} \dots))$
Internal Rate of Return	XIRR()
Gross Operating Income	$\text{GOI} = \text{Gross Potential Rent} - \text{Rent Loss} + \text{Other Income}$
Gross Potential Rent	$\text{GPR} = \text{Number of Units} \times \text{Market Rent} \times 12$
Operating Expenses	OE = Insurance, Repairs, Maintenance, and Taxes (Property)
Net Operating Income	$\text{NOI} = \text{GOI} - \text{OE}$
Cash Flow After Taxes	$\text{CFAT} = \text{NOI} - \text{Debt Service}(\text{Mortgage Payment}) - \text{Capital Expense} - \text{Tax (Income)}$
Capital Expenses	Big Ticket Renovation Items - 5, 10, 20 or more years

Return on Investment	$ROI = (Ending\ Value - Starting\ Value) / (Starting\ Value)$
Annualized ROI	$AROI = ROI / Years\ Held$
Equity Multiplier	$EM = Ending\ Value / Starting\ Value$
Capitalization Rate	$CR = NOI / Value$
Cash-on-Cash	$COC = NOI / Cash\ Invested$
Average Annual Return	$AAR = (ROI1 + ROI2 + ROI3...) / Years\ Held$
Compound Annual Growth Rate	$CAGR = (Ending\ Value / Starting\ Value)^{(1 / n)} - 1$
Loan Constant	$LC = Annual\ debt\ service / Loan\ amount$
Breakeven Loan Value - The amt you can borrow using a specific loan for a specific property where the cash flow transitions from positive to negative. Loan amt less than BLV = Pos Cash Flow more than BLV = Neg Cash Flow.	$BLV = NOI (purchase\ price * cap\ rate) / Loan\ Constant$