



FINANCE *of* AMERICA
— COMMERCIAL —



PRODUCT MATRIX

Fix & Flip

REVISED 08.02.2021

The Finance of America Commercial LLC (FACo) Fix & Flip Product Matrix and Required Documents Checklist is for informational purposes only and is subject to change. FACo reserves the right amend its underwriting guidelines in its sole discretion without notice. Loans are subject to investor and business credit approval, appraisal and geographic location of the property and other underwriting criteria. Loan amounts and rates may vary depending upon loan type, LTV, verification of application information and other risk based factors. Application fees, closing costs and other fees may apply. The Matrix is not for reproduction or distribution without FACo's prior written consent.



Product Overview	Fix & Flip (purchase or refinance with a hold-back required) Standard Rehab: Eligible Budget ≤ 50% of the Total Costs (no structural work) Extensive Rehab¹: Eligible Budget > 50% Total Costs (structural work allowed)
Fund Control Required²	All Transactions
Eligible Properties	Attached or Detached SFR, 2-4 Unit, PUD, Condo, Mixed-Use, and Multi-Family
Occupancy	Non-owner occupied, business purpose only
Minimum Loan Amount³	\$50K
Maximum Loan Amount³	\$3MM ⁴
Loan Term	12 months standard 18 month option available, subject to loan level pricing adjustment

Maximum Leverage	<u>0-2 Experience</u>	<u>3+ Experience</u>	<u>5+ Experience</u>
	Standard Rehab	Standard Rehab	Standard Rehab
	85% LTC 70% ARV LTV	90% LTC 75% ARV LTV	(purchase transaction only, requires minimum 10% down) 95% LTC 75% ARV LTV
	Extensive Rehab¹	Extensive Rehab¹	Initial disbursement limited up to a max of 90% LTC
	80% LTC 70% ARV LTV	85% LTC 70% ARV LTV	

100% of rehab/budget must be financed.

¹ FAcO Underwriter will determine the Extensive Rehab designation based upon review of the budget and project scope. Projects with > 50% may be classified as Rehab and projects ≤ 50% may be classified as Extensive Rehab based upon the Underwriter's review.
² Fund Control is an enhanced set of risk controls implemented post-closing during the draw process. On all transactions, our third party construction management vendor will evaluate site inspections, change orders, and budget monitoring. When required, they will also collect lien waivers and review title date downs.
³ Each loan is subject to property approval under Finance of America Commercial terms and conditions. Each property has an individual secured loan.
⁴ Loans > \$2MM have a max LTC of 60%. Loans > \$1MM ≤ \$2MM have a max LTC of 85%. Borrowers with 0-2 experience will be capped at \$1MM.

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Foreign National or No FICO Max Leverage		<p>Standard Rehab: 85% LTC 70% ARV LTV</p> <p>Extensive Rehab¹: 80% LTC 70% ARV LTV</p>
Rural Property Max Leverage		N/A
<p>Multi-Family and Mixed-Use Properties (Subject to LLPAs)</p>	<p>0-2 Experience</p> <p>Standard Rehab N/A</p> <p>Extensive Rehab¹ N/A</p>	<p>3+ Experience</p> <p>Standard Rehab 80% LTC 70% ARV LTV</p> <p>Extensive Rehab¹ 75% LTC 65% ARV LTV</p>
	<p>100% of rehab/budget must be financed.</p> <p>Multi-Family: 5-20 units eligible with validated Multi-Family project experience</p> <p>Mixed-Use: Eligible with validated Mixed-Use project experience</p> <p>Property must be 75% residential square footage</p> <p>(Required DSCR hurdle of 1.40x. See full underwriting guidelines for complete details)</p>	
Amortization		Interest-only payment with fixed rate
Minimum Interest		90 days of interest against the full note amount regardless of loan duration prior to payment in full

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⁵ Full Balance is interest charged against the full note amount regardless of the amount of funds actually disbursed.

⁶ Drawn Balance option is subject to a loan-level pricing adjustment (LLPA) based upon the Investor Experience count applicable. Drawn balance is interest charged against only the amount of the note amount that has actually been drawn.

