

Fix and Flip Loan Analysis



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Motivation

Analysis of Fix and Flip Loans in California from 2012 to 2017

We will look at-

- Feature Extraction, Data Cleaning
- A general overview of Fix and Flip loans
- A look at LendingHome-
 - Borrowers and their characteristics
 - Competitors and their performance
 - Recommendations



Features Extracted

- Zip Code
- City
- Region
- Quarter- the quarter during which the transaction took place
- Is Company- whether the buyer is an investment firm or an individual(s)
- Single Transaction Lender- whether the lender has transacted only once



Interaction Terms

- LTT (Loan to Transaction amount)– The ratio of loan amount and the transaction amount
- Loan Brackets–
 - Less than 250,000
 - Between 250,000 and 500,000
 - Between 500,000 and 750,000
 - Between 750,000 and 1 Million
 - Between 1 Million and 1.5 Million
 - Greater than 1.5 Million

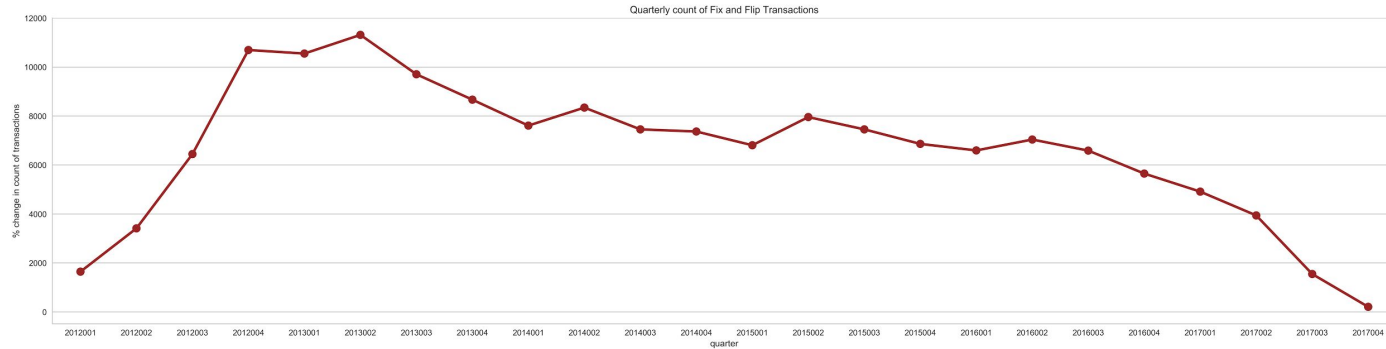


Data Cleaning

- Removed an outlier that had a transaction amount of \$240 Million
- Considered competitors' data from Apr 2014- the month where LendingHome's transactions started



