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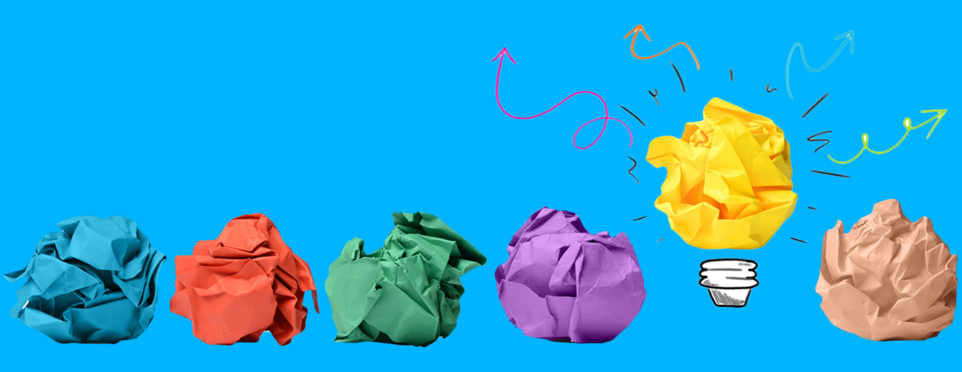
How to Present Your Real Estate Deal to Private Money Lenders



ABHI GOLHAR and JASON POWELL

How to Present Your Real Estate Deal To Private Money Lenders

In the word of real estate, there is more than one way to obtain the money you need to complete a transaction. Traditional lending may work for some investors, but for others, going to a bank is simply not an attractive or viable option.

This guide will explain how to get the money you need without going through a bank. Private money lending—also known as storybook lending—may provide the answer you need.

What is Private Money Lending?

The concept of private money lending is a simple one. A private money lender is simply a non-bank lender, someone who loans out money based on their personal discretion.

Frequently, the people who seek out and qualify for private lending are borrowers who need loans that fall outside of a bank's usual standards for lending, whether it be based on, among other things, loan amount, loan term, credit or property conditions.

Because private loans tend to move more quickly than bank loans, and because private lenders may consider loaning to people who might not qualify for a bank loan, they typically charge their borrowers a higher rate than the bank would.

It's fairly common for private money lenders to be successful real estate investors themselves. They recognize the potential for earnings that come with making well-considered real estate investments and they are comfortable with the risks associated with such lending.

Most private money lenders started lending because they would rather find a way to put their money to work in an active way instead of settling for the kind of low-interest returns they might get by putting it into a money market account or CD.

Let's look at some of the ways that private money loans differ from traditional bank loans.

In a traditional bank loan, the loan officer works only at the front-end of the transaction. It's their job to take a potential borrower's application, review the bank's loan programs, and assess the borrower's credit, collateral, and other qualifying criteria before passing the application along.

From there, the underwriting and closing staff see the loan through. Once the loan is in place, the bank's job is merely to collect regular payments or follow up in the event those payments are late.

By contrast, private money lenders are far more involved in the transaction from beginning to end. That approach makes sense when you consider that many private money lenders are making loans with their own money.

In some cases, a private money lender may resell a loan to liquidate their interest in it, but in most cases, they have an interest in staying involved throughout the deal. Their interest may end only when you sell the property in question and repay the loan in full plus whatever interest or percentage profit you have agreed upon.

In other words, the lender's level of interest is, in many cases, directly linked to their investment in a real estate deal. A lender who does not intend to liquidate may wish to stay involved to some extent until the completion of the project.

The Purpose of This Guide

We decided to write this guide because we realized that few borrowers understand how to put together a private money deal. Many borrowers don't do enough on the front end of the transaction, and as a result, they find themselves floundering and unsure of how to proceed. This will usually result in losing a deal due to lack of funding.

The more that you do at the front end of the transaction to ease the way and demonstrate your expertise to a private money lender, the easier and quicker a private money lender will be able to fund your transaction. Considering that some real estate deals hinge on being able to put together financing quickly, that's a big selling point for investors.

The goal of this guide is to help you, as a borrower, learn the ins and outs of putting together a private money lending deal so that you can:

- Approach private lenders with confidence
- Eliminate the need to hire a private money broker
- Save on broker's commission
- Put together a compelling package for presentation to a private money lender
- And most importantly – get more deals funded

Abhi's Tip: If you follow the steps laid out in this guide, you will be in the best possible position to close on a deal and get the funding you need.

The truth is most borrowers, particularly those who don't have much experience in real estate, are not good at selling deals. They don't understand the criteria that private money lenders look for and they lack the experience to be able to present a deal effectively.

If you've already been turned down by multiple lenders, and you want to find new sources of revenue to fund your deals, this guide can help you do it.

We'll teach you:

- How to gain investors' trust
- How to demonstrate that you understand that investors want cash flow from the deals they do
- How to appeal to a lender's logic

- How to make a professional presentation that will win the day and secure the financing you need.

This guide is intended to walk you through the process of putting together the kind of presentation that will appeal to private money lenders.

About the Authors

Why should you listen to what we say about private money lending? Here is a brief overview of our experience so you can decide for yourself.

Jason Powell is an experienced corporate, securities, and real estate attorney. He is also an active real estate investor with extensive experience in the private money industry. In the course of his career, Jason has been involved in writing underwriting guidelines for private money lenders, provided oversight to the underwriting, closing, and post-closing departments for private money lenders, and been involved in the closing of thousands of private money loans. Jason can be reached via email at jason@realestateadvgroup.com or jason@venturelegal.co.

Abhi Golhar is the host of Real Estate Deal Talk, an independent source of original podcasts, radio shows, videos, and articles addressing a broad array of topics related to real estate investing. He is also a Managing Partner of Summit & Crowne, a real estate investment and asset management firm located in Atlanta, Georgia. Abhi began investing in real estate in 2002 and uses a value-added approach to identify viable prospects. He also enjoys working with investor groups to implement market-driven strategies that maximize investors' chances of success in emerging markets. Abhi can be reached via email at abhi@realestateadvgroup.com.

Terry McIntyre has 18 years of mortgage and consumer lending experience. He successfully created lending operations and wrote guidelines for private money bridge and rehabilitation loans. He has underwritten more than $100 million in private money loans, and also managed high yield investment funds for the purpose of providing private money loans. He has created educational products to help inform investors of the benefits and risks of private money lending, and is himself an active real estate investor.

Benefits of Following the Approach Set Forth in This Guide

It may interest you to hear some of the specific benefits you can expect to reap if you follow the detailed approach set forth in this guide to getting private money loans:

- Receive funding more quickly and easily than you would from a bank
- Save on rates and fees
- Build reputational capital with the private money lender
- Plan pitches and presentations effectively
- Present yourself with confidence
- Learn where to spend your time and effort to maximize your chances of success

Instead of spinning your wheels trying to impress banks—or putting time and effort in to creating a presentation that has little chance of impressing a private money lender—we'll help you use your time wisely and put together the best possible presentation.

Of course, we cannot guarantee that teaching you how to put together a private money lending guide will help you close a deal. That's up to you and to the individual lender.

Each private lender has his or her own guidelines to use. If your deal doesn't fit with their specific lending profile, then of course, they have the right to refuse to lend to you.

The Binder Approach

The approach that we'll be teaching in this guide is the binder approach—and this approach explains why we referred to private money lending as "storybook lending" a few pages ago.

The binder approach tells the story of your specific real estate project. It presents your deal in a meaningful, narrative way that's specifically designed to sell the lender on your specific project.

The binder you put together should include all of the following:

1. An Executive Summary of your project and the principals involved
2. Entity information
3. A purchase contract
4. A CMA/BPO, other valuation data, and photos of the property
5. An insurance binder and information about the insurance agent
6. A title commitment
7. Repair estimates for the property and inspection reports
8. A timeline for completion of the project
9. Details of the estimated numbers and profitability of the project
10. An exit strategy, including details on how the lender can expect to get their money back

That might sound like a lot, but we will walk you through each step so you know exactly what you need to get the job done right.

We'll start with the Executive Summary.

Executive Summary

The first thing that you put in the binder you present to a prospective private money lender should be an executive summary of your project.

The executive summary should be simple, but it needs to tell the complete story of the deal you are hoping to put together.

It should include all of the following.

Information about the Property

The first thing to include is basic information about the property you want to buy. For example, where it is located. You should list the address, including the municipality where the property is located and the county where it is located. Of course, also include the state if it is an out-of-state property.

The Type of Loan You Are Seeking

The next piece of information to include is the type of loan you are seeking. While all of your executive summaries will be geared toward obtaining private money loans, there are several options that may suit your needs depending on what you intend to do with the property, such as:

1. A fix and flip loan for a quick turnaround
2. A loan for a property that you intend to rent out, thus guaranteeing monthly income for the lender
3. A bridge loan to help you get to the next level of financing your project

Private lenders may be willing to loan money in any one of these scenarios, but it's important to be straightforward about which type of lending arrangement you are asking for.

Information about Yourself

Next, your executive summary should include some detailed information about yourself and why the private lender in questions might consider lending to you. You should include:

- A brief biography
- Why you feel the lender should lend to you
- Highlights of positive information that might make them want to lend to you, including:
  - Your qualifications
  - Your employment
  - Your income
  - Your assets
- Information about anything negative in your background, including:
  - Holes in your employment history
  - Collection accounts, tax liens, and any other negative information on your credit report
  - Failed business ventures or real estate deals
- Your real estate experience, including:
  Photographs of successful real estate investments
  - A brief narrative of the major projects you have completed
  - If you have no completed projects, include a list of seminars and training you have taken to prepare you for the deal you are proposing.
  - Advisors you intend to use
- A list of employment and (if available) real estate references

The goal of this section of the executive summary is to help the private lender you approach understand who you are and paint a picture of why they might want to consider doing business with you. This is important even if you have done business with them before, but it's particularly important when you're approaching a lender for the first time. This section will help build the lender's confidence that you can complete your deal.

Abhi's Tip: The key here is not to try to hide any negative information in your past. Many private money lenders are willing to work around such information if you are honest about it.

By contrast, a lender may very well pull out of a deal if they find out that you have been deceptive in any way. It's much better to be up front about any negative information and let the private money lenders make an informed decision.

Information about other guarantors

If you have business partners, the lender needs to know about them too. The information should be essentially the same information you included about yourself, such as:

- A brief biography
- Their qualifications
- Their employment
- Their income
- Their assets
- Their experience and/or education in real estate
- Information about any negative information in their credit report or history
- References

Again, full disclosure is always best. It's much better to disclose everything up-front and have the opportunity to explain your side of the story than it is to have the lender do their due diligence and discover something that you withheld.

You should always assume that a private money lender will conduct their own research. They are likely to contact any references you provide, and they may very well ask your permission to conduct a background check.

It's important to be straightforward. You want this person to trust you and do business with you, and you can't expect them to do that if you are less than completely honest from the start.

Sell Your Story

The overall tone of the executive summary should be that of a marketing or sales document. Yes, you need to include some detailed information here about your history and the history of any guarantors. However, you also need to remember that this is the opening salvo of a pitch that you hope will end with you getting a loan.

It's important to be persuasive in what you write. Think about the outcome you want and then tailor what you write in such a way that it increases the chances that you will get it.

If you lack the writing skills to make the content you put in this section persuasive, hire someone who has them. You can hire a freelance writer for a relatively small amount of money. This pitch needs to be:

- Persuasive
- Free of errors
- Compelling

The bottom line is that if a private money lender can't get through the executive summary, they're not going to lend you a dime. You need to make it easy to read, compelling, and convincing.

Overview of the Executive Summary

There are some other bits and pieces you need to include in the executive summary that don't really require much explanation. Here is a complete list of the items you need to include. You should use this as a checklist to make sure the binder is complete.

1. Executive summary of the project, including all of the information outlined above.
2. Loan application. Each private money lender will have an application they use or prefer to use. We have included a sample loan application that contains all of the necessary information a lender will want to see in the Appendix (*See Appendix A*).
3. Copy of your driver's license or another government ID, such as a state-issued identification card or a United States passport.
4. Copy of your Social Security card or (if you are borrowing as a business entity) your IRS tax identification number (TIN) verifications.
5. Resumes and biographies of all of the principals of the borrowing entity, including:
    a. Educational background
    b. Business history
    c. Experience, including before and after photos of completed projects or—in the absence of completed projects—information about educational seminars you have attended.
    d. A list of references for all principals of the entity.
6. An up-to-date schedule of all real estate owned by the principals of the borrowing entity, including (*See Appendix B for a sample*):
    a. All personal properties, including homes
    b. All business properties, including office buildings
    c. All rental properties

    Alternatively, you could provide an up-to-date schedule of real estate transactions completed in the last 24 months (*See Appendix C for a sample*)
7. A copy of the credit reports of all principals, current within six months and with explanations of any negative information included.

Don't skip any of this information, as it is all essential to the private lender's ability to make a quick assessment of the project and decide whether to move forward with the binder.

Abhi's Tip: You won't close a lender on a deal based solely on the executive summary, but you can certainly lose a deal if you don't do a good job with this first step.

Once you have completed the executive summary, the next step is entity formation. In the next chapter, we'll talk about your entity options and which information you need to include in the binder.

Entity Formation

While it is certainly possible to obtain a private money loan as an individual, your chances of success are greater if you and any partners form a business entity to make real estate investments.

In this chapter, we will talk about an array of topics related to entity formation, including why lenders prefer to loan to entities rather than individuals, and some of the specific issues that relate to entity formation.

At the end of the chapter, we'll provide you with a checklist of items to include in this section of your binder.

Why Private Lenders Prefer Entities to Individuals

In many cases, private money lenders prefer to loan money to a business entity rather than an individual. Loaning to entities gives them some protections that they wouldn't have when loaning to an individual.

By the same token, there are certain downsides to lending to an entity. You should be aware that some lenders may require additional guarantees.

When you form an entity, you must create a business plan and file certain documents with the state where your entity is registered. In most cases, you must name officers, file corporate minutes, and name an agent for service of process.

Forming a business entity shows potential lenders that you take your real estate business seriously. It demonstrates that you and your partners have a plan for earning a profit—and of course, those plans increase the likelihood that they will make a profit, too.

The one issue that may arise if you form an entity, particularly if it's a corporation and not, say, a limited partnership or something of that nature, is that lenders may be concerned about the corporate shield and how it may impact their ability to recoup their investment.

It isn't unusual in the world of private lending for a lender to require the principals in an entity to sign personal guarantees.

When you sign a personal guarantee, you're saying that you'll take responsibility for the loan even in the event that the corporation you formed files for bankruptcy or goes out of business.

It's easy to see why a potential lender would want to obtain a personal guarantee before lending money. Before you sign one, make sure that you understand the financial implications of doing so and have a lawyer review it.

Now, let's look at some of the specific issues that make loaning to an entity more palatable to private money lenders than loaning to an individual.

Business Purpose Loans

When you form an entity for the purpose of making real estate investments, your loans can qualify as business purpose loans.

The benefit of a business purpose loan from the lender's standpoint is that it exempts the loan itself from certain regulations and rules.

For example, business purpose loans are exempted from the Truth in Lending Act, which is also known as TILA. TILA protects consumers against certain uses of their credit information and limits the actions that lenders can take to protect themselves, including placing a lien on the borrower's primary residence.

Business purpose loans are also less likely to fall prey to other issues, which we'll cover in depth in the rest of this chapter. They offer lenders some peace of mind.

Occupancy Issues

The next issue that can arise when a borrower obtains a private money loan as an individual is something called occupancy fraud.

As a rule, interest rates are lower when a person lists a property as either their primary or secondary residence.

Of course, private money loans do not have to adhere to the same rules as banks, but they do have to worry about potential lawsuits.

When a lender makes a loan to a business entity, the issue of the property in question being a primary residence is off the table. They don't have to worry about occupancy issues in the same way that they would if loaning to an individual.