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Interest Charge	All loans have an option for Full Balance ⁵ or Drawn Balance ⁶
Ineligible Project Scope	<ul style="list-style-type: none"> • Tear Down • Removal of Multiple Exterior Walls (exception basis only) • Adding a Detached ADU • Construction of an Additional Story (exception basis only) • Additions > 500 square feet (exception basis only) • Conversions (exception basis only) • Modular Homes • Adding Additional Units (exception basis only) • New Construction or New Construction like scopes
Mid-Rehab Projects	Not eligible with prior construction financing
Appraisal/Valuation Requirements	<p style="text-align: center;"><u>1-4 Unit Properties with Loan Amounts ≤ \$1MM:</u></p> <p>Standard Rehab: FACo Alternative Valuation with "as-is" and "ARV" values</p> <p>Extensive Rehab¹: Full 1004 Appraisal with "as-is" and "ARV" values</p> <p>No interior inspection may be allowed (case-by-case) on purchases with a reduction in LTC and a 15% contingency.</p> <p style="text-align: center;"><u>5+ Unit Properties, Mixed Use, OR Loan Amounts > \$1MM:</u></p> <p>Full Narrative Appraisal with "as-is" and "ARV" values</p>
Property Level Diligence and Document Requirements	See Fix & Flip Required Documents (page 10)

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MSA Restrictions

A 10% LTC reduction will be applied to:

- Properties located in dedicated vacation areas generally located at or around beaches, lakes or mountains that are not supported by larger cities, economies and other industry besides tourism.

**Loan Level
Liquidity
Requirement**

Down Payment + Closing Costs + 10% of the Holdback + any Equity Shortage + Required Reserves (below)

0-2 Experience: 12 Months Reserves

3-4 Experience: 6 Months Reserves

5+ Experience: 3 Months Reserves

**Loan-Level
Liquidity
Documentation**

Most recent 30 day statement from a liquid account (checking savings, CD, money market, stock account or non-qualified annuity/IRA).

[\(See full underwriting guidelines for complete details\)](#)

Interest Reserve

- Optional 6 months and 12 months reserves
- 12 month required if currently in forbearance on any mortgages for the duration of the Exposure Limit

**Cost Basis/
Seasoning**

- **For properties acquired < 6 months:** Lesser of *[Purchase Price + cost of work already completed (verified and provided by Inspector)]* or *[As-Is Value]*
- **For properties acquired ≥ 6 months:** *[As-is Value]*

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Max Loan Amount
(Examples on pg 13-15)

Lesser of:

- **Max Loan Based on Cost** = [Total Cost x Approved LTC]
- **Max Loan Based on Value** = [After Repair Value x Approved LTV]

*Loans > \$1MM or loans above 90% LTC will have additional restrictions. Please see full Underwriting Guidelines.

Rehab or Extensive Rehab¹ Initial Disbursement
(Examples on pg 14-16)

If the calculation results in a negative number then this is the amount of borrower self-funded rehab that must be completed before FACo will disburse any draw funds to the borrower out of the draw disbursement. The self-funded portion is not eligible for FACo reimbursement.

Holdback Calculation
(Examples on pg 14-16)

Lesser of:

[Max Loan Amount] OR [Budget]

Rehab or Extensive Rehab¹ Costs (See page 13)

All budgeted hard and soft costs⁷ except Loan Costs (Interest and Fees)

¹ FACo Underwriter will determine the Extensive Rehab designation based upon review of the budget and project scope. Projects with > 50% may be classified as Rehab and projects ≤ 50% may be classified as Extensive Rehab based upon the Underwriter's review.

⁷ Soft Costs have specific requirements based upon Investor Experience Tier. See underwriting guidelines for complete details.

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Insurance Requirements

Hazard Insurance:

- Must be the lesser of [100% Replacement Costs or Loan Amount] or [100% Actual Cash Value of the Total Insurable Value] (FACo requires a replacement cost calculator).
- Can not contain any vacancy provisions less than 60 days (voids policy if property is vacant for a period of time).
- FACo will allow policies with co-insurance, but under no circumstances can the property coverage be less than the Total Insurable Value.