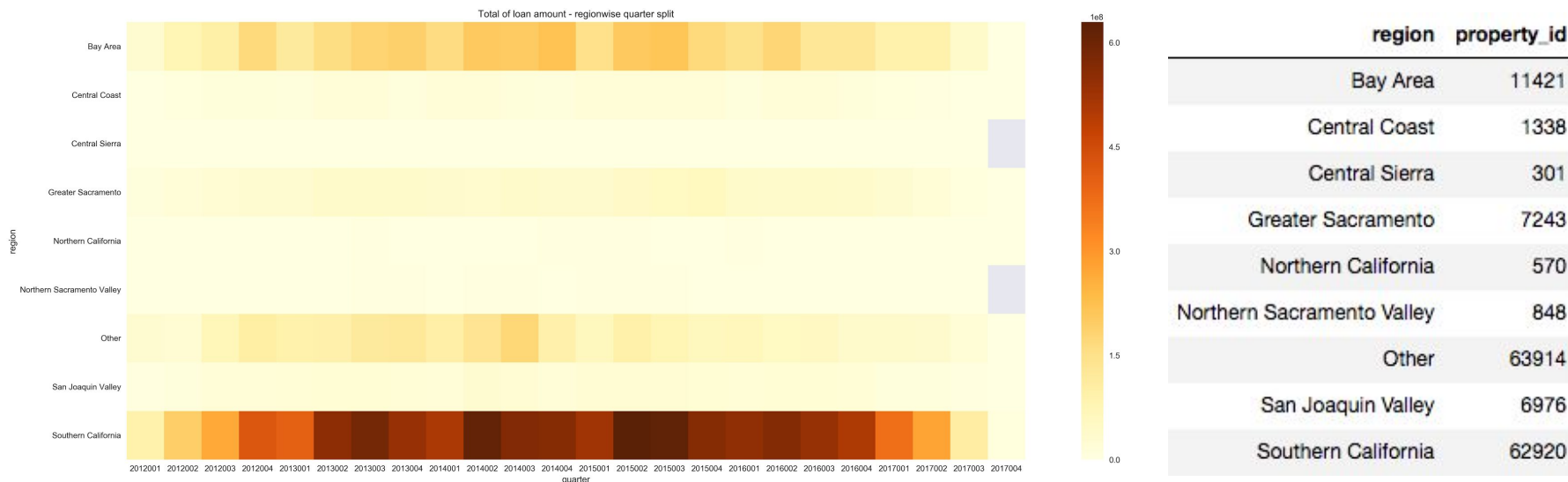
Overview



- Fix and Flip transactions show recovery in 2012, after the Great Recession
- Largest number of transactions- 2013 Q1
- Count of transactions remain more or less stable from 2013 through 2016 Q2
- Fix and flip transactions reduce with increasingly bullish Real Estate market



Overview: Region

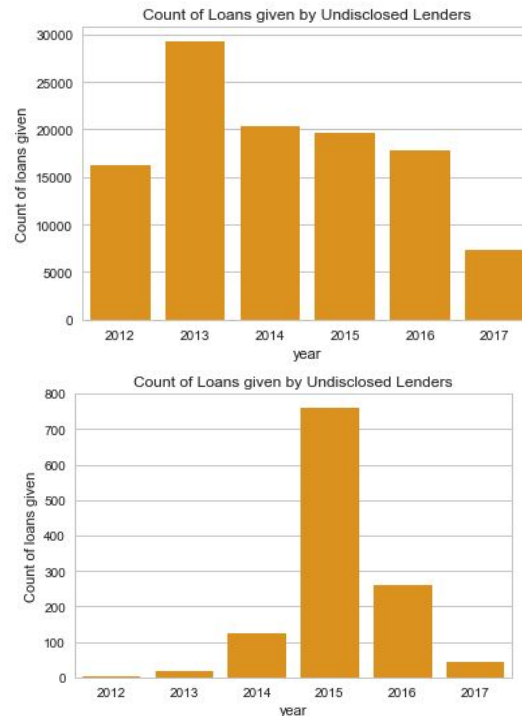


- The regions with the highest total loan amounts- SoCal and Bay Area
- 'Other' region contains all transactions that did not have an address
- SoCal has the highest number of properties among all regions



Overview

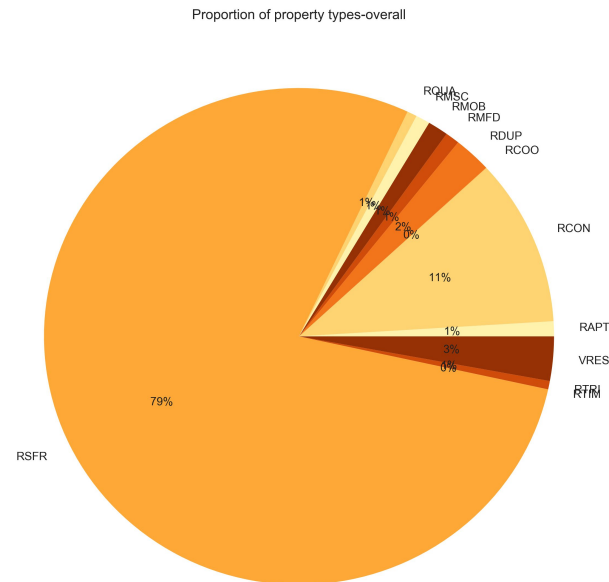
- A large number of buyers are borrowing from Undisclosed lenders- 70% of all transactions
 - Transactions with Undisclosed lenders decreased by 58% in 2017
- Transactions with other institutional lenders was at its peak during 2015