Foreclosure

In addition, in the event that a lender finds it necessary to foreclose on a property, there are a few advantages to loaning to an entity rather than an individual.

On the whole, the process of foreclosure is relatively similar in both situations, but here are some key differences:

1. The first difference is that in the event that the borrower is either an absentee owner or has allowed the property in question to fall into a state of disrepair, the private money lender has the right to ask the state to appoint a receiver to manage the property.
2. The second difference is that, in the event that the property in question is a rental property, the lender can put a provision in the lending agreement that allows them to collect rent from any tenants in the event the borrower defaults on the loan.

The loan should, of course, include a plan to allow you and your partners to repay the loan once a default notice is received.

The ability to request the appointment of a receiver offers private money lenders an additional layer of protection. Since they do not have the same governmental protections as banks do, it makes sense for them to seek out other means of protecting themselves.

RESPA

Just as the Truth in Lending Act does not apply to business purpose loans, neither does the Real Estate Settlement Procedures Act, or RESPA.

RESPA requires lenders to:

- Provide disclosures in certain situations, including a Good Faith Estimate of Settlement Costs (GFE), a Special Information Booklet, a HUD-1/1A settlement statement, and Mortgage Servicing Disclosures.
- Provide borrowers with the ability to compare the GFE to the HUD-1/1A settlement statements at the closing.
- Follow established escrow accounting practices.
- Hold off on foreclosure if the borrower submits a completed application for loss mitigation options.
- Not pay kickbacks or referral fees to appraisers, real estate brokers or agents, or title companies.

Abhi's Tip: In other words, not having to adhere to RESPA gives private money lenders some additional rights when it comes to foreclosure. It also minimizes some of the regulatory requirements and paperwork they would have to complete otherwise.

Usury

Usury laws limit the amount of interest that lenders can charge on loans. As a rule, usury laws are set by individual states. Although technically the federal government could charge someone with usury, typically Congress has opted to leave these matters to the states.

It is common for private money lenders to charge higher interest rates than banks do. They do so for a variety of reasons.

- They are lending their personal money and do not have the protections that banks have.
- They may choose to lend to a borrower with a less-than-ideal credit history.
- They turn the loans around more quickly than traditional lenders.

The benefit of making a business purpose loan is that, in many states, the lender does not have to worry about usury laws. They can charge the interest they feel is appropriate. The borrower is prohibited from complaining about usury.

Consumer Protection Acts

Both TILA and RESPA fall under the category of consumer protection acts, but they are not the only laws that fall into that category.

Consumer protection acts apply to individuals, not to business entities. While you will of course want to seek out private money lenders who are honorable and will not try to take advantage of you, it's understandable that lenders want to minimize the number of regulations they have to deal with.

It's in your best interest to make sure that you understand which regulations do and do not apply to private money lenders before you move forward with a loan.

Ownership Interest in the Property

One additional protection that is available to private money lenders is requesting an ownership interest in the property you are buying.

When you buy as an entity, the lender can insist on being put on the property deed as a co-owner. That way, in the event that you default on your payments, they have the option of liquidating the property if they need to do so.

Again, this is an additional protection that makes lending to an entity more attractive than lending to an individual. You can increase your chances of obtaining a private money loan if you form an entity.

Quick Entity Set-Up Guide

If you don't already have an entity, it may be helpful to have a quick guide so you understand the types of entities you may want to consider and the documentation required for each.

Please note that this is not meant to be a comprehensive guide to setting up a business entity. Laws vary from state to state, and you will need to do some research to determine the best option for you and your investing partners.

Types of Entities

When it comes to forming a business entity, you have multiple options available. Here's a quick overview of them.

- Sole proprietorships are the simplest form of business entity. Basically, doing business as a sole proprietorship is the equivalent of doing business under your own name. There is no meaningful legal separation between you and your business entity, and you accept all liability for business expenses and debts.
- General partnerships are the next option, and they share much in common with sole proprietorships except there are two or more partners involved in the business. As is the case with sole proprietors, the general partners take responsibility individually and severally for the debts and financial liabilities of the business.
- Limited partnerships include both general partners and limited partners. Just as is the case with general partnerships, the general partners accept liability for the business's debts and liabilities. However, the limited partners do not. They may have an ownership stake in the business, but their liability is limited—hence the name limited partners.

- Limited liability partnerships are not available in all situations, but they offer some additional protection to partners. While each partner in an LLP accepts liability for his or her own actions, they are not held liable for negligent acts committed by other partners.
- Limited liability companies, or LLCs, offer members more protection than is available for limited partnerships or LLPs. Each member of the LLC is liable only for the amount of money they invested in the business.
- Corporations offer the officers a great deal of protection from personal liability. The so-called corporate veil protects them from personal liability for the debts and obligations of the corporation. Taxes on corporate income must be paid, unless the corporation elects to be taxed as an S-corp.

In all cases where the corporate structure shields members or officers from personal liability, the signing of a personal guarantee will overrule it. If a private lender asks you to sign one, you should be aware that it lifts the corporate veil and requires you to take personal responsibility as outlined in the guarantee.

Formation Documents

Now, let's make a quick look of which documents you need to complete and file with the state where you are incorporated for each type of entity listed above.

- Sole proprietorships do not require the filing of any documents unless you wish to do business under a name other than your own. In that case, you will need to file for a fictitious name, something that is done at the county level.
- General partnerships work in a similar way to sole proprietorships. You do not need to file paperwork with the state, but you should file a fictitious business name at the county level to determine which name you will use to do business. Even though you do not need to

file a document with the state, you should also draft a partnership agreement that all partners sign. It should include agreements about how to operate the entity and an exit strategy to dissolve the entity if it becomes necessary.

- Limited partnerships are essentially the same as general partnership but with the addition of limited members. You may choose to file a fictitious business name with the county where you do business. You should also draft a partnership agreement that outlines the purpose of the partnership, a method for negotiating disputes, and an exit strategy.
- Limited liability partnership formation rules vary from state to state. You may not need to file specific documentation, but you should check with the Secretary of State's office to make sure. Of course, you should file a fictitious business name statement with the relevant county.
- Limited liability companies do require the filing of paperwork with the state where the entity is organized. Usually, the primary requirement is Articles of Incorporation which list the members of the LLC. Most states do not require you to file an Operating Agreement, but you should have one that specifies all of the relevant information about the entity, including who will run day-to-day operations, what each member's liabilities are, and how you will dissolve the LLC should that become necessary.
- Corporations have significant filing requirements due to the fact that officers and shareholders have more protections than are available to other business entities. You will have to file Articles of Incorporation, obtain a TIN, provide a list of officers, file corporate minutes and set a regular time for a shareholder meeting each year, and—depending on the state—there may be other filing requirements as well.

The corporate entity you choose will depend upon your needs and desires and the needs and desires of your partners. Each entity has some benefits and drawbacks. Again, remember that signing a personal guarantee invalidates the corporate veil and makes you personally liable for the debts and obligations of the entity.

In all states, corporations and LLCs have ongoing obligations to keep the entity in good standing, including the payment of annual fees, filing updated minutes and annual reports, and so on. You should check the Secretary of State's website to make sure you know what your obligations are.

Contents of this Section of the Binder

To close out this chapter, let's do an overview of the items that you must require in this section of your binder. Remember, you can use this as a checklist when you are putting together your binder to present to a private lender.

1. Current Secretary of State verification of your corporate entity.
    a. In some states, you may be able to simply look up the corporate entity on the Secretary of State's website and print the corporate status as proof that the entity is active and in good standing.
    b. In some states, you need to order a certificate of good standing. This information should be available on the Secretary of State's website and usually, you'll have to pay a small fee to obtain an official certificate of good standing.
2. Copy of your IRS EIN/TIN letter
    a. For entities where you have to pay corporate taxes, you will need to prove that you have obtained an EIN for tax purposes.
    b. If you form a pass-through corporation, then this item is not necessary because you will have already disclosed your Social Security Number in the previous section.

3. Stamped copy of the Articles of Incorporation or Certificate of Formation. This should be the original filing received back from the Secretary of State's office. The stamp verifies that the entity was legally formed.
4. Copy of organizations governing document.
   a. Copy of the operating agreement for any limited liability companies.
   b. Copy of partnership agreement for any general partnership, limited partnership or limited liability limited partnership.
   c. Copy of the bylaws for any corporation.
5. A borrowing resolution signed by all partners, members, or officers of the entity.
6. A limited power of attorney, if applicable. (The lender may not require this, but in some cases, one of the partners, members, or officers may have power of attorney for the organization as a whole. In that case, you should include it so the lender knows who the primary decision maker for the entity is.

Including all of this information shows the lender in question that you have handled all legal aspects related to the formation of your business entity.

You should be prepared to provide additional information as needed. However, for the majority of private money lenders, the above items should be sufficient to establish the good standing of your entity.

Abhi's Tip: Keep in mind that you do not have to agree to a personal guarantee if you don't want to. However, many private lenders will require one, and you should be prepared for them to walk away if you refuse to sign it.

In the next chapter, we'll talk about the purchase and sale agreement that needs to be included in your binder.

Purchase and Sale Agreement

The next item that needs to appear in your binder is a purchase and sale agreement.

In many cases, this will not be the final agreement. After all, you need the private lender to provide you with financing to be able to buy the property. However, you should have a statement that says that the purchase is contingent upon your ability to obtain financing.

That said, you do need to include as much of the information that would typically go into such an agreement as you can.

The purchase and sale agreement, also known as a PSA, is the bible of your transaction. It lays out, in detail, the relevant portions of the agreement and how you will move forward with the purchase of a property once the financing is in place.

It isn't uncommon for borrowers to have completed a deal up to the point of signing a purchase and sale agreement contingent upon being able to obtain the necessary financing to complete the deal.

Let's look at the individual sections of the purchase and sale agreement so you understand what information you need to include.

Price

The first thing you need to include is the price of the property. In many cases, you may have already negotiated with the owner of the property to arrive at a purchase price.

If you have not done so, then you can use the asking price of the property as a placeholder.

Closing Date

Here again, you may not have a closing date yet. The closing date is the date that you agree that the property in question will change hands.

In the event that you have already made an offer and have agreed upon a price, then you may have a specific closing date. If not, you should include your best guess based on how long you think the loan will be in escrow.

Earnest Money

In the event that you have already made an offer on the property you are pitching, then the chances are good that you have had to put down some earnest money to secure the contract.

Your purchase and sale agreement should specify how much you (or your business entity) have paid in earnest money.

It is important to note that listing the amount of earnest money you paid in the purchase and sale agreement is not enough. You must also include a copy of the canceled check or have a deposit receipt from the escrow agent/company to prove that you have paid the amount you say you paid.

Closing Agents

The closing agent for a property is the person who will handle the legal aspects of closing the deal. In most cases, that person will be an attorney with experience in real estate.

Even if you have yet to make an offer or put down an earnest money, it's still necessary to list the closing agent or agents here.

Depending on your business arrangement, there may be more than one agent. For example, if you have a partnership, each partner may which to designate a closing agent to represent their interests at the closing.

Terms of Financing

The next item to include is the terms of financing. In a traditional loan, this is the section where you would include:

- 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

It is important for this section to be correct. Don't make an offer for a cash purchase and then try to get financing.

In the event that you have made an offer contingent upon your ability to obtain financing, you should make sure to include as many specifics as possible.

You don't want to commit yourself to a purchase and sale agreement if you might not be able to afford it over a certain interest percentage, for example.

If you specify that you'll buy the property without listing your contingencies in detail, you run the risk of losing your earnest money in the event that you can't get the loan you want.

Abhi's Tip: The best way to deal with this section is to do some research. For example, you can look up the private money lender you plan to approach to see if they have done previous private loans. If they have, you can check out the past interest rates and make your purchase and sale agreement in line with the previous agreements.

Addenda, Riders, and Extensions

Every purchase and sale agreement is different. In some cases, your purchase and sale agreement may include addenda, riders, and extensions that you, your investment partners, and the seller have agreed upon.

These are not necessary, but here are some examples:

- If you're purchasing a rental property, you will probably want to include rider that deals with the status of current tenants and how the purchase will affect them. For example, proration of rents, lease assignments, deposit transfers, etc.
- You may need a rider to warranty that the seller has taken care of hazardous waste disposal requirements and is in compliance with state and federal law.
- If the sale of the property is contingent upon certain repairs, those should be specified in the purchase and sale agreement.
- If you have obtained an extension on the purchase, it should be included here as well—this is not uncommon for people seeking private money loans.
- Any items included in the sale, including appliances and other items in the property in question, should be specified here. If they are not listed, they are not part of the sale and can be taken by the seller.
- Any warranties or liabilities not included in the general agreement should be specified with a rider or addendum to the basic agreement.

Basically, you want the purchase and sale agreement to be as comprehensive as possible. Any and all agreements you have made with the seller should be in writing. There is no excuse for relying on word of mouth or a handshake. The lender needs to see all the cards on the table.

Signed by All Parties

The purchase and sale agreement should be signed by all relevant parties before it goes into the binder. In other words, it should be signed by:

- You
- Your investing partners
- The property's sellers, including any partners or co-owners

The reason that you need signatures of all parties is that you want to show the lender that the deal is in good shape. Having a completely executed purchase and sale agreement is one way to demonstrate that you have done your homework.

Of course, in the event that you are hoping to get the loan in place before making an offer, the signatures will not be on the purchase and sale agreement.

Contents of this Section of the Binder

Now, let's take a look at an overview of what belongs in this section of the binder. As was the case in the previous chapters, you can use this as a checklist to ensure you have included everything you need to include before you approach a potential lender. Here's what you need to include:

- A copy of the purchase and sale agreement in this order:
    - Most recent addenda and extensions by date
    - The original purchase and sale agreement and riders
    - A copy of the earnest money check or deposit receipt from the escrow agent/company
- Copies of all seller carry back financing documentation, if applicable
- A 2nd position note or deed of trust, if applicable

Abhi's Tip: The purpose of including this information is that it gives all potential private money lenders the chance to see the deal as a whole. They need to know how much you have agreed to paid, what interest rates you are hoping to obtain, and what agreements you have made with the seller.

A borrower who has already put down earnest money on a deal has significant stakes in making the deal happen. The earnest money payment shows lenders that you are serious about doing the deal and that you're willing to put your money on the line to make it happen.

Of course, it is possible to approach a lender before you make an offer on a particular property. That's a slightly more precarious position for you, but some of the later sections of this book will explain the other information you can include to make the details of the proposed deal clear.

In the next chapter, we will talk about what to include in the next section of your binder, which is where you will disclose your assets and financial situation to a potential lender. This is an important section because it plays a big part in determining whether a lender sees you as a good credit risk.

Assets & Financials

You already know that when you apply for a loan from a traditional lender, such as a bank, credit union, or mortgage company, you have to provide detailed financial information to prove that you're a good credit risk.

The same is true of private money lenders. While some private money lenders may actually focus more on the merits of an individual deal than they do on the creditworthiness of the borrower, they still want to make sure that you're trustworthy before they get into a deal with you.

For that reason, this section of the binder is extremely important. This is your opportunity to show the person you are approaching that you are a serious person—someone they want to do business with now and in the future.

The purpose of this section is to show the lender your strengths and ability to pay. By the time they're done reading it, they should know:

- That you are a financially stable person or entity
- That you have the ability to meet your financial obligations
- That you have the money to cover a down payment
- That you have financial reserves in the event that things go wrong

The information included in this section might seem like a lot, but it may help to put yourself in the lender's shoes. You would want all of this information if the shoe were on the other foot, so it should come as no surprise to you that a potential lender wants them from you.

With that in mind, let's walk through the items to include in this section of your binder.

Current Pay Stub

The first thing you need to include is a copy of a recent pay stub. The purpose of including the pay stub is to provide the potential lender with proof of income.

If you have investment partners, they will need to include a recent pay stub as well. Anybody whose name will be on the private loan must provide this information.

