

Sales Pricing References

Pricing Factors

- Experience (# of prior properties)
- Property/Project Type
- Credit (FICO Score)
- Calculation Components (Terms)

Terms

AIV = As Is Value (*Stated or Appraisal*)

ARV = After Repair Value

IA = Initial Advance

RBA = Rehab Budget Amount

LTC = Loan to Cost

LTV = Loan to Value

MIP = Monthly Interest Payment

PP = Purchase Price

TLA = Total Loan Amount

TPC = Total Project Cost

Notes for Reference

Pre-Rehab (“Day One”) LTC:

- Includes the *As Is Value* plus the *Rehab Budget Amount* (**AIV + RBA**)

Post-Rehab (“Day Done”) LTC:

- Includes the *After Repair Value* plus the *Rehab Budget Amount* (**ARV + RBA**)

Interest Rates

- Provided by **Fix & Flip Managing Director**

Credit Box

Example:

	PURCHASE	REHAB			REFINANCE			
Experience (# of Properties)	LTV	LTV	ARV	LTC	LTV	ARV	LTC	Rehab > 50% (LTV, ARV, LTC)
0-2	75%	80%	70%	80%	70%	80%	-10%	-10%
3-9	80%	90%	75%	90%	75%	90%	-5%	-5%
10+	80%	90%	80%	90%	80%	90%	-5%	-5%
FICO 600-639	-10%	-10%	-10%	-10%	-10%	-10%	-10%	-10%
FICO 640-650	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%
FICO ≥ 740	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%

Notes:

- 90% cap on ARV, LTC, and/or LTV (additions included)
- Rehab > 50% = Rehab is more than 50% of AIV
- Exceptions subject to management discretion

Formulas for Calculations

$$\text{Initial Advance (IA)} = \text{AIV} \times \text{LTV\%}$$

$$\text{Total Loan Amount (TLA)} = \text{IA} + \text{RBA}$$

$$\text{Total Project Cost (TPC)} = \text{ARV} \times \text{ARV \%} + \text{RBA}$$

$$\text{Loan To Cost (LTC)} = \frac{\text{"TLA" Total Loan Amount}}{\text{"TPC" Total Project Cost}}$$

$$\text{Monthly Interest Payments (MIP)} = \frac{\text{"TLA" Total Loan Amount} \times \text{Interest rate}}{12 \text{ (months)}}$$

Steps to Pricing

IA → TLA ... TPC → LTC ... Finally, MIP

(the steps rhyme in order!)

Calculate the following in order:

1. Initial Advance (IA)
2. Total Loan Amount (TLA)
3. Total Project Cost (TPC)
4. Loan-to-Cost (LTC) – *Does it meet the guidelines?*
5. Monthly Interest Payments

(For internal use only)

Pricing Steps w/ Formulas

[Step 1]

IA – Initial Advance

Formula: AIV x LTV%

[Step 2]

TLA – Total Loan Amount

Formula: IA + RBA

[Step 3]

TPC – Total Project Cost

Formula: ARV x ARV% + RBA

[Step 4]

LTC – Loan to Cost

Formula: $\frac{\text{TLA}}{\text{TPC}}$

Does it meet the guidelines? → Refer to LTC % in Credit Box

[Step 5]

MIP – Monthly Interest Payments

Formula: $\frac{\text{TLA} \times \text{Interest Rate}}{\text{TPC}}$

Other Notes

Soft Costs:

- Portions of Rehab Budget Amount (RBA) that do not require manual labor (i.e. drawings, permits, plans, etc.)
- **Cannot exceed 10% of RBA**

Purchase Price (PP) vs. As-is-Value (AIV):

- If PP is higher than AIV, Borrower must pay the difference
(failure to identify a PP higher than AIV will result in overfinancing)
- If PP is lower than AIV, PP is utilized for pricing
(could occur if property is discounted via foreclosure, short sale, etc.)
- If AIV from Appraisal is lower than Borrower's stated AIV, loan gets re-priced using the Appraisal's AIV.

Loan-to-Value (LTV) Exceeding Limitations

- If LTV exceeds percentage within guidelines, the borrower can pay the difference or lower the RBA to meet the guidelines.