Overview: Property Type

- Single Family properties take up a huge chunk (79%) of fix and flip transactions
- LendingHome financed fix and flip loans for–
 - Single Family Residences (91%)
 - Condos (5%)
 - Duplexes (2%)
 - Remaining property types (2%)



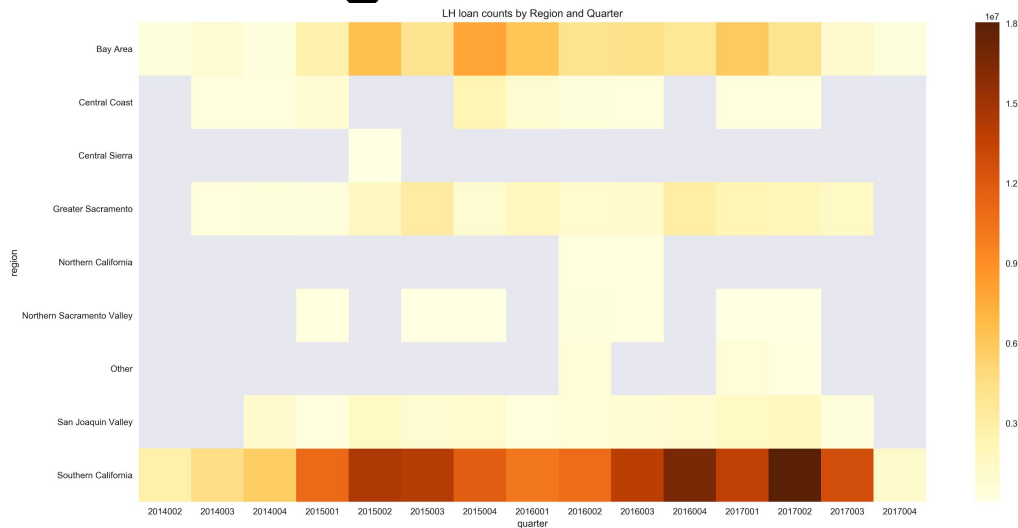


Borrowers

What do we know about them?



Overview: Region

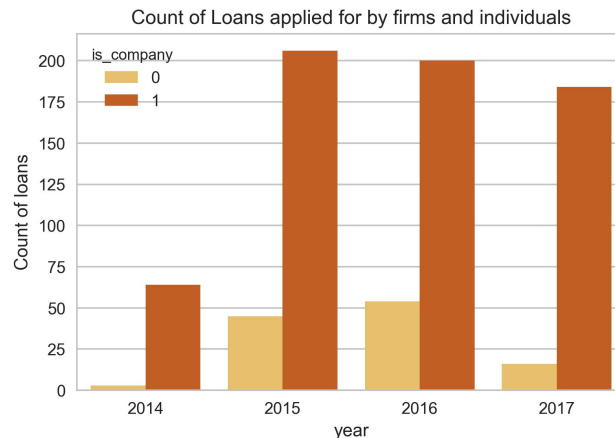


- LendingHome has the largest number of borrowers in SoCal, followed by the Bay Area, inline with overall trends



Overview: Borrowers

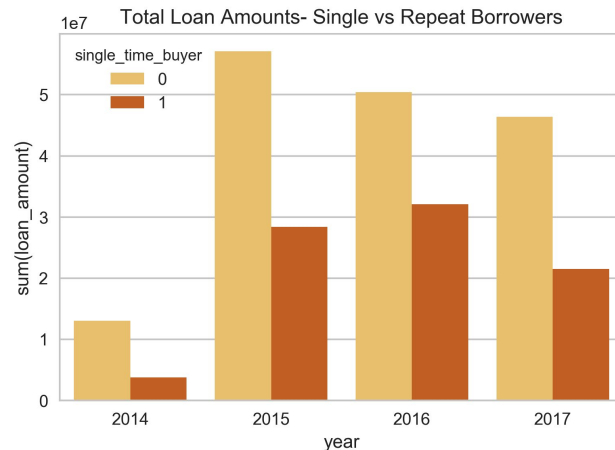
- A large number (85%) of LendingHome borrowers are investment firms.
 - Investment firms – 654 firms
 - Individual(s) – 118 buyers
- From 2014 to 2017, the investment firms borrowed loans in the buckets of-
 - Less than \$250,000 (281 transactions)
 - \$250,000 – \$500,000 (265 transactions)