Last Two Years' Personal and Business Tax Returns

People tend to be reluctant to release their tax returns to an individual, although they are very accustomed to releasing them to banks and other financial institutions.

What can a private lender learn from seeing your tax returns. They learn:

- That you are a responsible person who files taxes on time
- That you pay what you owe to the government
- That you take reasonable deductions
- That you accept responsibility for both your personal taxes and the business taxes of any entity for which you have a responsibility

Some lenders may want to see more than two years of tax returns, but two years is a good starting place.

Do not try to get away with providing only older returns but not more recent ones. The lender is interested in what your financial position is now, not in what it was five years ago.

Abhi's Tip: Make sure to include both federal and state returns, if applicable. Any additional forms filed should be provided as well.

Personal Financial Statement

Your personal financial statement is, simply put, a statement of your net worth. It shows a potential lender that you are a financially solvent and responsible person. A sample of a personal financial statement is including as Appendix D.

For a personal statement, you don't need to worry about going back more than one year. Just provide a statement of where you are now to act as a snapshot of your overall financial health.

If you don't have a personal financial statement, then you can get your accountant to provide one. If you have a regular accountant, this should not be a time-consuming process.

Of course, you will also need to get any and all investing partners or business partners to provide personal financial statements as well.

Current Interim Business Financial Statement with Profit and Loss

Your business financial statements, like your personal financial statement, provide a potential lender with an overall snapshot of the financial health and strength of your business.

The first thing that goes into the statement should be current interim financial statement. Some businesses do statements only once a year, but you need to provide the most up-to-date financial information possible.

In other words, if you last created a financial statement at the end of the previous year, you need to have your accounting do a year-to-date statement and include an updated profit and loss.

Remember, any potential lender you approach wants to know what your financial status is right now. The only way they can judge the current financial strength of your business entity is by seeing an interim business financial statement.

Last Three Years of Business Financial Statements

After your interim business financial statement, you need to include your last three years of business financial statements.

The primary business a potential lender is concerned with is the entity with which you plan to acquire the real estate property you are pitching. That's the entity they'll be lending to.

The reason you need to supply three years is that you want to provide a complete financial picture of your entity.

That said, if your entity is recently formed and you don't have three years of business financial statements, provide what you do have. Even if you only have one or two years, it's better than not providing anything.

Abhi's Tip: If you have fewer than three years of financial statements available and it's because you have a relatively new entity, the information included in the Entity Formation section will back up the fact that you do not have three years to provide.

Unless you are an accountant or have a great deal of experience creating financial statements, you should pay an accountant to create a financial statement for you.

Last Two Months of Bank Statements and Other Assets

The next thing you need to include in this section of the binder is two months' worth of your personal and business bank statements.

If you do not typically get a printed statement in the mail—as many people do not these days—then you can print out 60 days' worth of your transaction history from your bank's website. If using a transaction history, make sure every page is stamped by an officer/representative of the bank.

Since the goal of this part of the section is to provide proof of your financial situation, you also need to provide proof of all other financial holdings and assets you own. Here's what you should include:

- Two months of bank statements or a 60-day printout of your transaction history for your personal checking account(s)
- Two months of bank statements or a 60-day printout of your transaction history for your personal savings account(s)
- Two months of bank statements or a 60-day printout of your transaction history for your business checking account(s)
- Two months of statements or a 60-day print your of your transaction history for any money market account(s)
- A statement from any certificates of deposit you own
- Most recent monthly or quarterly statement from any investment accounts in your name
- Most recent monthly or quarterly statement from any retirement accounts in your name

You need to provide this same information for:

- Yourself
- All personal guarantors
- Your business entity

That's a lot of information to provide, but the goal is to give a potential lender the best and most complete picture of your financial holdings.

Proof of Liquid Assets[1]

Finally, you need to provide any potential private money lender with proof of your liquid assets. That means providing:

1. A letter and a bank statement from any partners or silent investors who may be providing you with funding.
2. Gap funding documentation, if applicable.

1 A liquid asset is cash on hand or an asset that can be readily converted to cash. An asset that can readily be converted into cash is similar to cash itself because the asset can be sold with little impact on its value.

Ultimately, any potential lender is going to want to know if you have liquid assets that will enable you to provide earnest money, make a down payment, and cover any other related expenses.

They also want to be sure that you have the assets to step up and make payments to them in the event that the project takes longer than anticipated.

Contents of This Section

As always, let's close out the chapter with a checklist that you can use to ensure that you haven't missed anything in this section of the binder. Here's what you need to include:

- A current pay stub
- Last two years' personal and business tax returns for yourself and all guarantors
- A personal financial statement for yourself and all guarantors
- A current interim business financial statement with profit & loss
- Three years of business financial statements
- Two months of personal and business bank statements as well as all other accounts for you and all guarantors
- Proof of liquid assets

Providing this information gives the lender some peace of mind in terms of your personal financial position, the position of your partners and other guarantors, and the financial strength of your business entity.

In the next chapter, we'll review what to include in the Appraisal and Property Photos section of your binder.

Appraisal and Property Photos

The next section of your binder is the section where you include the detailed information about the property you hope to purchase with the private lender's help.

For many private lenders, the primary attraction for a particular deal is the deal itself. It's not uncommon for private money lenders to loan to people who might not have the best credit if they like the deal they present.

If you think about that, it makes sense. Anybody can run into financial trouble or have a hard time getting a loan from a bank. However, if the deal they present seems likely to be a lucrative one, that property itself may be far more important than the borrower's history.

In general, the more information you can provide to a potential lender, the better off you'll be.

Remember, you want the lender to be comfortable with both you and the property. You want them to be confident that you can make a profit on the deal and the lender can get a good return on its investment.

Keep in mind that the lender may very well want to get their own appraisal done, even if you have already obtained one.

Abhi's Tip: Here again, it may be helpful to put yourself into the lender's shoes. They want to make sure that if they give you money, they know what their money is buying and that the promises you make to them about their potential profit on the deal are reasonable.

With that in mind, let's look at the specific items you need to include in this section.

County Assessment Page Printout

The very first thing you need to include is an assessment from the county where the investment property is located. This is the assessment that tells the county and state what to charge in property taxes.

Keep in mind that this assessment may not reflect the most up-to-date value of the property. However, it is a valuable tool for both you and any potential lenders.

In most counties, you can get the assessment page by visiting the county's website. It is common to have to pay a few dollars for a copy of any legal document, and in some cases, you may have to wait to get a copy in the mail.

Before you make plans to approach any potential lender, make sure that you know the details of how to obtain county assessments of property so you can leave yourself enough time to do it.

Complete Labeled Photos of All Subject Properties

The next thing you need to include is a complete set of labeled, color photos of the property or properties you wish to buy.

The photos are important because, while the numbers and property valuation are important, photographs tell a story.

When the lender looks at photographs of the property, they can see exactly what their money will be buying. That's important in any situation, but especially when you are planning to rehab and flip a property.

Photographs give the lender an idea of what condition the property is in, how appealing it is, and (in some cases) how much work will be required to get it ready to sell.

The pictures you include should be labeled so that the lender knows exactly what they are seeing. You should make sure to take photographs of:

- Each interior room from multiple angles (important to show every element of the room, including windows, doors, closets, and architectural details such as 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's included with the property, including other buildings such as detached garages or barns; landscaping features such as water, gardens, and pools; and anything else that may be related to the purchase of the property.

Abhi's Tip: Your goal should be to give the potential lender a complete picture of the property. You don't want them to be left wondering what's behind the garage or in the attic.

Third Party Valuation

The next item on the list can be one of two things: a broker price opinion or comparative market analysis. Keep in mind that the lender may very well want to get their own appraisal done even if you have already obtained one. I would suggest going with a CMA or BPO in lieu of an appraisal, because in most instances lenders who want to obtain an appraisal and will have a go-to company they use for such appraisal.

Broker Price Opinion

A broker price opinion, or BPO, is a common tool used in real estate, particularly for short sales and foreclosures. However, it can be useful in other situations as well.

Simply put, the BPO is a real estate broker's assessment of what the value of a property is. It's not as formal as a third-party appraisal, but it is helpful to lenders.

In most cases, ultimately, you will be using a real estate broker to resell the property in question. The BPO can help you get a realistic picture of what you can expect to get for the property from someone who knows the current real estate market

Comparative Market Analysis

As an alternative to, or in addition to, the BPO, you may want to get a comparative market analysis or CMA.

The CMA is a bit more involved that the BPO because it includes an analysis of other homes in the area. You'll start by having a real estate broker walk through the property, and then they'll do research that includes:

- Properties in the area that have sold and closed within the last year
- Active property listings in the area
- Pending sales in the area (listings that have sold but not yet closed)
- Expired listings (properties that failed to sell during the listing period)

The benefit of this type of research is that it gives you a real-word estimate of what you can expect to get for your property.

Comparable Sales to Support Value

Finally, you may want to seek out some additional information yourself about homes in the area to include in you binder.

The information to include in this section may very well be similar to what is included in the CMA. However, you can use websites like the multiple listing service (MLS) and Zillow to research other homes in the area.

You want to include comparable homes to make your case for the value of the property you are considering. In other words, you want to include properties:

- That are a similar size to the property you want to buy, both in terms of living space and the size of the lot
- That are a similar age to the property you want to buy
- That have similar amenities
- That are in similar condition
- That are in the same geographic are

A property that is not in good condition can be compared to those in good condition, but you'll also have to include an estimate of what it will take to get the property into comparable condition. That comes later in the binder.

All Valuation Models

In addition to the county assessment and your third-party BPO/CMA, it may also help support your case to provide valuations of the property in question from a variety of sources.

Here are some of the models to include:

- myFirstAm Report
- REI Blackbook Report
- Bank of America home valuation
- Other home value estimators
- Collateral DNA Report

You don't have to include all of these. However, keep in mind that anything additional you include in this section only helps to cement the value of the property in the lender's mind.

Video Walk-Through of the Property

In addition to a complete set of labeled photographs, it can be extremely helpful to provide potential lenders with a video walk-through of the property.

You don't need to hire a professional videographer. Instead, simply use a digital camera or even—if the quality is good enough—your cell phone, to record a walk-through of the property.

As you walk through the property, make sure to pan the camera to get all of each room, and specify which room you are in as you do so.

Include the same things in the video walk-through that you did in the photographs, meaning:

- Each interior room of the home, including the attic and cellar, if applicable
- All exterior surfaces of the home
- Details of the lot

That way, the lender can get a feeling of what the property is like in a more detailed way than is possible from still photographs.

Contents of This Section

To help you accumulate the information in this section of the binder, here is a comprehensive guide that you can use as a checklist. Here's what you need:

- A printout of the county assessment page
- Complete labeled photos of all areas of the property, including interior rooms, exterior surfaces, and the lot
- A BPO/CMA from a real estate broker in the area
- Copies of additional valuations of the property
- A video walk-through of the property
- Comparable sales in the area to support the value of the property

By the time a potential lender is done reading this section, they should have a clear picture both of the layout and appearance of the property and of its value.

In the next chapter, we will talk about what to include in the insurance section of the binder.

Insurance Binder

It doesn't matter what kind of property you plan to buy. You need to have proof that the property is either currently insured or will be insured at the time of the closing.

The big concern for any lender is being able to recoup any potential losses that might occur while their money is being used to rehab or repair a property. Insurance is the key to that.

Even if you provide a personal guarantee, a smart lender is aware that you may not have the personal assets to reimburse them in the event of some kind of catastrophe. That's why they want to see insurance.

As the borrower, it's your job to reassure the lender that you have taken care of the insurance aspects of the deal. You might not be the policy holder yet, but you can obtain copies of the relevant policies from the current homeowner and also do some research and preliminary work to demonstrate that you can obtain insurance to cover the property after you buy it.

With that in mind, let's review the items that must be included in the insurance binder

Borrower or Entity Name as Insured

The first thing you need to do is demonstrate that your name (or the name of your business entity if you have one) appears on the insurance policy.

Your willingness to obtain insurance on a property demonstrates your faith in the deal itself. The lender wants to know that you're willing to take care of your responsibilities.

Keep in mind that if you obtain insurance under an entity name, it must match the name as it appears on the Secretary of State's website (and in all filed documents). This is an area where details matter.

If you are not obtaining insurance under the entity's name, then make sure that your name and the names of all other borrowers and guarantors appear on the policy.

Insured Coverage Greater than the Requested Loan Amount

Next, the lender is going to want to see that the total amount of insurance coverage you have obtained is greater than the amount of the loan you're requesting.

This is just common sense on the part of the lender. The lender wants to know that they can recoup their investment in the event that something happens to the property.

Comparing the two numbers (the requested loan amount and the total of all insurance coverage) is easy enough to do, and it provides any potential lender with some peace of mind about making the loan.

Type of Coverage/Policy

The next part of this section includes information about the types of coverage and policies you have obtained on the property.

There are several types of insurance that may apply.

- Landlord/rental policy – standard hazard insurance for non-owner occupied 1-4 unit properties
- Commercial policy – hazard insurance for 5+ unit properties
- Vacant home policy – home is or will be vacant
- Course of construction/builder's risk policy – home is under construction or rehab

These policies provide different types of coverage. Not all of them will necessarily apply. For example, if you are buying a single-family home that you intend to flip and will not rent, you won't need to worry about a landlord/rental policy.

Typically, you cannot obtain homeowner's insurance until you own the property. However, other forms of insurance are available before you buy, and it is those types that the lender will want to see.

Coverage Term

The next thing you need to include in the insurance section of the binder is the coverage term of the insurance you have obtained. That information may be included in the policy itself or on the declarations page, but you should make sure to provide proof here.

As a rule, you want the coverage term to be at least 12 months. However, in some cases, it may be desirable to obtain a short-term policy.

If you have a policy term that's less than 12 months, you should make sure that the insurance will be in place for at least as long as the term of the loan you're requesting.

Here, the goal is to make sure that the lender understands that the insurance coverage needed is in place and will protect them for the duration of their loan.

Premium Owed or Proof of Payment

In this first part of the section, you must provide one of two things:

- A statement or invoice from the insurance carrier showing the amount of premium owed; or
- A paid invoice or canceled check showing that the premium has been paid in full.

This part is important because an insurance policy is only useful to the lender if the premiums are paid in a timely manner.

Information about Insurance Company

Finally, in this section you also need to provide the lender with relevant information about where you got the insurance. This is important because the lender will, in all likelihood, want to add themselves as an additional insured for the closing of the property.

Here is the information that the lender will need:

- The name of the insurance company
- The name of the insurance agent
- Contact information for the agent, including a telephone number, fax number, and email address.

> ***Abhi's Tip: This information makes it easy for the lender to contact the agent, add themselves as an insured, and obtain any other information they need about the insurance on the property.***

Contents of This Section

To help you ensure you get everything you need in this section of the binder, here is a guide to use as a checklist. You should include:

- A current insurance declarations page (if you already own the property and have an insurance policy) that includes:
  - The types of insurance provided
  - The coverage limits provided
  - The term of the insurance
  - The premium due or paid
- An insurance agent contact sheet
- A current insurance binder

This information will ensure that the lender has what they need to proceed with the loan.

In the next chapter, we'll talk about what to include in the title commitment/payoff section of the binder.

Title Commitment/ Payoff Letters

The next section of the binder is a very important one. It contains the title commitment, including a title insurance policy, and the payoff letter from the current lenders on the property.

The purpose of this section is to reassure the lender that you—and they—can have clear title to the property once it is purchased. A payoff letter reveals all potential liens and encumbrances and ensures that the loan will cover them if you already own the property.

Title Commitment/Preliminary Title Report

As a borrower, it's your job to open the title search with a title company. That way, you can have a clear picture of what's going on with the property before you approach a potential private money lender.

