Fix & Flip
Sales Pricing Overview

Acra Lending

Learning & Development

(in collaboration with Fix & Flip)

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Thank you and we will be starting shortly…

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Objectives

- ✓ Overview of Sales Pricing for the Fix & Flip program
- ✓ Understand pricing components and steps
- ✓ Demonstrate and understanding of pricing for borrowers

S.E.T.

Simple – Efficient – Transparent

(Sales Pricing follows to the mission of Fix & Flip)

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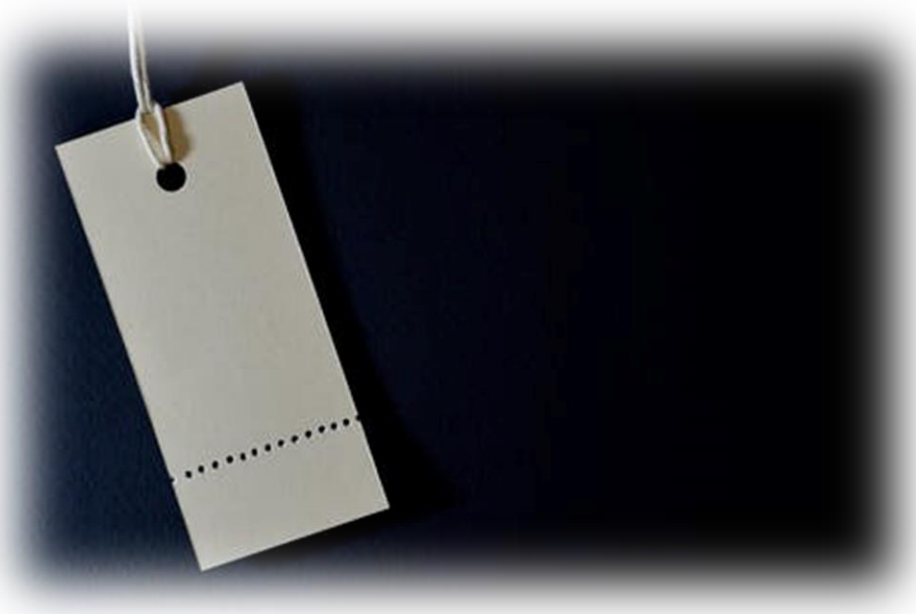
Factors for Pricing

The main factors that determine Fix & Flip Pricing are:

- **Experience (w/ prior properties)**
- **Property/Project Type**
- **Credit (FICO Score)**
- **Calculation Components**



Factors for Pricing (cont.)

Calculation Components (Terms):

1. AIV = As-Is-Value**
2. ARV = After-Repair-Value
3. IA = Initial Advance
4. RBA = Rehab Budget Amount
5. LTC = Loan-to-Cost
6. LTV = Loan-to-Value
7. MIP = Monthly Interest Payment
8. PP = Purchase Price
9. TLA = Total Loan Amount
10. TPC = Total Project Cost

**As-Is-Value is based on stated value from Borrower until Appraisal is obtained

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References – Notes

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

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References – Credit Box

(Example for training purposes only)

	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 As-Is-Value
- Exceptions subject to management discretion

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References – Formulas

- *Initial Advance* = **AIV** x **LTV%**
- *Total Loan Amount* = **IA** + **RBA**
- *Total Project Cost* = **ARV** x **ARV%** + **RBA**
- *Loan To Cost (LTC)* = $\dfrac{\textbf{Total Loan Amount}}{\textbf{Total Project Cost}}$
- *Monthly Interest Payments* = $\dfrac{\textbf{Total Loan Amount x Interest Rate}}{\textbf{12 (}\textit{months}\textbf{)}}$

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REVIEW CHECKPOINT

(Use your Workbook only if needed)

- **Factors for Pricing**
- **Calculation Components (Terms)**
- **What is utilized to obtain LTV, ARV, and LTC guidelines?**

Pricing Steps

Calculate the Following:

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

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Pricing Steps (cont.)

Remembering the Steps:

IA → TLA

TPC → LTC

Finally, MIP

Example – Let's Price This

Borrower Information:

FICO Score: 730

Experience: 4 Properties

AIV: $500,000

LTV: 90%

RBA: $70,000

ARV: 75%

ARV: 700,000

LTC: 90%

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#1 – Initial Advance (IA)

Formula:

(AIV x LTV%)

$500,000 x 90%

IA = $450,000

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#2 – Total Loan Amount (TLA)

Formula:

(IA + RBA)

$450,000 + RBA: $70,000

TLA = $520,000

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#3 – Total Project Cost (TPC)

Formula:

(ARV x ARV% + RBA)

ARV: 700,000 x ARV: 75% + RBA: $70,000

TPC = $595,000

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#4 – Loan to Cost (LTC)

Formula:

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

$$\frac{\$520{,}000}{\$595{,}000}$$

LTC = 87% (0.874)

Does it meet the guidelines? **87% < 90% → Yes**

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#5 – Monthly Interest Payments (MIP)

Formula:

$$\frac{\text{TLA} \times \text{Interest Rate}}{12\ (\textit{months})}$$

$$\frac{\$457{,}500 \times 7.5\%}{12}$$

MIP = $2,859.38

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REVIEW CHECKPOINT

(Use your Workbook only if needed)

- **Pricing Steps**
- **Pricing Formulas**

Soft Costs

- **Soft costs = RBA portions that do not require manual labor (i.e. drawings, permits, plans, etc.)**
- **They cannot exceed 10% of RBA**
- **Example: RBA: $75,000**

($75,000 x 10%) = $7,500

Soft Costs ≤ $7,500

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Purchase Price vs. As Is Value

If Purchase Price is higher than As-Is-Value, Borrower must pay the difference (loan is based on the AIV).

Example:

PP – $520,000 **AIV: $510,000**

($520,000 – $510,00) = $10,000

Borrower must pay $10,000 upfront

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Purchase Price vs. As Is Value (cont.)

Pricing depends on identifying a PP that is higher than AIV; result is overfinancing if not identified.

Example: PP – $520,000 AIV: $510,000

PP – (AIV x LTV%)

$520,000 – ($510,00 x 90%)

$520,000 – $459,00 = $61,000

Potential Overfinancing!!!

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Purchase Price vs. As Is Value (cont.)

If PP is lower than AIV:

- **PP is utilized for pricing**
- **This could occur if the property is discounted (foreclosure, short sale, etc.)**

If AIV from Appraisal is lower than Borrower's stated AIV:

- **The loan gets re-priced using the Appraisal AIV**

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REVIEW CHECKPOINT

(Use your Workbook only if needed)

- **Pricing Factors & Terms**
- **PP vs. AIV**
- **Soft Costs**
- **Pricing Steps & Formulas**

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Questions?

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Thank you for participating!

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