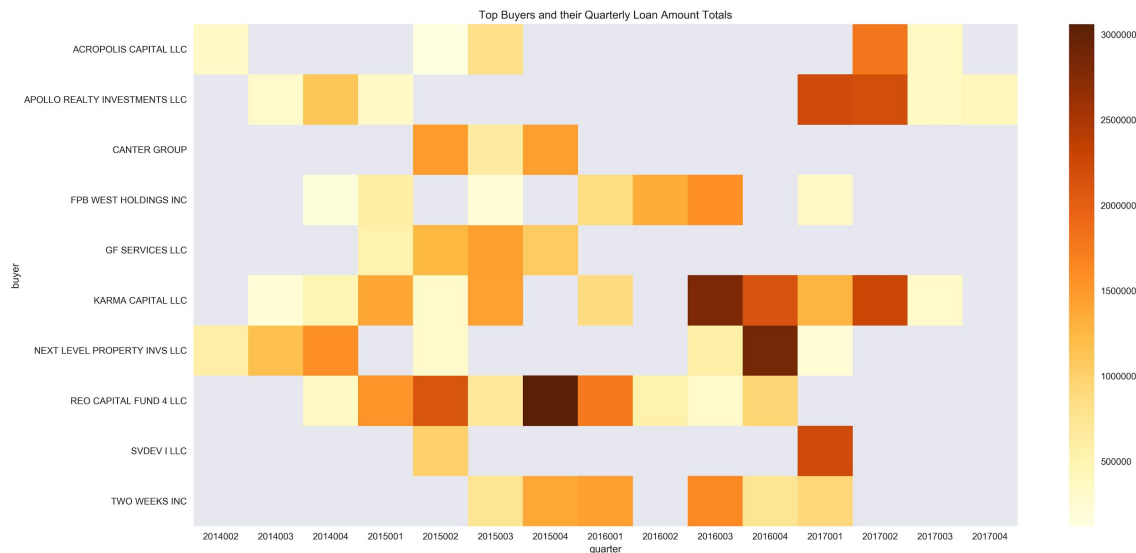
Overview: Borrowers

- Single transaction borrowers make up 70% of the LendingHome borrowers
- But repeat borrowers contribute to 66% of total loan amount financed
- Average days between transactions for repeat borrowers- 83 days
 - Apollo Realty Investments LLC returned in 2017 Q1, after last borrowing in 2015 Q1 (768 day gap)





Top 10 Borrowers



- The Top 10 borrowers borrowed 25% of the total loan amounts financed by LendingHome
- Karma Capital has the largest number of transactions – 36 loans applied and received