The title commitment should include copies of all of the title exceptions listed on Schedule B, II, including:

- Rights and claims of parties in possession not shown in the public record
- Easements or claims of easements not shown by the public record
- Encroachments, overlaps, or boundary line disputes
- Any lien or right to a lien for services, labor, or material not shown in the public record
- Taxes or special assessments not shown in the public record

- Rights of the state or federal government to any part of the land
- Whether property is included in an organized taxing district

Basically, Schedule B gives you a complete picture of any and all potential issues with the title to the property.

When obtaining a title commitment and report, it's always best to use a large, national company. If you do, you'll be sure to get the report back in a timely manner.

You'll also get reliable, insured closings. You may be able to get a discounted report if you use the same title company that was used previously.

The main title insurance companies are:

- First American Title Insurance Company
- Stewart Title Guaranty Company
- Chicago Title Insurance Company
- Fidelity National Title Insurance Company
- Old Republic Title Holding Company
- WFG National Title Insurance Company

Choosing one of these companies is your best bet when it comes to get getting a speedy and accurate title report. These companies will also provide you with a closing protection letter, or CPL, upon request.

Payoff Letters[2]

The next part of this section is for payoff letters. Typically, in a situation where you are buying a single-family home with only one mortgage and no other encumbrances, the only payoff letter you would need would be from the bank that issued the mortgage.

2 If you own the property, you can obtain the payoff letters. If you are purchasing the property, the escrow agent/company closing the transaction will obtain the payoff letters so you will not have to personally obtain.

However, in situations where there is more than one mortgage or loan, or liens or other encumbrances, you need to obtain a payoff letter from each creditor.

Abhi's Tip: When you request a payoff letter, it's best to build in some wiggle room. You don't necessarily want to get a payoff letter as of today. Ideally, you want to push the date out until a time when you have obtained the loan you need.

For example, instead of requesting a payoff letter as of today, you might ask for a payoff amount that will be good for another month or two.

If the deal closes faster than that, then you may end up slightly overpaying the creditors. However, it is better to have them reimburse you for an overpayment than to be stuck paying out of your own pocket because your loan wasn't big enough.

You need a payoff letter for:

- Any mortgages or outstanding loans that used the property as collateral
- Any judgment issued against the current property owner or the 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

Your goal should be to give the lender a grand total of what will be required to own the property free and clear.

Contents of This Section

Here is your checklist to use as a guideline when you are assembling the information for this section of your binder:

- Title commitment / preliminary title report
- Closing/insurance protection letter (CPL) from escrow agent/company

- Payoff letters for all mortgages, loans, liens, and judgments on the property – if a refinance
- Copy of the quit claim deed if vested ownership needs to be changed with a refinance

This information provides the lender with everything they need to know to be sure that the amount of your loan will cover all outstanding debts and obligations associated with the property.

It also reassures them that they (and you) will have a complete and unrestricted title to the property after the closing.

In the next chapter, we will talk about what to include in the repair estimates and inspections section of the binder.

Repair Estimates and Inspections

The next section is extremely important, particularly if your goal is to buy properties in need of repair, rehabilitate them, and sell them for a profit.

Any lender you approach about doing a rehab is going to want to see a professional inspection of the property. A skilled inspector will make sure to identify any potential problems with the property in question.

A good inspection also provides both you and the lender to get a clear idea of the overall condition of the property. It's very important to make sure that the property is safe and habitable at the time of sale. If it isn't, the loan must address the repairs required to make it safe and habitable.

If you plan to make repairs, it's your job to establish the scope of the work to be completed and a budget. Not only is this important for the lender, but it will help the appraiser you hire to make an accurate after-repair valuation of the property.

With that in mind, let's walk through what you need to include in this section of your binder.

Professional Property Inspection

The first thing you need to include here is a professional property inspection. Getting a property inspected can be nerve-wracking, but it's a necessary step.

The inspection is meant to reveal any and all issues with the property. You should find an inspector with a good reputation, ideally someone that you either have worked with before or who has been recommended by somebody you trust.

You should plan to include a complete copy of the inspection report. A good inspector will cover everything, including:

- The structure of the property, including entry ways, foundation, sidings, and porches
- The exterior of the property, including decks, balconies, eaves, soffits, and fascias.
- Roofing inspection, including drainage and chimneys
- The interior water supply and distribution system
- The electrical system
- Heating and air conditioning systems
- Ventilation (including mold/mildew issues)
- Appliances
- Fireplaces

A good inspector will include all of these things in their report.

Using the inspection report, you should be able to figure out which repairs need to be done before you will be able to resell the property.

Scope of Work and Budget Spreadsheet

Using the inspection report, your next job is to figure out the scope of the work to be done and make a budget spreadsheet to match.

That's the next item to be included, but it needs to be backed up by other information, including the repair estimates. Included in the Appendix is a sample scope of work and budget worksheet (*See Appendix E*).

In other words, you should get the repair estimates first and then make the spreadsheet. The spreadsheet should be an overview of the repairs that need to be completed on the property and of the budget required to complete them.

Repair Estimates from Licensed and Insured Contractors

When you get the inspection report, you must review it thoroughly and make sure to get estimates from licensed general contractors to make the necessary repairs.

Keep in mind that any repairs that are required to make a property safe and habitable must be addressed in the loan. If you choose to make additional improvements to the property, you may do so. However, such voluntary improvements are not necessary.

Abhi's Tip: For example, if you decide that you want to build a second floor onto a home or add an in-ground pool, those are not the kinds of repairs required to make a property safe and habitable. If you wish to make those improvements with the idea that they'll increase your profits, then of course you may do so.

However, any necessary repairs such as fixing faulty wiring or a leaky roof must be included in the loan documentation.

In any situation where you plan to make extensive repairs, it's in your best interest to obtain several quotes from licensed and insured contractors. That way, both you and the lender have a choice in terms of managing your expenses.

All estimates should be in writing and on the general contractor's letterhead. In each case, the estimates should match the scope of the work outlined in the inspection report.

Copy of Contractors' Licenses and Insurance Information

The next item to include is a copy of each contractor's license and their insurance information.

Any honest contractor should be able to provide this information on demand. They should have an up-to-date license and a current insurance policy that covers any liability that they may incur in the course of their work.

You should also confirm the accuracy of the contractor's license with the state where they are licensed. In many cases, you can do that online through the state.

The declaration page of the contractor's general liability policy should be sufficient. Make sure to get both pieces of information, the license and the declarations page, from all contractors whose bids you include in your binder.

Having this information will prove to the lender that you are reliable and thorough, and that the contractors who work on the property are also reliable and thorough.

The purpose of the information in this section is to make sure that the lender has a clear picture of what repairs will be required to complete the deal and how much those repairs will cost.

Contents of This Section

Here is a quick checklist that you can use as a guide as you completed this section of the binder. It should include:

- A professional property inspection
- A scope of work and budget spreadsheet
- Repair estimates from licensed and insured contractors (all estimates should match the scope of work)
- Copies of all bidding contractors' licenses and insurance information
- A construction bid review, if applicable

In the next and final chapter, we will talk about the last section of the binder. This section includes timelines for the deals, numbers, and an exit strategy to finish or terminate the deal.

Timelines, Numbers, and Exit Strategy

This last section of the binder is where you close the deal. It's where you outline how thoroughly you have planned the deal so that the potential lender can see what a benefit your deal will be to them.

The goal of this part of the binder is to give the lender confidence in your plan. It should show them that you are a serious business person who has taken the process of approaching them seriously, too.

With that in mind, let's review what to include in this section.

Timeline

The first thing to include is a detailed timeline for the deal you how to do. It should include your best estimate of dates for all of the following things:

1. The acquisition of the property
2. The rehabilitation of the property
3. The listing of the property, including average times and prices
4. The sale of the property, including comps, prices, and the number of days you expect it to be on the market
5. The time to rent the property (if applicable)

Abhi's Tip: An experienced private money lender will be aware that timelines on a rehabilitation project cannot be carved in stone. Part of the reason you need to provide a timeline is so that they can get a feeling for how realistic you are—and how committed you are to the deal.

Profit Expectations

Next up is an assessment of your profit expectations for the deal. After all, you're not doing the deal to come away from it with less money than you had when you started—and neither is your lender.

Here, it's important to be as realistic as possible. Your goal should be to demonstrate to the lender that the deal is worth doing for the money you are asking them to lend you.

If have done all of your homework in terms of:

- Getting the property appraised and inspected
- Getting multiple quotes from reliable contractors
- Researching comparable properties

You should be able to make a reasonably accurate estimate of what your profits will be.

That said, it's a good idea here to calculate for the unexpected. While a detailed property inspection can reveal a lot, it can't necessarily reveal everything. Your contractor might knock down a wall or rip up a floor and discover a problem that wasn't covered in the original scope of work.

Make your best estimate, and then add a cushion or a reserve as it is commonly referred to (meaning, subtract it from the profit) for the unexpected. That way, you'll be less likely to get an unwelcome surprise and have to go back to your lender with an explanation of why their profits are going to be lower than expected.

Exit Strategy

The next thing to include in this section of the binder is your exit strategy. In other words, you need to explain to your lender how you intend to pay off the loan.

The details of your exit strategy will depend upon the complexity of the deal and how long you think it will take to complete any necessary repairs.

The key here is to make sure that your exit strategy is valid. It should be something you feel comfortable committing to, and that it makes sense when viewed in context with the other contents of the binder.

Of course, if you have partners in your business entity, you should outline their responsibilities and commitments in the exit strategy as well.

Budget

The next thing to include is a complete budget for the deal. You want to give the lender a clear picture of the overall costs of doing the deal. They should be in line with what you are requesting from the lender and everything else that's in the binder.

Here are the cost areas you need to consider:

- Acquisition (the costs associated with acquiring the property, including the purchase price, any other payoffs, and closing and legal costs)
- Holding costs (the costs associated with owning the property, including utilities, property taxes, and any other expenses)
- Financing costs (the costs associated with closing the deal with the lender, including legal costs)
- Rehabilitation costs (the costs associated with rehabilitating the property, including materials, labor, and building permits)
- Selling costs (the costs associated with selling the property, including listing fees, broker's commission, and closing fees)

The goal of this last part of the binder is to present the lender with an overview of every expense associated with doing the deal. It's important not to leave anything out. You want to be thorough.

The idea is that, by the time the lender finished reading this section, they should be completely confident that you have a handle on the deal you're presenting to them. They should know that you have a realistic view of how long it will take to complete the rehabilitation and how much it will cost.

If you can impress them with this section, then the likelihood is strong that you'll be able to sell them on the deal.

Contents of This Section

Here is a checklist that you can use as you complete the information in this section of the binder. Here's what you need to include:

- A complete timeline of the deal, including estimates of when you can complete the purchase, rehabilitation, and sale of the property.
- A spreadsheet calculating the total costs of you doing the deal, and your best estimate of the profits the lender can expect to earn
- A rental analysis if you plan on renting the property after it has been rehabilitated
- Realtor information including a biography and resume
- Any leases or sales agreements that pertain to the property
- A written summary of your exit strategy, including details about how profits are to be paid
- A copy of your business plan, including budget

Abhi's Tip: Including this information gives potential lenders peace of mind by demonstrating that you have a handle on the scope, timeline, and cost of the deal you have presented to them. It also shows that you have a firm grasp of your responsibilities in terms of repaying the loan.

That covers the final section of the binder. In the conclusion, we'll share some parting advice and remind you of the benefits of using the binder approach to obtain private money loans.

Conclusion

Obtaining private money loans to do real estate deals has a lot of advantages for borrowers. You can bypass the stringent lending requirements of banks, and you can even—in some cases—save some money on the deal.

Of course, there are benefits for lenders too, particularly if you follow the guidelines in this book and provide them with a complete binder outlining the details of the deal you're presenting to them.

The bottom line is that, in using this approach, you have a product to sell. The product is, of course, the deal. But, the binder allows you to present it in a way that is compelling. It gives the lender everything they need to make an informed decision about the deal.

You'll have a leg-up on other potential borrowers by using this approach because it demonstrates your seriousness and professionalism.

Let's look at some of the reasons we like the binder approach when working with private lenders.

Multiple Submissions

The first benefit of this approach is that it makes it very easy for you and your investing partners to approach multiple private money lenders with the same deal.

The information that you include in the binder is universal. All private lenders are going to want to see the same things, and your assessment of the deal will be the same no matter who you're presenting it too.

Not only that, but once you have assembled one of these binders, assembling future ones—even for different deals—becomes much easier than before. You have the framework and much of the information is repetitive. You may need to update it, but you won't have to reinvent the wheel.

Of course, the real benefit of making multiple submissions is that it increases your likelihood of success! The first lender you approach may not bite, but the second or third one might.

No Brokers

The next benefit to keep in mind is that approaching private lenders means that you don't have to work through a broker. That means you can save money on commissions and fees.

Most private money lenders prefer to work directly with borrowers. They're accustomed to making their own assessments of both borrowers and deals.

Paying commissions and fees can eat into your profits and the lender's profits. Why not eliminate the middleman and keep the profits for yourself?

Generate Interest

When you submit binders to multiple lenders at the same time, there's always a chance that more than one lender will express interest in the project.

That's the ideal situation for you as a borrower because it enables you to make comparisons and see who's willing to give you the best interest rate and pricing.

The benefits of competition are clear in any situation. It's always better to have choices than it is not to have choices. You have nothing to lose by submitting the binder to several potential lenders at the same time, and everything to gain by doing so.

Get Lender Commitments

Finally, submitting a binder to a potential lender makes it easy for a lender to say yes. Ultimately, you want a lender to issue a letter of interest with their terms. When you have that, you can move forward with the deal.

If you go in with an incomplete package, then the lender's letter is likely to be riddled with variables and caveats. They won't have all the information, and so they can't make you a firm commitment.

By contrast, when you follow the guidelines laid out in this book and provide them with a comprehensive binder, they can issue a letter of interest with very few variables. You'll have provided them with everything they need to assess the deal, and as a result, they'll be far more likely to move forward with confidence.

No Surprises

In the end, the goal of the binder approach is to present any potential private money lender you approach with a comprehensive guide to the deal you're proposing.

Instead of being forced to make their best guess about whether the deal is worthwhile, they'll have a full explanation of everything about the deal, from the current value of the property, to the cost to gain free title, to it to a timeline of when you expect the project to be completed.

There's no way to overestimate the value of those things to a private money lender. If you're expecting someone to put their personal money on the line to help you do a real estate deal, you have to be prepared to jump through some hoops.

Using the binder approach makes it as simple as possible for you to navigate those hoops, impress private money lenders, and ultimately, to get the money you need to do the deals you want to do.

This approach works. You'll have to do a fair amount of legwork to assemble your first binder, but the work is very likely to pay off in terms of how lenders perceive you.

While using binders is certainly helpful for experienced rehabbers, it's also very beneficial if you're just getting into real estate investments. You might not have a long resume of successful real estate deals, but if you put together a binder, you can demonstrate your readiness and commitment.

Real Estate Binder Checklist

1. Executive Summary
   a. Loan Application – *See Sample*
   b. Bios of Principals
   c. Schedule of Real Estate Owned or Projects Completed in the Last 24 months – *See Samples*
   d. Credit reports for principals
2. Entity formation information
   a. Formation document, such as certificate of formation or articles of formation
   b. Entity governing document, such as operating agreement or partnership agreement
   c. Good standing certificate
   d. EIN confirmation letter
3. Assets and Financials
   a. Personal Financial Statement – *See sample*
   b. Business and personal bank statements
   c. 2 year tax returns
   d. Current pay stubs if employed outside of real estate investing
4. Purchase contract

   Fully executed purchase and sale agreement

5. Valuation
    a. CMA / BPO
    b. Print out from County website
    c. comparables
    d. Pictures
    e. Video
6. Insurance bundle
7. Preliminary title commitment
    a. Make sure it includes Schedule B
    b. Payoff letters
8. Repair Estimates
    a. Completed budget work sheet with estimates from contractors/subcontractors – *See sample*
    b. Inspection report
    c. Copy of contractors license and insurance information
9. Project timeline
10. Estimated profitability numbers
11. Statement on exit strategy

Should we be able to be off assistance to you please do not hesitate to reach out to Jason at jason@realestateadvgroup.com or jason@venturelegal.co or Abhi at abhi@realestateadvgroup.com. Real Estate Advisory Group, LLC (www.realestateadvgroup.com) is a consulting company founded by Jason Powell and Abhi Golhar. One service Real Estate Advisory Group can provide is assistance in packaging deals for presentation to private money lenders.