Builder's Risk Insurance:

- Required on all transactions.
- Must have 100% Replacement Costs Coverage for the full amount of the remaining eligible project costs (including soft costs if financed).

Liability Insurance:

- Premises Liability of at least \$500,000 per occurrence is required on Rehab transactions.
- Commercial General Liability of at least \$500,000 per occurrence is required on all transactions. Property and Borrower may be added to the Builder/General Contractor's (GC) Policy.

Flood Insurance(if applicable):

- Must have the same coverage available under the National Flood Insurance Program (NFIP).

Condo Insurance (if applicable):

- Condo Building Insurance must be on a Master Policy with 100% Replacement Cost Coverage.
- If Condo Master Policy does not contain contents coverage (walls-in/up) then HO-6 policy must be obtained with at least 10% of the dwelling value in coverage.

Additional Insurance:

- Boiler and Machinery Insurance required on 2+ unit properties with Steam Boilers with coverage not less than the loan amount.



Rehab or Extensive Rehab¹ Requirements

- Builder's Risk insurance is required.
- **Extensive Rehab¹** - Licensed General Contractor or Licensed Sub Contractors (see next bullet point below) are required.
- Construction Contract must be in place with a Licensed Builder or Licensed General Contractor unless the borrower is acting as the builder or general contractor and possesses the appropriate licensing and experience. If the borrower is acting as the general contractor and the local authority does not require the borrower to be a Licensed Builder or General Contractor the borrower must provide license and contract for sub-contractor completing all major components (foundation, electrical, plumbing, roof and HVAC) requiring specialty licensing to FACo Asset Management prior to any of the construction cost being disbursed.
- **Extensive Rehab¹** - All construction contracts (including contracts with major sub-contractors) must be assignable.
- **Extensive Rehab¹** - Detailed Plans and Specs are required.
- Permits are required prior to first draw for any projects requiring permits.
- A 3rd Party Budget Feasibility review is required on all extensive rehab loans.
- A 3rd Party Budget Feasibility review is required on standard rehab when the budget (excluding contingency) exceeds the greater of \$50,000 or 25% of the Cost Basis/Value of the property or the scope of the project is not cosmetic in nature. If the borrower has completed 5 or more FACo Fix and Flip loans, FACo will complete the budget review and project feasibility determination regardless of the threshold identified above.
Note: Deposit will still be collected if borrower has completed 5+ FACo Fix and Flip Loans, and fee credit will be issued at close.
- A Notice of Commencement must be filed by Lender at closing in the following states: FL, GA, IA, MI and OH. If there has been any construction/rehab work has begun on projects in these states prior to closing then FACo will require an ALTA 32 or equivalent endorsement at closing from the title company.
- ALTA 32 required on all Mid-Rehab transactions regardless of state.
- **FACo will require an ALTA 32 or equivalent (at closing) and ALTA 33 or equivalent (post-closing) to be completed when the budget (excluding contingency) exceeds \$75,000 and on all extensive rehab transactions at the following project completion milestones of 25%, 50% and 75% in the following states: NY, NJ, MA, CT, VA, MI and IL. The ALTA 33 is only required if the project is either extensive rehab or when the budget (excluding contingency) exceeds \$75,000.**

(continued on next page)

¹ FACo Underwriter will determine the Extensive Rehab designation based upon review of the budget and project scope. Projects with > 50% may be classified as Rehab and projects ≤ 50% may be classified as Extensive Rehab based upon the Underwriter's review.

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**Rehab or
Extensive Rehab¹**
(continued)

- Extensive rehab¹ loans will require invoices prior to draw for any line item requests exceeding \$10,000, and lien waivers for those same items prior to next draw before any additional draws will be released. This is waived in any of the states above where a title date down is being performed and FACo is receiving affirmative coverage for all previous work completed.
- FACo reserves the right to request lien waivers or affirmative title coverage for all work completed prior to or after initial disbursement.
- Additional Draw requirements are applicable.
- FACo will perform a GC Diligence Review to determine if the contractor is acceptable for Extensive Rehab¹ transactions.
- FACo reserves the right to require the GC or Builder administer all FACo construction funds disbursed on any Extensive Rehab¹.
- After 6 months or when a request to advance over 50% of the rehab budget (in aggregate), whichever is earlier, FACo will require a title search for materialmen/mechanic's liens if FACo is funding the rehab.
- The final draw for any amounts completed over 90% of the rehab budget require a title search for materialmen/mechanic's liens, certificate of occupancy/proof of completion, and a Final Unconditional Lien Waiver.