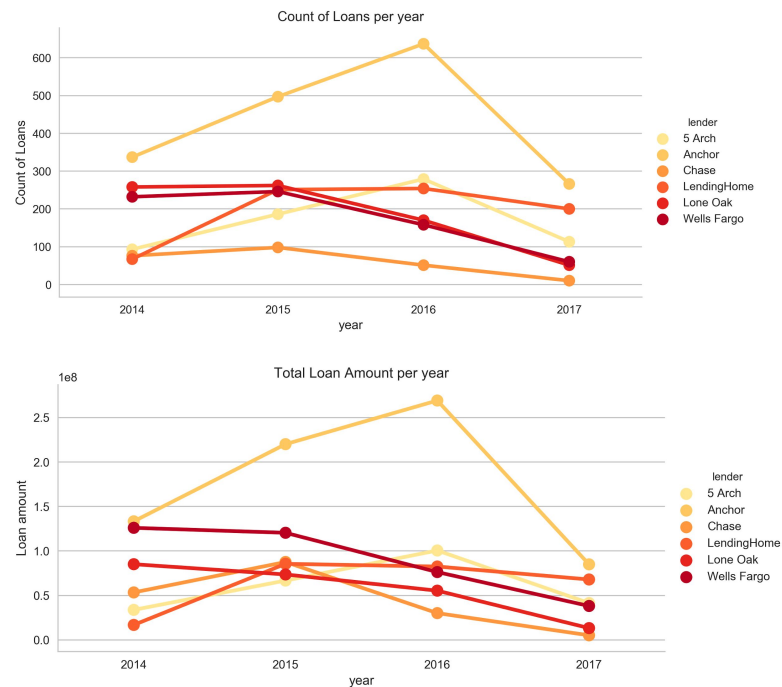
Competitors

How do we measure up to them?