Thank you for reading *PITCH: How To Present Your Real Estate Deal To Private Money Lenders*. We hope you have found the information here to be useful—and that helps you find success in the world of real estate rehabbing and investments.

Glossary of Private Money Terms

We have elected to include a glossary of terms that you may hear frequently when you enter the real estate investing world or when you begin working with private money lenders. When working with private money lenders, it is important to have a solid grasp of the terms that are often used.

Abstract of Title - A summary or digest of all transfers, conveyances, legal proceedings, and any other facts relied on as evidence of title, showing continuity of ownership, together with any other elements of record which may impair title.

Acceleration Clause - A clause in a mortgage or deed of trust that advances the due date of the debt. These are frequently found in private money commercial loans.

Accredited Investor -As applicable, the investor is an "Accredited Investor" which is an investor who meets one of the following tests:

1. A bank, insurance company, registered investment company, business development company, or small business investment company;
2. An employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5,000,000;
3. A charitable organization, corporation, or partnership with assets exceeding $5,000,000;

4. A director, executive officer, or general partner of the company selling the Units;
5. A business in which all the equity owners are accredited investors;
6. A natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1,000,000 at the time of the purchase, excluding the value of the primary residence of such person; For purposes of calculating an investor's net worth above, "net worth" is generally defined as the difference between total assets and total liabilities. For purposes hereof, the value of the investor's primary residence must be excluded from net worth. Indebtedness that is secured by the investor's primary residence, up to the estimated fair market value of the primary residence, shall not be included as a liability (except that if the amount of such indebtedness outstanding exceeds the amount outstanding 60 days prior to being offered a security, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability). Indebtedness secured by the primary residence in excess of the value of the home is considered a liability and must be deducted from the investor's net worth. In the case of fiduciary accounts, the net worth and/or income suitability requirements may be satisfied by the beneficiary of the account or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase.

A natural person with income exceeding $200,000 in each of the two most recent years, or joint income with a spouse exceeding $300,000 for those years, and a reasonable expectation of the same income level in the current year; or

A trust with assets in excess of $5,000,000, not formed to acquire the Units offered, whose purchases a sophisticated person makes.

Acknowledgement — A formal declaration made before an authorized person, e.g., a notary public, by a person who has executed an instrument stating that the execution was his or her free act. In this state an acknowledgment is the statement by an officer such as a notary that the signatory to the instrument is the person represented to be.

Additional Principal Payment – A payment by a borrower of more than the scheduled principal amount due in order to reduce the remaining balance on the loan.

Advances – Payment of funds by a lender, investor, or loan servicer for something that was supposed to have been paid for by the borrower, or for services required to protect the collateral.

Adverse Possession — A method of acquiring title to real property through possession of the property for a statutory period under certain conditions by a person other than the owner of record.

Affiant— One who makes an affidavit or gives evidence.

Affidavit — A statement or declaration reduced to writing sworn to or affirmed before some officer who has authority to administer an oath or affirmation.

Affidavit of Title— A statement, in writing, made under oath by seller or grantor, acknowledged before a Notary Public in which the affiant identifies himself or herself and affiant's marital status certifying that since the examination of title on the contract date there are no judgments, bankruptcies or divorces, no unrecorded deeds, contracts, unpaid repairs or improvements or defects of title known to affiant and that affiant is in possession of the property.

Affirm — To confirm, to aver, to ratify, to verify. To make a declaration.

Agency — The relationship between principal and the principal's agent which arises out of a contract, either expressed or implied, written or oral, wherein the agent is employed by the principal to do certain acts dealing with a third party.

Agent — One who acts for and with authority from another called the principal.

Agreement — An exchange of promises, a mutual understanding or arrangement; a contract.

Agreement of Sale — A written agreement or contract between seller and purchaser in which they reach a "meeting of minds" on the terms and conditions of the sale. The parties concur; are in harmonious opinion.

All Inclusive Deed of Trust - A deed of trust (mortgage) incorporating the balance due under a prior deed of trust.

Amortization – The gradual reduction of a loan balance, generally made in regular payments over a specified period of time. Payments are typically made to cover interest and principal. Many private money loans will typically be interest only because they are for a shorter duration than bank loans.

Amortized Loan — A loan to be repaid, interest and principal, by a series of regular payments that are equal or nearly equal, without any special balloon payment prior to maturity. Also called a Level Payments Loan.

Amortization Schedule –A table showing the breakdown of amortized loan payments into principal and interest portions as well as the remaining loan balance after each payment.

Annual Percentage Rate (APR) – The cost of credit, including points and fees, on a yearly basis, expressed as a percentage.

Application Fee – A fee charged by a hard money lender to submit an application.

Appraisal –A written professional opinion and analysis of the estimated market value of real estate which will be used as collateral for the private money loan.

Appraiser— One qualified by education, training and experience who is hired to estimate the value of real and personal property based on experience, judgment, facts, and use of formal appraisal processes.

Appurtenance - That which belongs to something, but not immemorially; all those rights, privileges, and improvements which belong to and pass with the transfer of the property, but which are not necessarily a part of the actual property. Appurtenances to real property pass with the real property to which they are appurtenant, unless a contrary intention is manifested. Typical appurtenances are rights-of-way, easements, water rights, and any property improvements.

Appurtenant — Belonging to; adjunct; appended or annexed to. For example, the garage is appurtenant to the house, and the common interest in the common elements of a condominium is appurtenant to each apartment. Appurtenant items pass with the land when the property is transferred.

Arrears - An overdue debt caused by a missed payment. Assessor's Parcel Number (APN). Number used by the tax assessor to identify a parcel of land.

Assessed Valuation — A valuation placed upon a piece of property by a public authority as a basis for levying taxes on the property.

Assessment — The valuation of property for the purpose of levying a tax or the amount of the tax levied. Also, payments made to a common interest subdivision homeowners- association for maintenance and reserves.

Assessor — The official who has the responsibility of determining assessed values.

Assignment — A transfer to another of any property in possession or in action, or of any estate or right therein. A transfer by a person of that person's rights under a contract.

Assignment of Rents — A provision in a deed of trust (or mortgage) under which the beneficiary may, upon default by the trustor, take possession of the property, collect income from the property and apply it to the loan balance and the costs incurred by the beneficiary.

Assignor — One who assigns or transfers property.

Assigns, Assignees — Those to whom property or interests therein shall have been transferred.

Assumption Agreement — An undertaking or adoption of a debt or obligation primarily resting upon another person.

Assumption Fee — A lender's charge for changing over and processing new records for a new owner who is assuming an existing loan.

Assumption of Mortgage — The taking of a title to property by a grantee wherein grantee assumes liability for payment of an existing note secured by a mortgage or deed of trust against the property, becoming a co-guarantor for the payment of a mortgage or deed of trust note.

Attorney in Fact - One who is authorized by another to perform certain acts for another under a power of attorney; power of attorney may be limited to a specific act or acts or be general.

Automated Valuation Model (AVM) – A method of evaluating real property using a mathematical formula.

Bad Boy Clause – A common name given to fraud indemnity and guarantee clauses in a loan agreement.

Balloon Loan – A balloon loan is one that calls for a large sum to be paid at the end of the loan term.

Balloon Payment – A lump-sum payment that may be required at the end of some mortgage loans, or at a specified period of time (e.g. 5 years into a loan). A balloon payment due may be for all or some of the loan amount and will generally be specified in the promissory note.

Bankruptcy – A proceeding authorized by federal law which provides debtors with various kinds of relief from their debts.

Bargain and Sale Deed - Any deed that recites a consideration and purports to convey the real estate; a bargain and sale deed with a covenant against the grantor's act is one in which the grantor warrants that grantor has done nothing to harm or cloud the title.

Beneficiary Demand - Document detailing the requirements for a borrower to be released from a debt.

Beneficiary's Statement - Statement of the remaining principal balance and other information about a loan.

Binder Title Policy – An offer to insure title on a property which will be resold in a short period of time (e.g. a few years). Binder policies are typically a small percentage over the original policy price and is substantially less expensive than purchasing a policy when a property is purchased and later resold.

Blended Interest Rate – The combined interest rate for two or more loans of different rates. For example, a $200,000 loan at 6% and a $50,000 junior lien at 8.5% would yield a blended rate of 6.5% ($16,250 of combined annual interest / $250,000 loan balance).

Blended Net Present Values (Blended NPVs) – A tool to evaluate an investment scenario with multiple outcomes. A probability is assigned to each outcome and a weighted average result determined. This is also known as the Probability Weighted Average of the Net Present Values.

Bridge Loan – Short term financing which bridges the gap of other financing and is typically for a term of less than one year. This is sometimes called a swing loan or bridge financing.

Broker Price Opinion (BPO) – A property inspection by a licensed real estate broker which results in a written evaluation of the property and the estimated sale price.

Building Code — A systematic regulation of construction of buildings within a municipality established by ordinance or law.

CC&Rs — Covenants, conditions and restrictions. The basic rules establishing the rights and obligations of owners (and their successors in interest) of real property within a subdivision or other tract of land in relation to other owners within the same subdivision or tract and in relation to an association of owners organized for the purpose of operating and maintaining property commonly owned by the individual owners.

Capital Assets — Assets of a permanent nature used in the production of an income, such as land, buildings, machinery and equipment, etc. Under income tax law, it is usually distinguishable from "inventory" which comprises assets held for sale to customers in ordinary course of the taxpayer's trade or business.

Capital Gain — At resale of a capital item, the amount by which the net sale proceeds exceed the adjusted cost basis (book value). Used for income tax computations. Gains are called short or long term based upon length of holding period after acquisition. Usually taxed at lower rates than ordinary income.

Cash Flow – Cash receipts minus cash payments over a particular time period.

Cash-out Refinance - The refinancing of an existing mortgage, in which the borrower receives cash in excess of what is used to pay off the existing mortgage, closing costs, points and other fees associated with the transaction.

Cap – A cap is a provision of loan agreement (typically, an adjustable rate loan) that limits how much the interest rate may increase or decrease over the life of the loan.

Carryback Loan — The extension of credit from the seller to the buyer to finance the purchase of the property, accepting a deed of trust or mortgage instead of cash. Sometimes called a purchase money loan.

Chain of Title - A history of conveyances and encumbrances affecting the title from the time the original patent was granted, or as far back as records are available, used to determine how title came to be vested in current owner.

Chapter 7 Bankruptcy – A bankruptcy which is a court appointed trustee managed liquidation (as opposed to Chapters 11 and 13 which is the process of reorganization of a debtor in bankruptcy). It is Chapter 7 of the Title 11 of the United States code (Bankruptcy Code) and governs the process of liquidation under the bankruptcy laws of the US.

Chapter 13 Bankruptcy – A reorganization bankruptcy process (as opposed to a chapter 7 which is a liquidation). Chapter 13 of the Title 11, United States Code allows individuals to undergo a financial reorganization and is frequently given three to five years to repay their obligations.

Closing –Is the period that marks that a loan transaction is final.

Closing Costs – Fees paid at closing for loan origination and processing, including attorneys' fees, fees for preparing and filing a mortgage, fees for title search, taxes and insurance.

Closing Statement — An accounting of funds made to the buyer and seller separately. Required by law to be made at the completion of every real estate transaction.

Cloud on Title — A claim, encumbrance or condition which impairs the title to real property until disproved or eliminated as for example through a quitclaim deed or a quiet title legal action.

Collateral – For real estate loans, the collateral is the real property used to secure repayment of a loan.

Collection – A loan goes into collection when payment on a loan is delinquent and efforts are made to collect the amount due. This is also the stage at which the lender files the papers necessary to prepare to proceed with foreclosure. Collection is typically handled by the loan servicer. Hard money lenders will be more aggressive than banks at collecting on loans because their private money investor clients keep a more watchful eye on the loans than do government sponsored agencies and/or banks. In addition, the banks do not want to make "headlines" by foreclosing too quickly.

Combined Loan to Value (CLTV) – The sum of all liens on the property divided by the value of the property. Hard money lenders often use the term LTV synonymously with CLTV. CLTV is typically used when there's more than one lien and LTV when there is only one lien.

Commercial Lender - Commercial lenders offer a variety of mortgage-backed loans for commercial property. Each commercial lender sets economic, demographic, and geographic criteria.

Community Property — Property acquired by husband and/or wife during a marriage when not acquired as the separate property of either spouse. Each spouse has equal rights of management, alienation and testamentary disposition of community property.

Comparable Sales— Sales which have similar characteristics as the subject property and are used for analysis in the appraisal process. Commonly called "comparables", they are recent selling prices of properties similarly situated in a similar market.

Compound Interest — Interest paid on original principal and also on the accrued and unpaid interest which has accumulated as the debt matures.

Condemnation— The act of taking private property for public use by a political subdivision upon payment to owner of just compensation. Declaration that a structure is unfit for use.

Condition — In contracts, a future and uncertain event which must happen to create an obligation or which extinguishes an existent obligation. In conveyances of real property conditions in the conveyance may cause an interest to be vested or defeated.

Condition Precedent— A qualification of a contract or transfer of property, providing that unless and until a given event occurs, the full effect of a contract or transfer will not take place.

Condition Subsequent — A condition attached to an already-vested estate or to a contract whereby the estate is defeated or the contract extinguished through the failure or non-performance of the condition.

Conditional Commitment— A commitment of a definite loan amount for some future unknown purchaser of satisfactory credit standing.

Conditional Personal Guarantee – A guarantee by a borrower to a lender for the entire outstanding loan amount plus legal fees, accrued interest, and costs associated with collecting the loan. The guarantee entitles the lender to look to the borrower's personal assets to recover any unrealized balance due in which foreclosure and resale of the asset does not satisfy the debt but only if a specific "trigger" event occurs.

Conditional Sales Contract - A contract for the sale of property stating that delivery is to be made to the buyer, title to remain vested in the seller until the conditions of the contract have been fulfilled. (See definition of Security Interest.)

Consideration - Anything given or promised by a party to induce another to enter into a contract, e.g., personal services or even love and affection. It may be a benefit conferred upon one party or a detriment suffered by the other.

Construction Eviction — Breach of a covenant of warranty or quiet enjoyment, e.g., the inability of a lessee to obtain possession because of a paramount defect in title or a condition making occupancy hazardous.

Constructive Fraud — A breach of duty, as by a person in a fiduciary capacity, without an actual fraudulent intent, which gains an advantage to the person at fault by misleading another to the other's prejudice. Any act of omission declared by law to be fraudulent, without respect to actual fraud.

Constructive Notice — Notice of the condition of title to real property given by the official records of a government entity which does not require actual knowledge of the information.

Contract — An agreement to do or not to do a certain thing. It must have four essential elements, parties capable of contracting, consent of the parties, a lawful object, and consideration. A contract for sale of real property must also be in writing and signed by the party or parties to be charged with performance.

Contract, Bilateral — A contract in which each party promises to do something.

Contract, Executed - A contract in which both parties have completely performed their contractual obligations.

Contract, Executory — A contract in which one or both parties have not yet completed performance of their obligations.

Contract, Express — A contract that has been put into words, either spoken or written.

Contract, Implied — An agreement that has not been put into words, but is implied by the actions of the parties.

Contract, Unilateral — When one party promises to do something if the other party performs a certain act, but the other party does not promise to perform it; the contract is formed only if the other party does perform the requested act.