**General
Contractor
(GC) Review
and Approval
Requirements**

Extensive Rehab¹ with Soft Costs:

- Approval valid for 2 years
- \$100 fee per GC Reviewed
- (Review can be completed during Exposure Limit (LOC) processing or during property loan processing)

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Required Up Front

Fix & Flip Property Loan Application [FACo Provided]	✓
Purchase Contract/Settlement Statement & Warranty Deed (short-term refinances, if owned < 6 months)	✓
Construction Budget: [FACo Template Available] Appraisal will not be ordered until this is received.	✓
Plans/Specs	If applicable ⁸
<p>Liquidity Verification: <i>Note:</i> Liquidity documents are good for 60 days from the closing date of the most recent statement.</p> <ul style="list-style-type: none"> • Most recent statement for any account needed to meet the requirement. • Acceptable accounts include: checking, savings, and money market accounts; CD's; brokerage accounts.⁹ • Must be complete statements -- no online screen shots. • Sourcing for large deposits will be required in these instances: <ul style="list-style-type: none"> • Any deposit over 10% of the single loan amount; • Any deposit over 25% of the cumulative amount of documented liquid assets; • All non-depository accounts with large increases in balances (more than 25%) since the previous statement balance. 	If applicable

Required In Processing

General Contractor Application: [FACo Provided] <i>Note:</i> Can be provided up front or any time before property closing.	If applicable ⁸
Permits	
Survey	
Construction Contract with Builder/General Contractor	
General Contractor Funds Administration Form [FACo Provided]	

⁸ Required on Fix & Flip Extensive Rehab with Soft Costs.

⁹ Amount available to qualify towards liquidity will be determined by the current lender guidelines.

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Property Fees

Valuation Fees (one of the below will apply)

Alternative Valuation For SFR, Condos, Townhomes and 2-4 units with Loan Amount ≤ \$1MM	\$0	Paid up front
Full Appraisal Required For 5+ Multi-Unit, Extensive Rehab ¹ , Mixed Use, OR Loan Amount > \$1MM. All 5+ unit multi's will be quoted at time of submission.	\$595: 1 Unit, Condo, Townhome \$775: 2-4 units \$2,100: 5+ unit multis	Paid up front
↳ If Alternative Valuation not available or desired by customer: Full Appraisal Required	\$595: 1 Unit, Condo, Townhome \$775: 2-4 units	Paid in processing

Additional Up Front Fees

Project Feasibility Review & Pre-Close Inspection Required on all Extensive Rehab ¹ loans and certain Standard Rehab loans ¹⁰ (Trued up at close with actual cost. This Fee will be Quoted for 5+ Unit projects.)	\$450	Paid up front
GC Review Fee (once per GC)	\$100	Paid in processing

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¹⁰ A 3rd Party Budget Feasibility review is required on standard rehab when the budget (excluding contingency) exceeds the greater of \$50,000 or 25% of the cost basis/ value of the property, or when the scope of the project is not cosmetic in nature.

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Property Fees

Lender Charges to Borrower (Paid at Closing)

Processing Fee	\$895: 1-4 units \$1,400: 5+ unit multis	Paid at funding
Origination Fee	On Conditional Quote	Paid at funding
Pre-pay for 3 Draws & Inspections (includes wire fees) <i>(optional & non-refundable)</i>	\$535 (N/A for 5+ unit multis)	Paid at funding

Fix & Flip Draw Fees (incurred on every draw request)

Draw & Inspection Fee (includes wire fees) <i>(all 5+ unit multis quoted at time of property submission)</i>	\$265 each with pre-pay option \$300 each without pre-pay option	Subtracted from Wire Disbursement
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Borrower Paid 3rd Party Settlement Charges