Top Competitors

- Anchor Loans
- Wells Fargo
- Chase
- 5 Arch Funding
- Lone Oak Fund

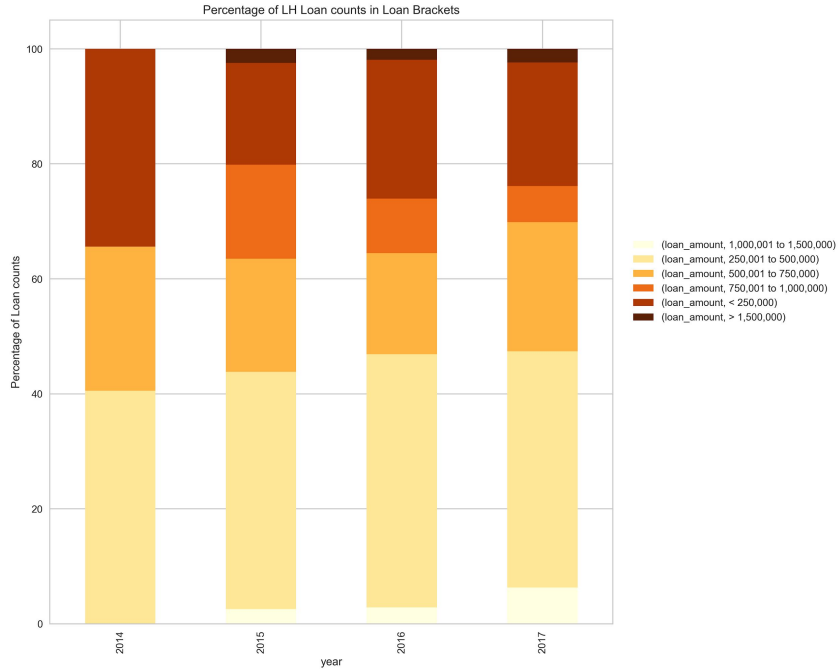




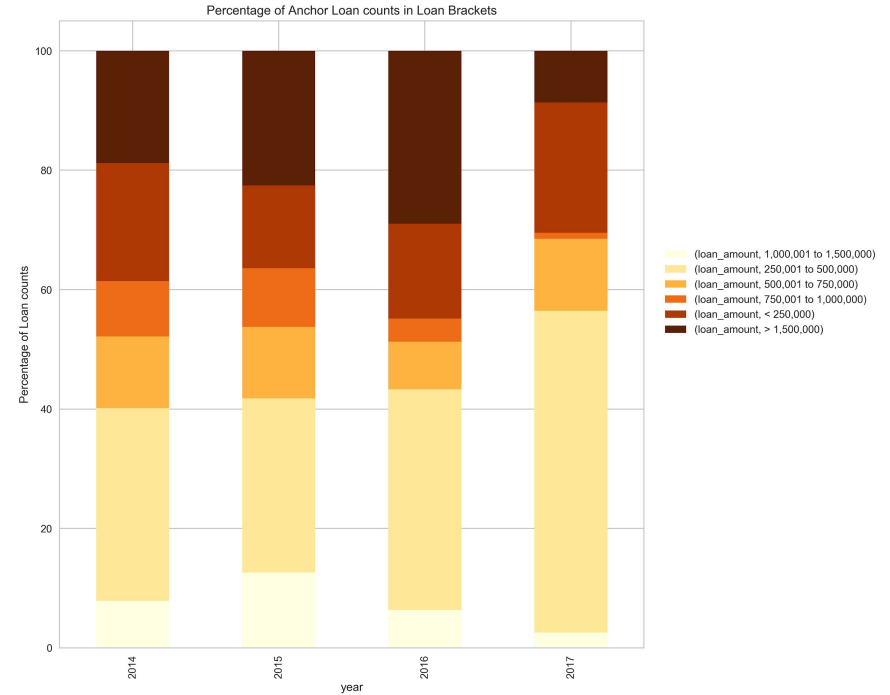
Comparison: Anchor

- Anchor has financed a greater % of loans in the \$250,000 - \$500,000 range than LendingHome
 - In 2017, loans in the \$250,000 - \$500,000 range accounted for half of Anchor's loans
- Anchor has financed a larger number of loans greater than \$1.5 Million (67 loans)
 - LendingHome has financed only 3 loans greater than \$1.5 Million

LendingHome



Anchor

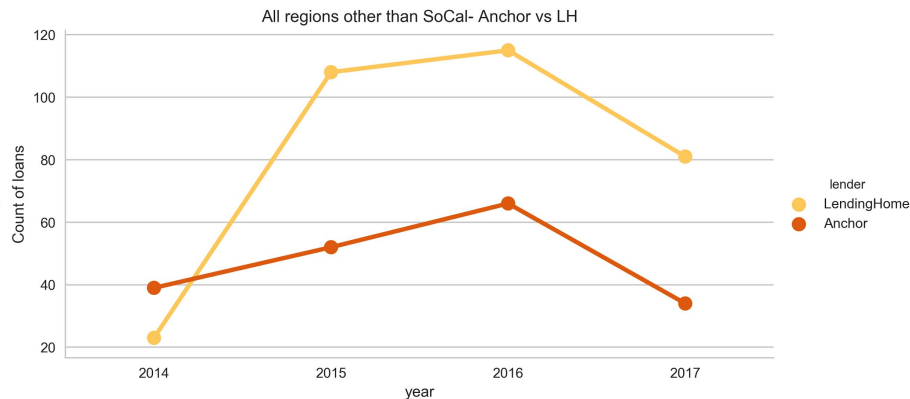
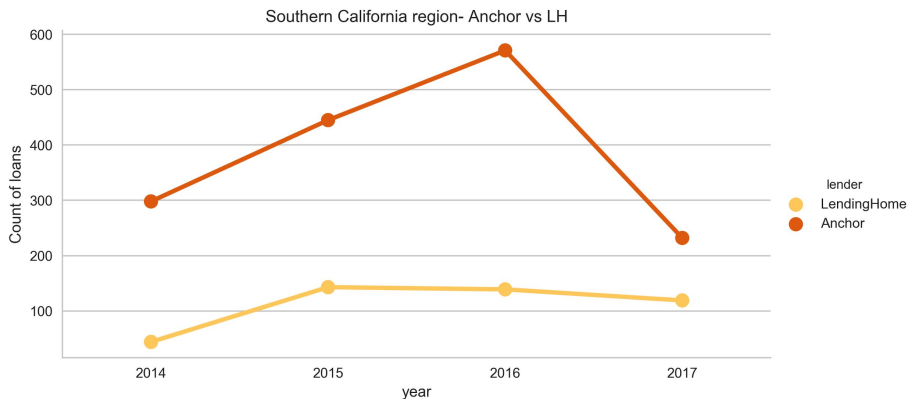


In 2017, LendingHome financed a larger percentage of loans (23%) in the \$500,000 – \$750,000 bracket than Anchor (12%)