Conveyance - An instrument in writing used to transfer (convey) title to property from one person to another, such as a deed or a trust deed.

Co-signer/Co-Borrower – Another person who signs the loan and assumes responsibility for the payments and the liability.

Cotenancy — Ownership of an interest in a particular parcel of land by more than one person; e.g. tenancy in common, joint tenancy.

Counter Offer — A response to an offer to enter into a contract, changing some of the terms of the terms of the original offer. A counter offer is a rejection of the offer (not a form of acceptance), and does not create a binding contract unless accepted by the original offeror.

Covenant — An agreement or promise to do or not do a particular act, such as a promise to build a house of a particular architectural style or to not use property in a certain way.

Credit Bureau – An organization that gathers, records, updates, and stores financial and public records information about the payment records of individuals who are being considered for credit. Hard money loans usually involve a credit report from a bureau, but generally do not rely on it as much as banks do. Private money lenders are typically more interested in the nature of the loan, the amount of equity in the collateral than a credit score.

Credit Report – Information collected by credit bureaus about an individual's credit history, including a list of credit accounts, their balances, and monthly payments along with collection accounts and public record information such as liens and bankruptcies.

Credit Score – A number, based on information in your credit report that is used by most lenders to decide whether to extend credit and at what cost. The most common score used is called a FICO score.

Creditor – A person or business from whom you borrow or to whom you owe money.

Debt Consolidation – Refinancing one or more existing debts into a new loan. In the mortgage-lending context, relatively short-term, unsecured debt is often rolled into a long-term mortgage loan.

Debt-to-income Ratio – The amount of money you have to pay out each month as a percent of your gross income. For example, $2,500 of debt service / $5,000 of gross income = 50% DTI (debt-to-income) ratio.

Deed — Written instrument which when properly executed and delivered conveys title to real property from one person (grantor) to another (grantee).

Deed in Lieu of Foreclosure — A deed to real property accepted by a lender from a defaulting borrower to avoid the necessity of foreclosure proceedings by the lender.

Deed of Trust - A Deed of Trust is used to convey the "dormant title" to land to another person or company as a "trustee", in order to secure debts or other obligations. The trustee is given the power of sale of the land encumbered in the event of a default by the borrower.

Default – Default on a loan is when a borrower fails to comply with any of the terms of an agreed-upon loan, including timely repayment.

Default Interest Rate – An increased interest rate imposed if there is a breach of the loan terms.

Depreciation – Loss of value in real property brought about by age, physical deterioration, or functional/economical obsolescence.

Disclosures – Information that must be given to borrowers to make them aware of acts and laws that affect their financial dealings.

Discount Rate – The opportunity cost of money. This rate is frequently used in a net present value analysis.

Documentary Transfer Tax — A state enabling act allows a county to adopt a documentary transfer tax to apply on all transfers of real property located in the county. Notice of payment is entered on face of the deed or on a separate paper filed with the deed.

Dormant Title - Under a deed of trust, a trustee is given title without ownership of the property. The trustee has "dormant title" because it can sell the property if the borrower defaults on the loan but the trustee cannot use the property and does not own it.

Down Payment - Cash paid up front to the seller.

Draw - Usually applies to construction loans when disbursement of a portion of the mortgage is made in advance, as improvements to the property are made.

Due-on-Sale Clause - Provision in a security instrument calling for automatic maturity in the event of sale or transfer of title by borrower.

Earnest Money Deposit - Cash paid up front to the seller to show the potential buyer has a definite interest in the property. This is normally paid to an impartial third party (escrow company) to hold until the transaction is completed or the deposit is forfeited.

Equity – The difference between the fair market value (appraised value) of real property and any outstanding loans, liens and encumbrances. Hard money lenders require substantially more equity than banks on their loans because their private money investors are not insured by the government and therefore require more protection.

Easement - Is a non-possessory right to use and/or enter onto the real property of another without possessing it. It is "best typified in the right of way which one landowner, "A", may enjoy over the land of another, "B".

Encroachment — An unlawful intrusion onto another's adjacent property by improvements to real property, e.g. a swimming pool built across a property line.

Encumbrance — Anything which affects or limits the fee simple title to or value of property, e.g., mortgages or easements.

Eminent Domain — The right of the government to acquire property for necessary public or quasi-public use by condition; the owner must be fairly compensated and the right of the private citizen to get paid is spelled out in the 5th Amendment to the United States Constitution.

Encroachment — An unlawful intrusion onto another's adjacent property by improvements to real property, e.g. a swimming pool built across a property line.

Encumbrance — Anything which affects or limits the fee simple title to or value of property, e.g., mortgages or easements.

Equity Participation — A mortgage transaction in which the lender, in addition to receiving a fixed rate of interest on the loan acquires an interest in the borrower's real property, and shares in the profits derived from the real property.

Escrow – Escrow is a separate account where money and/or documents are held by a third party until agreed upon terms and conditions are met. Escrows serve as a neutral third party upon which lenders, borrowers, investors and loan originators may rely.

Escrow Agent - The neutral third party holding funds or something of value in trust for another or others.

Escrow Company – Oversees the execution of real estate transactions to include closing documents, disbursement of funds, and the recording of documents at the county offices. Also know as a Settlement Services Company.

Estate — As applied to real estate, the term signifies the quantity of interest, share, right, equity, of which riches or fortune may consist in real property. The degree, quantity, nature and extent of interest which a person has in real property.

Estate of Inheritance — An estate which may descend to heirs. All freehold estates are estates of inheritance, except estates for life.

Estate for Life — A possessory, freehold estate in land held by a person only for the duration of his or her life or the life or lives of another.

Estate from Period to Period— An interest in land where there is no definite termination date but the rental period is fixed at a certain sum per week, month, or year. Also called a periodic tenancy.

Estate at Sufferance — An estate arising when the tenant wrongfully holds over after the expiration of the term. The landlord has the choice of evicting the tenant as a trespasser or accepting such tenant for a similar term and under the conditions of the tenant's previous holding. Also called a tenancy at sufferance.

Estoppel Certificate – A form used in real estate to verify facts on a property regarding rents, leases, mortgage balances, monthly payments, etc.

Equal Credit Opportunity Act (ECOA) – A federal law that prohibits lenders from discrimination on the basis of race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs or the exercise of certain consumer rights.

Equity - The value of the property over and above the financial obligations against it. For example, if a property is worth $100,000 and loans against it total $65,000, there is $35,000 of equity.

Estoppel - A legal theory under which a person is barred from asserting or denying a fact because of the person's previous acts or words.

Eviction — Dispossession by process of law. The act of depriving a person of the possession of lands in pursuance of the judgment of a court.

Exceptions — Matters affecting title to a particular parcel of real property which are included from coverage of a title insurance policy.

Exchange — A means of trading equities in two or more real properties, treated as a single transaction through a single escrow.

Exclusion — General matters affecting title to real property excluded from coverage of a title insurance policy.

Exclusive Agency Listing — A listing agreement employing a broker as the sole agent for the seller of real property under the terms of which the broker is entitled to a commission if the property is sold through any other broker, but not if a sale is negotiated by the owner without the services of an agent.

Exclusive Right to Sell Listing — A listing agreement employing a broker to act as agent for the seller of real property under the terms of which the broker is entitled to a commission if the property is sold during the duration of the listing through another broker or by the owner without the services of an agent.

Execute — To complete, to make, to perform, to do, to follow out; to execute a deed, to make a deed, including especially signing, sealing and delivery; to execute a contract is to perform the contract, to follow out to the end, to complete.

Executor / Executrix — A man named in a will to carry out its provisions as to the disposition of the estate of a deceased person is known as the executor, while a woman is an executrix.

Executory Contract — A contract in which something remains to be done by one or both of the parties.

Fair Credit Reporting Act – A federal consumer protection law that regulates the disclosure of consumer credit reports and establishes procedures for correcting any errors that may appear on a credit report.

Fair Market Value – The value of a property, which is typically based on comparable sales of similar properties within the last six months. Often times, hard money lenders will drive the comps themselves, or, they may even have their private money lender in the real estate loan drive the comps to personally determine value on a privately funded loan.

Fee — An estate of inheritance in real property.

Fee Simple — The maximum possible estate in land in which the owner holds unconditional power of disposition; an estate freely transferable and inheritable.

Fee Simple Defeasible — An estate in fee subject to the occurrence of a condition subsequent whereby the estate may be terminated.

Fee Simple Estate — The greatest interest that one can have in real property. An estate that is unqualified, of indefinite duration, freely transferable and inheritable.

FICO Score – A credit score developed by Fair Isaac & Co. that determines the likelihood that credit users will pay their bills. Scoring is widely accepted by lenders as a reliable means of credit evaluation. It is not used by hard money lenders as much as it is used by banks.

Finance Charge – Similar to an interest rate. It's the amount charged to borrow funds. This term is generally used in the context of consumer credit such as credit cards and revolving lines of credit.

First Mortgage - The primary mortgage on a property that has priority over all other voluntary liens.

Fixed-Rate Loan – A fixed-rate loan is one in which the interest rate or scheduled principal and interest payment amount does not change during the course of the loan.

Fixtures - Appurtenances attached to the land or improvements, which usually cannot be removed without agreement as they become real property. Examples, plumbing fixtures, store fixtures built into the property, etc.

Forced Place Insurance – Insurance placed on a property by the private money investor (lien holder) in the event that a borrower allows coverage to lapse. The cost is advanced by the investor and added to the balance of the lien.

Foreclosure – The legal process by which an owner's right to real property is terminated; typically due to a default. Each state has their own foreclosure process. In states where deeds of trust are used in place of mortgages, the foreclosure begins when the lender records the Notice of Default. In mortgage states, the lender must file a lawsuit with the court. Hard money lenders generally foreclose faster than banks because their private money investors want to put their funds to additional use.

Foreclosure Fees – Costs incurred by a lender to foreclose on a property. These costs are typically added to the balance of the loan.

Forfeiture — Loss of money or anything of value, due to failure to perform.

Fractionalized Loan – A single loan funded by two or more different investors. Private money loans are often fractionalized to reduce the amount of funds required by any one investor.

Freehold Estate — An estate of indeterminable duration, e.g., fee simple or life estate.

Full Recourse Loan – A loan in which the lender is entitled to pursue the borrower's other assets owned if the debt is not fully satisfied by the collateral.

General Lien— A lien on all the property of a debtor.

Gift Deed — A deed for which there is no consideration.

Good Faith Estimate - An estimate of settlement costs that the applicant may incur at loan closing.

Grant — A technical legal term in a deed of conveyance bestowing an interest in real property on another. The words "convey" and "transfer" have the same effect.

Grant Deed — A limited warranty deed using the word "grant" or like words that assures a grantee that the grantor has not already conveyed the land to another and that the estate is free from encumbrances placed by the grantor.

Grantee — A person to whom a grant is made.

Grantor — A person who transfers his or her interest in property to another by grant.

Gross Monthly Income - The borrower's total earnings per month before expenses and income taxes are deducted but after business expenses are deducted.

Gross Margin – Gross revenue less direct costs. Real estate example: Property sales price less costs of acquisition, holding time and disposal.

Hard Money Lender – A lender which makes hard money loans. Funds are typically from the lender's personal account, or capital raised by the hard money lender.

Hazard Insurance - Insurance coverage that insures against damage to a property from fire, wind, or other hazards. This is separate from flood insurance.

Holder in Due Course — One who has taken a note, check or bill of exchange in due course: (i) before it was overdue; (ii) in good faith and for value; and (iii) without knowledge that it has been previously dishonored and without notice of any defect at the time it was negotiated to him or her.

Holdover Tenant — Tenant who remains in possession of leased property after the expiration of the lease term.

Home Equity Line of Credit - A mortgage loan, generally in a subordinate position, which allows the borrower to draw funds in different increments from the loan as needed.

Homestead (exemption) — A statutory protection of real property used as a home from the claims of certain creditors and judgments up to a specified amount.

Hypothecate - To pledge a thing as security without the necessity of giving up possession of it.

Impounds - A trust type account established by lenders for the accumulation of borrower's funds to meet periodic payment of taxes, FHA mortgage insurance premiums, and/or future insurance policy premiums, required to protect their security. Impounds are usually collected with the note payment. The combined principal, interest, taxes and insurance payment is commonly termed a PITI payment.

Independent Contractor - A person who acts for another but who sells final results and whose methods of achieving those results are not subject to the control of another.

Index – A published rate that serves as a base to adjust the rate of a loan per the terms in the loan agreement. A loan may, for example, adjust to 3 percentage points over the prime rate index at the beginning of each month.

Installment Note — A note which provides for a series of periodic payments of principal and interest, until amount borrowed is paid in full. This periodic reduction of principal amortizes the loan.

Installment sales contract — Commonly called contract of sale or "land contract." Purchase of real estate wherein the purchase price is paid in installments over a long period of time, title is retained by seller, and upon default by buyer (vendee)the payments may be forfeited.

Institutional lender — A financial intermediary or depository, such as a savings and loan association, commercial bank, or life insurance company, which pools money of its depositors and then invests funds in various ways, including trust deed and mortgage loans.

Instrument — A written legal document; created to affect the rights of the parties, giving formal expression to a legal act or agreement for the purpose of creating, modifying or terminating a right. Real estate lenders' basic instruments are — promissory notes, deeds of trust, mortgages, installment sales contracts, leases, assignments.

Interest Rate – The percentage rate that lenders charge for use of their money.

Interest Only Loan - A mortgage that requires only the accrued interest (and no principal) to be paid for a specified term of the loan.

Internal Rate of Return (IRR) – The rate of return on an investment that considers positive and negative cash flows over a specific period of time.

Joint Note — A note signed by two or more persons who have equal liability for payment.

Joint Tenancy — Undivided ownership of a property interest by two or more persons each of whom has a right to an equal share in the interest and a right of survivorship, i.e., the right to share equally with other surviving joint tenants in the interest of a deceased joint tenant.

Joint Venture — Two or more individuals or firms joining together on a single project as partners.

Judgment — The final determination of a court of competent jurisdiction of a matter presented to it; money judgments provide for the payment of claims presented to the court, or are awarded as damages, etc.

Judgment Lien — A legal claim on all of the property of a judgment debtor which enables the judgment creditor to have the property sold for payment of the amount of the judgment.

Junior Mortgage / Junior Lien — A mortgage recorded subsequently to another mortgage on the same property or made subordinate by agreement to a later-recorded mortgage.

Jurisdiction — The authority by which judicial officers take cognizance of and decide causes; the power to hear and determine a cause; the right and power which a judicial officer has to enter upon the inquiry.

Land Contract — A contract used in a sale of real property whereby the seller retains title to the property until all or a prescribed part of the purchase price has been paid. Also commonly called a conditional sales contract, installment sales contract or real property sales contract.

Landlord — One who rents his or her property to another. The lessor under a lease.

Late Charge / Late Fee — A charge assessed by a lender against a borrower failing to make loan installment payments when due

Lease — A contract between owner and tenant, setting forth conditions upon which tenant may occupy and use the property and the term of the occupancy. Sometimes used as an alternative to purchasing property outright, as a method of financing right to occupy and use real property.

Leasehold Estate — A tenant's right to occupy real estate during the term of the lease. This is a personal property interest.

Legal Description — A land description recognized by law; a description by which property can be definitely located by reference to government surveys or approved recorded maps.

Lessee — One who contracts to rent, occupy, and use property under a lease agreement; a tenant.

Lessor — An owner who enters into a lease agreement with a tenant; a landlord.

Lender – A private, public or institutional entity which makes funds available to others to borrower. Finding a hard money lender is challenging which is why this guide was created. Browse through the articles to learn more about finding hard money lenders, and select the lender directory to find private money or hard money lenders to fund your transactions, or who can coordinate an investment in a private money loan.

Letter of Intent - A non-binding agreement between parties involved in a contract to move forward with negotiations or complete a project.