Title Insurance & Closing Charges	Actual Cost	Paid at funding
Taxes & Other Government Fees		
Prepaid Interest		
Initial Escrow Payment/Impound at Closing		

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These are the costs that can be included in your Rehab or Extensive Rehab¹ with Soft Costs budget:

Hard Cost Items

- Property Acquisition
- Prior Renovations
- Demolition
- Landscaping
- Foundation / Structural
- Countertops
- Cabinets
- Appliances
- Carpet
- Hardwood
- Tile
- Vinyl
- HVAC
- Electrical
- Plumbing
- Painting
- Drywall
- Trim
- Fixtures
- Doors
- Bathroom(s)
- Windows
- Roofing
- Pool
- Siding
- Cleanup

Soft Cost Items

- Consultant Fees (Architect, Engineer, etc.) (10% max)
- Permit & Impact Fees
- Contractor's Fee (15% max)
- Builder's Risk Insurance
- Surveys
- Soil Testing
- Closing Costs
- Regulatory Fees
- Tap Fees
- Utility Connection Fees
- Other Site Fees
- Contingency (10% max)

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Example Calculation

– Standard Rehab Loan - 90% LTC –

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In the below example, we calculate the Total Loan Amount and Down Payment/Equity Requirement for a standard Rehab **Purchase** loan (borrower with **3+ experience**):

Loan Details

Purchase Price	\$200,000
Rehab Budget	\$70,000
Total Cost	\$270,000
ARV	\$350,000
Approved LTC	90%
Approved LTV	75%

* If owned < 6 months, use lesser of purchase price or as-is value. If owned ≥ 6 months, use as-is value only.

** Total holdback will never exceed 100% of the construction budget.

Max Loan Based on Cost

$$\$270,000 \times 90\% \text{ LTC} = \$243,000$$

(Total Costs x Max LTC)

Initial Disbursement

$$\$243,000 - \$70,000 = \$173,000$$

(Max Loan - Budget)

Holdback

$$\$70,000$$

(100% of Budget)

LTV/ARV Calculation

$$\$243,000 / \$350,000 = 69.43\%$$

(Max Loan Based on Cost ÷ ARV, must be less than max of 75% = **PASS**)

Total Loan

$$\$173,000 + \$70,000 = \$243,000$$

(Initial Disbursement + Holdback)

Down Payment / Equity Requirement

$$\$200,000 - \$173,000 = \$27,000$$

(Purchase Price - Initial Disbursement)

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Example Calculation

- Standard Rehab Loan - 95% LTC -

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In the below example, we calculate the Total Loan Amount and Down Payment/Equity Requirement for a standard Rehab **Purchase** loan (borrower with **5+ experience**):

Lesser of:

Max Loan Based on Cost

$\$270,000 \times 95\% \text{ LTC} = \$256,500$

(Total Costs x Max LTC)

OR

Max Loan Based on Max Initial Disbursement

(requires minimum 10% of purchase price down)

$(\$200,000 \times 90\% \text{ LTC}) + \$70,000 = \$250,000$

((Purchase Price x Max Initial Disbursement LTC) + Rehab Budget)

Loan Details	
Purchase Price	\$200,000
Rehab Budget	\$70,000
Total Cost	\$270,000
ARV	\$350,000
Approved LTC	95%
Initial Disbursement LTC Max	90%
Approved LTV	75%

Total LTC Calculation

$\$250,000 / \$270,000 = 92.6\%$

(Max Loan [from above] ÷ Total Cost, must be less than max of 95% = **PASS**)

Initial Disbursement

$\$250,000 - \$70,000 = \$180,000$

(Max Loan - Budget)

Holdback

$\$70,000$

(100% of Budget)

LTV/ARV Calculation

$\$250,000 / \$350,000 = 71.43\%$

(Max Loan Based on Cost ÷ ARV, must be less than max of 75% = **PASS**)

Total Loan

$\$180,000 + \$70,000 = \$250,000$

(Initial Disbursement + Holdback)

Down Payment / Equity Requirement

$\$200,000 - \$180,000 = \$20,000$

(Purchase Price - Initial Disbursement)

* If owned < 6 months, use lesser of purchase price or as-is value. If owned ≥ 6 months, use as-is value only.