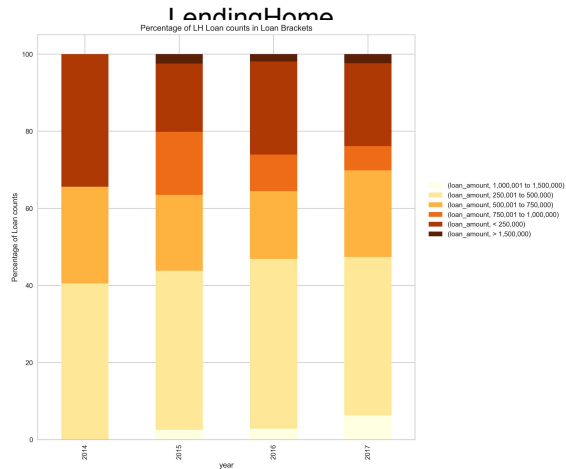
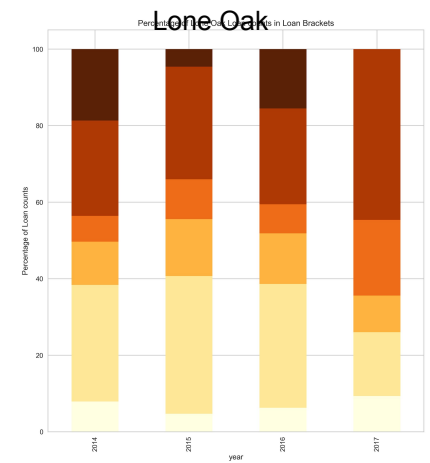
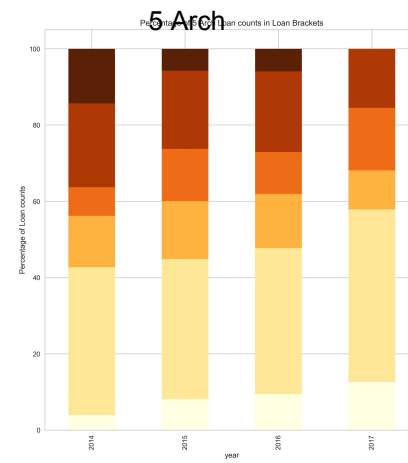
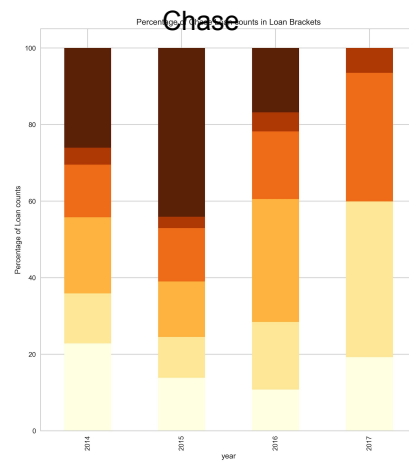
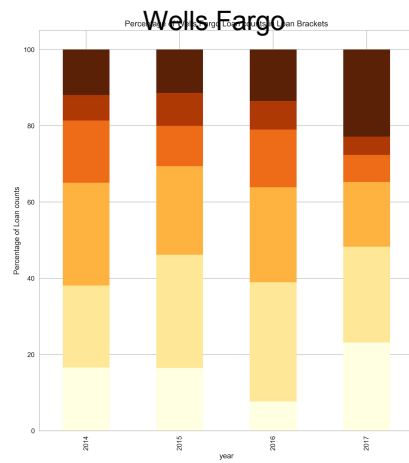




Comparison: Anchor



- Anchor registers a sharp decline in the number of loans financed in 2017 in SoCal
- LendingHome remains more or less constant from 2015 through 2017, though lagging behind Anchor
- LendingHome has financed more loans than Anchor in the regions other than SoCal



In comparison with the other competitors-

- LendingHome has a greater proportions of loans financed in the \$0 - \$250,000 amongst all the above competitors
- LendingHome has lower proportion of loans in the remaining brackets
- Except for Wells Fargo, the remaining competitors have little or no loans financed that are greater than \$1.5 Million
 - This is inline with the overall trend, where we see the mean loan amounts decrease in 2017, due to rise in Real Estate prices





Recommendations

- **Region-** Invest more in SoCal
 - It is the region with the highest number of property transactions, so there is a lot of scope to grow
 - Increase marketing campaigns in SoCal
 - Anchor is in the midst of a slump, higher than other competitors
- **Loan amounts-** Increase number of loans in \$250,000 - \$500,000 bracket
 - Anchor has the highest proportion of loans in this bracket
- **Property type-** Invest in more condos and duplexes



Thanks!

Any questions ?

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The code for this analysis is placed [here](#)