Leverage — The use of debt financing of an investment to maximize the return per dollar of equity invested.

Levy — To impose a tax.

Lien – A legal claim on real property generally for the payment of a debt or obligation.

Life estate — An estate or interest in real property, which is held for the duration of the life of some certain person. It may be limited by the life of the person holding it or by the life of some other person.

Limited Personal Guarantee – A guarantee by a borrower to a lender for the entire outstanding loan amount plus legal fees, accrued interest, and costs associated with collecting the loan. The guarantee entitles the lender to look to the borrower's personal assets to recover any unrealized balance due in which foreclosure and resale of the asset does not satisfy the debt but sets a dollar or some other limit on the amount of liability. Many limited personal guarantees contain conversion clauses that state if fraud is involved in the transaction the guarantee converts to an unlimited personal guarantee.

Liquidity – The measure of an individual or entity to convert assets to cash without significant loss or time delay.

Lis Pendens — A notice filed or recorded for the purpose of warning all persons that the title or right to the possession of certain real property is in litigation; literally "suit pending;" usually recorded so as to give constructive notice of pending litigation.

Listing — An employment contract between principal and agent authorizing the agent to perform services for the principal involving the latter's property; listing contracts are entered into for the purpose of securing persons to buy, lease, or rent property. Employment of an agent by a prospective purchaser or lessee to locate property for purchase or lease may be considered a listing.

Loan Application — The loan application is a source of information on which the lender bases a decision to make the loan; defines the terms of the loan contract, gives the name of the borrower, place of employment, salary, bank accounts, and credit references, and describes the real estate that is to be mortgaged. It also stipulates the amount of loan being applied for and repayment terms.

Loan Closing — When all conditions have been met, the loan officer authorizes the recording of the trust deed or mortgage. The disbursal procedure of funds is similar to the closing of a real estate sales escrow. The borrower can expect to receive less than the amount of the loan, as title, recording, service, and other fees may be withheld, or can expect to deposit the cost of these items into the loan escrow. This process is sometimes called "funding" the loan.

Loan Commitment — Lender's contractual commitment to make a loan based on the appraisal and underwriting.

Loan-to-Value Ratio – The amount of outstanding debt on real property divided by the fair market property value. For example, if the ratio is 80% this means that a lender may loan 80% of the property's appraised value to a borrower.

MAI — Member of the Appraisal Institute. Designates a person who is a member of the American Institute of Real Estate Appraisers.

Market Price— The price paid regardless of pressures, motives or intelligence.

Market Value — The highest price in terms of money which a property will bring in a competitive and open market and under all conditions required for a fair sale, i.e., the buyer and seller acting prudently, knowledgeably and neither affected by undue pressures.

Marketable Title — Title which a reasonable purchaser, informed as to the facts and their legal importance and acting with reasonable care, would be willing and ought to accept.

Material Fact — A fact is material if it is one which the agent should realize would be likely to affect the judgment of the principal in giving his or her consent to the agent to enter into the particular transaction on the specified terms.

Maturity Date — The date by which a loan is to be paid in full.

Mechanic's lien— A lien created by statute which exists against real property in favor of persons who have performed work or furnished materials for the improvement of the real property.

Mediation Clause — A clause in a contract requiring mediation in the event of a dispute.

Mortgage – Security instrument in which real property is pledged by the borrower to the lender as security for the repayment of a loan.

Mortgage loan disclosure statement — The statement on a form approved by the Real Estate Commissioner which is required by law to be furnished by a mortgage loan broker to the prospective borrower of loans of a statutorily-prescribed amount before the borrower becomes obligated to complete the loan.

Mortgagee — One to whom a mortgagor gives a mortgage to secure a loan or performance of an obligation; a lender or creditor. (See definition of secured party.)

Mortgagor — One who gives a mortgage on his or her property to secure a loan or assure performance of an obligation; a borrower.

Multiple Listing— A listing, usually an exclusive right to sell, taken by a member of an organization composed of real estate brokers, with the provisions that all members will have the opportunity to find an interested buyer; a cooperative listing insuring owner property will receive a wider market exposure.

Multiple listing service (MLS) — An association of real estate agents providing for a pooling of listings and the sharing of commissions on a specified basis.

Narrative Appraisal — A summary of all factual materials, techniques and appraisal methods used by the appraiser in setting forth his or her value conclusion.

Negative Amortization — Occurs when monthly installment payments are insufficient to pay the interest accruing on the principal balance, so that the unpaid interest must be added to the principal due.

Net Income — The money remaining after expenses are deducted from income; the profit.

Net lease — A lease requiring a lessee to pay charges against the property such as taxes, insurance and maintenance costs in addition to rental payments.

Net Present Value (NPV) – The value of a cash flow stream in today's dollars. Calculated by applying a discount rate to a cash flow stream. Components of the calculation are the amount of the cash flow stream, the timing of the stream, and the opportunity cost. More details on how to perform this calculation may be found in the article we have posted on the subject.

Net Operating Income – The result of gross operating income less operating costs. Net operating income does not include deductions for income taxes and interest.

Non-Recourse Loan – A loan in which the lender is not entitled to pursue the borrower's other assets owned if the debt is not fully satisfied by the collateral in the event of foreclosure and resale of the property.

Nonconforming use — A property use that doesn't conform to current zoning requirements, but is allowed because the property was being used in that way before the present zoning ordinance was enacted.

Notary public — An appointed officer with authority to take the acknowledgment of persons executing documents, sign the certificate, and affix official seal.

Note – An abbreviation for "promissory note". It discloses the interest rate and terms of your loan.

Note Rate - The interest rate shown on the promissory note. It includes only the interest and does not include any other fees of the loan as the APR (Annual Percentage Rate) would.

Novation — The substitution or exchange of a new obligation or contract for an old one by the mutual agreement of the parties.

Null and void— Of no legal validity or effect.

Offer to purchase — The proposal made to an owner of property by a potential buyer to purchase the property under stated terms.

Open end mortgage - A mortgage containing a clause which permits the mortgagor to borrow additional money after the loan has been reduced without rewriting the mortgage.

Open listing — An authorization given by a property owner to a real estate agent wherein said agent is given the non exclusive right to secure a purchaser; open listings may be given to any number of agents without liability to compensate any except the one who first secures a buyer ready, willing and able to meet the terms of the listing, or secures the acceptance by the seller of a satisfactory offer.

Opinion of Title— An attorney's written evaluation of the condition of the title to a parcel of land after examination of the abstract of title.

Option — A right given for a consideration to purchase or lease a property upon specified terms within a specified time, without obligating the party who receives the right to exercise the right.

Oral Contract — A verbal agreement; one which is not reduced to writing.

Origination Fee - Compensation paid to a lender to originate and close a loan. Sometimes expressed in the form of points, in which case 1 point is equal to 1%.

Participation — Sharing of an interest in a property by a lender. In addition to base interest on mortgage loans on income properties, a percentage of gross income is required, sometimes predicated on certain conditions being fulfilled, such as a minimum occupancy or percentage of net income after expenses, debt service and taxes. Also called equity participation or revenue sharing.

Partition— A division of real or personal property or the proceeds therefrom among co-owners.

Partition action —Court proceedings by which co-owners seek to sever their joint ownership.

Payoff – The act of paying off a loan by paying the outstanding principal amount and any additional interest and/or costs due to completely satisfy the loan obligation.

Payoff Statement – A statement which provides information on the amount of money required to pay off a loan.

Personal Guarantee – A guarantee by a borrower to a lender for the entire outstanding loan amount plus legal fees, accrued interest, and costs associated with collecting the loan. This type of guarantee entitles the lender to look to the borrower's personal assets to recover any unrealized balance due in which foreclosure and resale of the asset does not satisfy the debt.

PITI – An acronym for Principal + Interest + Taxes + Insurance. PITI is often used to calculate the front end debt ratio for a borrower.

Points – Points are finance charges paid at closing. Each point equals 1% of the loan amount. Some lenders charge a flat fee, rather than points. For example, 1 point on a $100,000 loan is the equivalent to $1,000.

Power of sale — The power of a mortgagee or trustee when the instrument so provides to sell the secured property without judicial proceedings if a borrower defaults in payment of the promissory note or otherwise breaches the terms of the mortgage or deed of trust.

Pre-Approval - A loosely used term which is generally taken to mean that a borrower has completed a loan application and provided debt, income, and savings documentation which an underwriter has reviewed and approved. This process is independent of, and previous to, the same underwriting review of a property.

Prepayment Penalty – A lender may impose a prepayment penalty if a loan is paid off before it is due. This is usually because the lender incurs costs when making a loan and will build these costs into the borrower's payments over the life of the loan. When a borrower pays the loan off early, the lender tries to recoup some of its costs through a prepayment penalty. Hard money loans frequently incorporate this penalty because the private money lender wants a commitment from the lender and borrower that the funds provided will be used over a specified period of time.

Principal — This term is used to mean the employer of an agent; or the amount of money borrowed, or the amount of the loan. Also, one of the main parties in a real estate transaction, such as a buyer, borrower, seller, lessor.

Principal Balance – The outstanding balance of principal on a loan which does not include interest or other charges.

Prior Lien — A lien which is senior or superior to others.

Priority of Lien — The order in which liens are given legal precedence or preference.

Private money lender – A highly specialized entrepreneur in the business of originating real estate loans that require non-traditional sources of funding. To find a hard money lender, view our directory of lenders.

Prohibited Transactions – The term is frequently used in connection with a transaction which is not allowed by the Internal Revenue Service (IRS) in conjunction with a retirement account. Conducting a prohibited transaction could lead to the retirement plan being disqualified. More details may be discovered within our article on the subject.

Promissory Note – The document which obligates a borrower to pay a debt at agreed upon terms. More information may be found about private money promissory notes in our article.

Property — Everything capable of being owned and acquired lawfully. The rights of ownership. The right to use, possess, enjoy, and dispose of a thing in every legal way and to exclude everyone else from interfering with these rights. Property is classified into two groups, personal property and real property.

Property Management — A branch of the real estate business involving the marketing, operation, maintenance and day-to-day financing of rental properties.

Pro rata — In proportion; according to a certain percentage or proportion of a whole.

Proration — Adjustments of interest, taxes, and insurance, etc., on a pro rata basis as of the closing or agreed upon date. Fire insurance is normally paid for three years in advance. If a property is sold during this time, the seller wants a refund on that portion of the advance payment that has not been used at the time the title to the property is transferred. For example, if the property is sold two years later, seller will want to receive 1/3 of the advance premium that was paid. Usually done in escrow by escrow holder at time of closing the transaction.

Proration of taxes — To divide or prorate the taxes equally or proportionately to time of use, usually between seller and buyer.

Purchase and installment saleback— Involves purchase of the property upon completion of construction and immediate saleback on a long-term installment contract.

Purchase of land, leaseback and leasehold mortgages — An arrangement whereby land is purchased by the lender and leased back to the developer with a mortgage negotiated on the resulting leasehold of the income property constructed. The lender receives an annual ground rent, plus a percentage of income from the property.

Purchase and leaseback — Involves the purchase of property by buyer and immediate leaseback to seller.

Purchase money mortgage or trust deed — A trust deed or mortgage given as part or all of the purchase consideration for real property. In some states the purchase money mortgage or trust deed loan can be made by a seller who extends credit to the buyer of property or by a third party lender (typically a financial institution) that makes a loan to the buyer of real property for a portion of the purchase price to be paid for the property. In many states there are legal limitations upon mortgagees and trust deed beneficiaries collecting deficiency judgments against the purchase money borrower after the collateral hypothecated under such security instruments has been sold through the foreclosure process. Generally no deficiency judgment is allowed if the collateral property under the mortgage or trust deed is residential property of four units or less with the debtor occupying the property as a place of residence.

Quiet Enjoyment — Right of an owner or tenant to the use of the property without interference of possession.

Quiet Title — A court action brought to establish title; to remove a cloud on the title.

Quitclaim Deed — A deed to relinquish any interest in property which the grantor may have, without any warranty of title or interest.

Real Estate Owned (REO) - Property acquired by a lender, through foreclosure, which is held as inventory.

Real Estate Settlement Procedures Act (RESPA) - RESPA requires lenders and brokers to provide borrowers with information on settlement costs and mortgage servicing transfers at the time of application.

Real Estate Syndicate— An organization of investors usually in the form of a limited partnership or limited liability company who have joined together for the purpose of pooling capital for the acquisition of real property interests.

Real Estate Trust— A special arrangement under Federal and State law whereby investors may pool funds for investments in real estate and mortgages and yet escape corporation taxes, profits being passed to individual investors who are taxed.

Real Property — Land and anything growing on, attached to, or erected on it, excluding anything that may be severed without injury to the land.

Real Property Sales Contract — An agreement to convey title to real property upon satisfaction of specified conditions which does not require conveyance within one year of formation of the contract.

Reconveyance — The transfer of the title of land from one person to the immediate preceding owner. This instrument of transfer is commonly used to transfer the legal title from the trustee to the trustor (borrower) after a trust deed debt has been paid in full.

Recording — The process of placing a document on file with a designated public official for public notice. This public official is usually a county officer known as the County Recorder who designates the fact that a document has been presented for recording by placing a recording stamp upon it indicating the time of day and the date when it was officially placed on file. Documents filed with the Recorder are considered to be placed on open notice to the general public of that county. Claims against property usually are given a priority on the basis of the time and the date they are recorded with the most preferred claim going to the earliest one recorded and the next claim going to the next earliest one recorded, and soon. This type of notice is called "constructive notice" or "legal notice".

Redeem — To buy back; repurchase; recover.

Redemption — Buying back one's property after a judicial sale.

Rescission - The cancellation of a transaction, stipulated by state and federal law that allows refinancing borrowers to cancel the loan. The general rescission period is three days (not including Sunday or federal holidays) from the signing date. This only applies to owner occupied refinances.

Referral Fee – A fee paid by one hard money lender to another for referred business. Referral fees are common for commercial loan transactions between hard money lenders, brokers and investors.

Refinance – The paying-off of an existing obligation and assuming a new obligation in its place. To finance a new, or extend or renew existing financing.

Reformation — An action to correct a mistake in a deed or other document.

Rehabilitation — The restoration of a property to satisfactory condition without drastically changing the plan, form or style of architecture.

REIT — A Real Estate Investment Trust is a business trust which deals principally with interest in land— generally organized to conform to the Internal Revenue Code.

Release Clause — A stipulation that upon the payment of a specific sum of money to the holder of a trust deed or mortgage, the lien of the instrument as to a specifically described lot or area shall be removed from the blanket lien on the whole area involved.

Release Deed — An instrument executed by the mortgagee or the trustee reconveying to the mortgagor or trustor the real estate which secured the loan after the debt has been paid in full.

Remainder — An estate which takes effect after the termination of the prior estate, such as a life estate. A future possessory interest in real estate.

Reinstatement Statement – A statement for borrowers in default on their loan which provides information on the amount of money needed to reinstate the loan to a performing status including past due payments, late fees, and any other costs.

Right of Redemption - A borrower's right to reacquire property lost due to a foreclosure. Governed by state law.

Relief of Stay – Court granted relief from the automatic stay of collection actions against a debtor in a bankruptcy filing. This allows a creditor to proceed with collection and/or foreclosure actions.

Renewal Fee – A fee paid by a borrower to renew an existing loan for an additional term.

Rescission – A rescission period is required by federal law for certain qualified loans (usually owner-occupied homes) to allow a property owner to cancel a loan transaction. This period is within 3 business days after the latest of the following events: opening date of the borrower's account, date borrower received HELOC disclosures, or date borrower receives notice of their right to cancel.

Rescission of Contract — The abrogation or annulling of contract; the revocation or repealing of contract by mutual consent by parties to the contract, or for cause by either party to the contract.

Return— Profit from an investment; the yield.