** Total holdback will never exceed 100% of the construction budget.

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Example Calculation

- Extensive Rehab¹ Loan - 85% LTC -

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In the below example, we calculate the Total Loan Amount and Down Payment/Equity Requirement for an Extensive Rehab¹ **Purchase** loan (borrower with 3+ experience):

Loan Details

Purchase Price	\$300,000
Rehab Budget	\$400,000
Total Cost	\$700,000
ARV	\$900,000
Approved LTC	85%
Approved LTV	70%

* If owned < 6 months, use lesser of purchase price or as-is value. If owned ≥ 6 months, use as-is value only.

** Total holdback will never exceed 100% of the construction budget.

Max Loan Based on Cost

$\$700,000 \times 85\% \text{ LTC} = \$595,000$
(Total Costs x Max LTC)

Initial Disbursement

$\$595,000 - \$400,000 = \$195,000$
(Max Loan - Budget)

Holdback

$\$400,000$
(100% of Budget)

LTV/ARV Calculation

$\$595,000 / \$900,000 = 66.11\%$
(Max Loan Based on Cost ÷ ARV, must be less than max of 70% = **PASS**)

Total Loan

$\$195,000 + \$400,000 = \$595,000$
(Initial Disbursement + Holdback)

Down Payment / Equity Requirement

$\$300,000 - \$195,000 = \$105,000$
(Purchase Price - Initial Disbursement)

¹ FACo Underwriter will determine the Extensive Rehab designation based upon review of the budget and project scope. Projects with > 50% may be classified as Rehab and projects ≤ 50% may be classified as Extensive Rehab based upon the Underwriter's review.

The Finance of America Commercial LLC (FACo) Fix & Flip Product Matrix and Required Document Checklist is for informational purposes only and is subject to change. FACo reserves the right amend its underwriting guidelines in its sole discretion without notice. Loans are subject to investor and business credit approval, appraisal and geographic location of the property and other underwriting criteria. Loan amounts and rates may vary depending upon loan type, LTV, verification of application information and other risk based factors. Application fees, closing costs and other fees may apply. The Matrix is not for reproduction or distribution without FACo's prior written consent.



FINANCE of AMERICA
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facoinfo@financeofamerica.com

Exposure limits and property loans are subject to investor and business credit approval, appraisal and geographic location of the property and other underwriting criteria. Loan amounts and rates may vary depending upon loan type, LTV, verification of application information and other risk based factors. Application fees, closing costs and other fees may apply.

- ¹ FAcO Underwriter will determine the Extensive Rehab designation based upon review of the budget and project scope. Projects with > 50% may be classified as Rehab and projects ≤ 50% may be classified as Extensive Rehab based upon the Underwriter's review.
- ² Fund Control is an enhanced set of risk controls implemented post-closing during the draw process. On all transactions, our third party construction management vendor will evaluate site inspections, change orders, and budget monitoring. When required, they will also collect lien waivers and review title date downs.
- ³ Each loan is subject to property approval under Finance of America Commercial terms and conditions. Each property has an individual secured loan.
- ⁴ Loans > \$2MM have a max LTC of 60%. Loans > \$1MM ≤ \$2MM have a max LTC of 85%. Borrowers with 0-2 experience will be capped at \$1MM.
- ⁵ Full Balance is interest charged against the full note amount regardless of the amount of funds actually disbursed.
- ⁶ Drawn Balance option is subject to a loan-level pricing adjustment (LLPA) based upon the Investor Experience count applicable. Drawn balance is interest charged against only the amount of the note amount that has actually been drawn.
- ⁷ Soft Costs have specific requirements based upon Investor Experience Tier. See underwriting guidelines for complete details.
- ⁸ Required on Fix & Flip Extensive Rehab with Soft Costs.
- ⁹ Amount available to qualify towards liquidity will be determined by the current lender guidelines.
- ¹⁰ A 3rd Party Budget Feasibility review is required on standard rehab when the budget (excluding contingency) exceeds the greater of \$50,000 or 25% of the cost basis/ value of the property, or when the scope of the project is not cosmetic in nature.

REVISED 08.02.2021