Reversion — The right to future possession or enjoyment by a person, or the person's heirs, creating the preceding estate. (For example, at the end of a lease.)

Reversionary Interest — The interest which a person has in lands or other property, upon the termination of the preceding estate. A future interest.

Right of Survivorship— The right of a surviving tenant or tenants to succeed to the entire interest of the deceased tenant; the distinguishing feature of a joint tenancy.

Right of Way — A privilege operating as an easement upon land, whereby the owner does by grant, or by agreement, give to another the right to pass over owner's land, to construct a roadway, or use as a roadway, a specific part of the land; or the right to construct through and over the land, telephone, telegraph, or electric power lines; or the right to place underground water mains, gas mains, or sewer mains.

Sale and leaseback - A financial arrangement where at the time of sale the seller retains occupancy by concurrently agreeing to lease the property from the purchaser. The seller receives cash while the buyer is assured a tenant and a fixed return on buyer's investment.

Sale-leaseback-buy-back — A sale and leaseback transaction in which the leaseholder has the option to buy back the original property after a specified period of time.

Satisfaction - Discharge of a mortgage or trust deed from the records upon payment of the debt.

Second Mortgage – Second priority (or second position) lien against a property. Also referred to as a junior lien.

Secondary Financing — A loan secured by a second mortgage or trust deed on real property. These can be third, fourth, fifth, sixth mortgages or trust deeds, on and on ad infinitum.

Secondary Market — The buying and selling of existing deeds of trust and promissory notes. The primary market is the one in which lenders loan money to borrowers; the secondary market is the one in which the lenders sell their loans to the large secondary marketing agencies (FNMA, FHLMC, and GNMA) or to other investors.

Secured Loan – A secured loan is one in which the borrower offers up something of value as collateral for the loan. In a private money lending context, the security is real estate.

Secured Party — This is the party having the security interest. Thus the mortgagee, the conditional seller, the pledgee, etc., are all now referred to as the secured party. (Uniform Commercial Code.)
Security Agreement — An agreement between the secured party and the debtor which creates the security interest. (Uniform Commercial Code.)

Security Interest – An interest that a lender takes in the borrower's property to ensure repayment of the debt. The promissory note spells out the terms (the interest rate, the duration, etc.) and the security instrument (e.g. mortgage or deed of trust) secures the note to the property and is recorded to put the public on notice.

Self-directed IRA – An individual retirement account in which a custodian handles alternative investments at the direction of the account owner. This arrangement enables private money investors to make hard money loans from their retirement accounts.

Servicer – A servicer is a company that handles all payment-related transactions with borrowers including accepting monthly payments, issuing monthly statements, providing year-end tax statements and paying property taxes and insurance when due.

Servicing Loans — Supervising and administering a loan after it has been made. This involves such things as — collecting the payments, keeping accounting records, computing the interest and principal, foreclosure of defaulted loans, and so on.

Settlement Services Company – Oversees the execution of real estate transactions to include closing documents, disbursement of funds, and the recording of documents at the county offices. Also known as an Escrow Company.

Shared Appreciation Mortgage — A loan having a fixed rate of interest set below the market rate for the term of the loan which also provides for contingent interest to be paid to the lender on a certain percentage of appreciation in the value of the property against which the loan is secured upon transfer or sale of the property or the repayment of the loan.

Sheriff's Deed — Deed given by court order in connection with sale of property to satisfy a judgment.

Simple Interest - Interest computed solely on the principal balance.

Sinking Fund — Fund set aside from the income from property which, with accrued interest, will eventually pay for replacement of the improvements.

Slander of Title — False and malicious statements disparaging an owner's title to property and resulting in actual pecuniary damage to the owner.

Special Assessment — 1) Legal charge against real estate by a public authority to pay cost of public improvements such as street lights, sidewalks, street improvements. 2) In a common interest subdivision, a charge, in addition to the regular assessment, levied by the association against owners in the development, for unanticipated repairs or maintenance on the common area or capital improvement of the common area.

Special Power of Attorney — A written instrument whereby a principal confers limited authority upon an agent to perform certain prescribed acts on behalf of the principal.

Special Warranty Deed — A deed in which the grantor warrants or guarantees the title only against defects arising during grantor's ownership of the property and not against defects existing before the time of grantor's ownership.

Short Sale - Arrangement between a mortgagor (borrower) and mortgagee (lender) through which the mortgagor retires the mortgage obligation with a payment of something less than the total outstanding principal balance. Any principal forgiven in the transaction is considered by the IRS to be taxable income to the borrower.

Statute of Frauds — A state law, based on an old English statute, requiring certain contracts to be in writing and signed before they will be enforceable at law, e.g.. contracts for the sale of real property, contracts not be performed within one year.

Statutory Warranty Deed — A short term warranty deed which warrants by inference that the seller is the undisputed owner, has the right to convey the property, and will defend the title if necessary. This type of deed protects the purchaser in that the conveyor covenants to defend all claims against the property. If conveyor fails to do so, the new owner can defend said claims and sue the former owner.

Stay – The automatic prohibition of collection actions against a debtor in a bankruptcy filing.

Subject to Mortgage — When a grantee takes title to real property subject to a mortgage, grantee is not responsible to the holder of the promissory note for the payment of any portion of the amount due. The most that grantee can lose in the event of a foreclosure is grantee's equity in the property. (See also "assumption of mortgage".) In neither case is the original maker of the note released from primary responsibility. If liability is to be assumed, the agreement must so state.

Sublease — A lease given by a lessee.

Subordinate — To make subject to, or junior or inferior to.

Subordination Agreement — An agreement by the holder of an encumbrance against real property to permit that claim to take an inferior position to other encumbrances against the property.

Subrogation — Replacing one person with another in regard to a legal right or obligation. The substitution of another person in place of the creditor, to whose rights he or she succeeds in relation to the debt. The doctrine is used very often where one person agrees to stand surety for the performance of a contract by another person.

Survey — The process by which a parcel of land is measured and its area is ascertained.

Takeout Loan - a long term loan replacing a short term or interim loan (e.g. a construction loan).

Tax Deed — The deed given to a purchaser at a public sale of land held for nonpayment of taxes. It conveys to the purchaser only such title as the defaulting taxpayer had.

Tax Free Exchange — The trade or exchange of one real property for another without the need to pay income taxes on the gain at the time of trade.

Tax Sale — Sale of property after a period of nonpayment of taxes.

Tenancy in common — Co-ownership of property by two or more persons who each hold an undivided interest, without right of survivorship; interests need not be equal.

Time Value of Money – A core finance principle stating money is worth more the sooner it is received.

Title – The right to the ownership and possession of any item that may be legally recognized as belonging to someone or something. In its most basic sense, title is the recognition of ownership.

Title Company – Searches county and public records for liens and encumbrances against a subject property and the borrower. Provides a preliminary title report and an offer of title insurance based on the report. Issues title insurance at transaction settlement.

Title Insurance – An indemnity policy that insures an owner and/or lender against loss due to title defects, liens, or other matters.

Title Insurance (Owner's policy) - An insurance policy certifying an owner has the title to a house and the right to transfer it to another.

Title Insurance (Lender's policy) - An insurance policy that insures a lender against errors in the title that were not discovered in the title search.

Title Search - An examination of public records to determine and confirm a property's legal ownership, and find out what claims are on the property. A title search is usually performed by a title company or an attorney, who researches the vested owner, the liens or other judgments on the property, the loans on the property and the property taxes due.

Trust Deed (Also called Deed of Trust) — Just as with a mortgage this is a legal document by which a borrower pledges certain real property or collateral as guarantee for the repayment of a loan. However, it differs from the mortgage in a number of important respects. For example, instead of there being two parties to the transaction there are three. There is the borrower who signs the trust deed and who is called the trustor. There is the third, neutral party, to whom trustor deeds the property as security for the payment of the debt, who is called the trustee. And, finally, there is the lender who is called the beneficiary, the one who benefits from the pledge agreement in that in the event of a default the trustee can sell the property and transfer the money obtained at the sale to lender as payment of the debt.

Trustee — One who holds property in trust for another to secure the performance of an obligation. Third party under a deed of trust.

Trustor — One who borrows money from a trust deed lender, then deeds the real property securing the loan to a trustee to be held as security until trustor has performed the obligation to the lender under terms of a deed of trust.

Truth in Lending Act –A Federal law that requires creditors to fully disclose the terms and conditions of consumer loans, in writing. Disclosure must include the loan's annual percentage rate and any additional fees and charges to be paid by consumers.

Underwriting – The process by which the guidelines established are applied to a loan application to ensure that safe and secure loans are issued. Some of the things that are considered are the property value, the borrower's ability to make the payments, the borrower's credit and the loan-to-value ratio.

Uniform Commercial Code — Establishes a unified and comprehensive method for regulation of security transactions in personal property, superseding the existing statutes on chattel mortgages, conditional sales, trust receipts, assignment of accounts receivable and others in this field.

Unlimited Personal Guarantee – A guarantee by a borrower to a lender for the entire outstanding loan amount plus legal fees, accrued interest, and costs associated with collecting the loan. This type of guarantee entitles the lender to look to the borrower's personal assets to recover any unrealized balance due in which foreclosure and resale of the asset does not satisfy the debt.

Unrelated Business Income Tax (UBIT) – The tax on unrelated business taxable income (UBTI). This typically refers to income earned on retirement income that does not qualify as tax deferred.

Usury - Charging a greater payment or interest rate for the lending of money than is permitted by law. Mortgage brokers are often exempt from usury laws which is why private money transactions can be priced higher than usury laws permit if otherwise transacted between private individuals.

Variable Rate – An interest rate that changes periodically in relation to an index. Payments may increase or decrease accordingly.

Voluntary Lien - A lien internationally created or entered into by a debtor.

Warranty Deed — A deed used to convey real property which contains warranties of title and quiet possession, and the grantor thus agrees to defend the premises against the lawful claims of third persons. It is commonly used in many states but in others the grant deed has supplanted it due to the modern practice of securing title insurance policies which have reduced the importance of express and implied warranty in deeds.

Wrap-Around-Mortgage - A mortgage incorporating the balance due under a prior mortgage

Yield - The interest earned by an investor on an investment (or by a bank on the money it has loaned). Also, called return.

Yield Rate — The yield expressed as a percentage of the total investment. Also, called rate of return.

Zone — The area set off by the proper authorities for specific use; an area subject to certain restrictions or restraints.

Zoning — Act of city or county authorities specifying type of use to which property may be put in specific areas.

LOAN APPLICATION

I. Applicant / Borrower Information					
Legal Name of Individual:		SSN:		Date of Birth	
Home Address:		County:			
City:		State:			
Email:		Zip Code:			
Telephone:		Cell Phone:			
Loan Will Be Closed In the Name Of:	☐ Individual ☐ Business	Originator:			
Referral:	☐ Yes ☐ No	Referral Source:			
		Loan originator:			

II. Business / Borrower Information							
Legal Name of				Name of Business:			
☐	Non-Profit Organization	☐	For Profit Corporation	☐	Limited Partnership		
☐	General Partnership	☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other:
Tax ID:				Date Business Established:			
Address:				County:			
City:				State:			
Email:				Zip Code:			
Telephone:				Annual Net Profit:			
Annual Gross Sales:							
Bank of Business Account & Bank Address:							

III. Financing Information
Credit limit Requested:

IV. Ownership Information						
Ownership – all holders of outstanding stock- 100% of ownership must be shown:						
Name, SSN, and Position Title	Complete Street Address	% Owned	U.S. Citizen			
			☐	Yes	☐	No
			☐	Yes	☐	No
			☐	Yes	☐	No
			☐	Yes	☐	No
			☐	Yes	☐	No
			☐	Yes	☐	No

SCHEDULE OF REAL ESTATE OWNED

Borrower:________________________________

Please list all properties currently owned under personal and/or business entity. Please include all hard money loans and properties owned free and clear.

PERSONAL REAL ESTATE OWNED (TITLE IN PERSONAL NAME) & INVESTMENT - REAL ESTATE OWNED (TITLE IN LLC / CORP / PARTNERSHIP / ETC.)											
PERSONAL RESIDENCE / INVESTMENT PROPERTIES Property Street Address, City, State, Zip	Owner-ship %	Property Type/ Status	Name Property Titled In or Legal Owner	Purchase		Current Market Value	Gross Monthly Rental Income	Monthly Payment(s)	Current Lender / Mortgage Co. - Info		Present Loan Bal. $
				Date					1st	Name	
				Price					2nd	Name	
				Date					1st		
				Price					2nd		
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				Date					1st		
				Price					2nd		
					Total ($)	$0	0	$0			$0

Property Type/Status Codes: FS= For Sale LC= Land Contract PR= Primary Residence PS= Pending Sale R= Rented UR= Under Rehab

Signature ________________ Date ________

Signature ________________ Date ________

Borrower Name

Principal(s):

List the real estate Investment flips completed within the last two years.

Property Address (Full Address)	Vested Owner of Record (Individual/Entity)	Purchase Date	Purchase Price	Rehab Amount	Sale Date	Sale Price

PERSONAL FINANCIAL STATEMENT
(OR PROVIDE INFORMATION IN YOUR FORMAT)

As of ________ ,20 ______

Complete this form for each applicant. List only those assets you want to be considered in this personal financial statement.

Name		Business Phone	
Address		State,& Zip Code	
City			

ASSETS		LIABILITIES	
Cash on Hands	$	Accounts Payable	$
Saving Accounts	$	Notes Payable to Banks and Others (Describe in Section 1)	$
IRA or Other Retirement Account	$	Installment Account (Auto)	$
Accounts & Notes Receivable	$	Installment Account (Other)	$
Life Insurance-Cash Surrender Value Only Complete Section H	$	Loan on Life Insurance	$
Stocks and Bonds (Describe in Section 3)		Mortgage on real Estate(Describe in Section 5)	$
Real Estate (Describe in Section 5)	$	Unpaid Taxes (Describe in Section 6)	$
Automobile-Present Value	$	All other Liabilities such as liens, judgments (Describe in Section 7)	$
Other Personal Property Describe in Section 6)	$	Other contingent liabilities not listed.	$
Other Assets (Describe in Section 6)	$	**NET WORTH**	$
Total Assets	$	**Total Liabilities + Net Worth**	$

Source of Income (Monthly)		Contingent Liabilities (monthly)	
Salary	$	As Endorser or Co-signer	$
Monthly Net Investment	$	Legal Claims & Judgments	$
Income			
Monthly Real Estate Income	$	Other contingent liabilities not	$
Other Income (Describe below)*	$		
Total Monthly Income	$	Total Contingent Liabilities	$

*Description of Other Income			

Scope of Work / Budget

PROPERTY ADDRESS: Date:

BORROWER: Date:

Construction Item	Description of Work	Labor Cost	Material Cost	Total
Demolition		$ -	$ -	$ -
Landscaping		$ -	$ -	$ -
Foundation / Structural		$ -	$ -	$ -
Countertops		$ -	$ -	$ -
Cabinets		$ -	$ -	$ -
Appliances		$ -	$ -	$ -
Carpet		$ -	$ -	$ -
Hardwood		$ -	$ -	$ -
Tile		$ -	$ -	$ -
Vinyl		$ -	$ -	$ -
HVAC		$ -	$ -	$ -
Electrical		$ -	$ -	$ -
Plumbing		$ -	$ -	$ -
Painting		$ -	$ -	$ -
Drywall		$ -	$ -	$ -
Trim		$ -	$ -	$ -
Fixtures		$ -	$ -	$ -
Doors		$ -	$ -	$ -
Bathroom(s)		$ -	$ -	$ -
Windows		$ -	$ -	$ -
Roofing		$ -	$ -	$ -
Cleanup		$ -	$ -	$ -
Total		**$ -**	**$ -**	**$ -**

Signature: **Date:**

Required: Does the proposed Rehab include any material or structural change to the subject property? ☐ Yes ☐ No