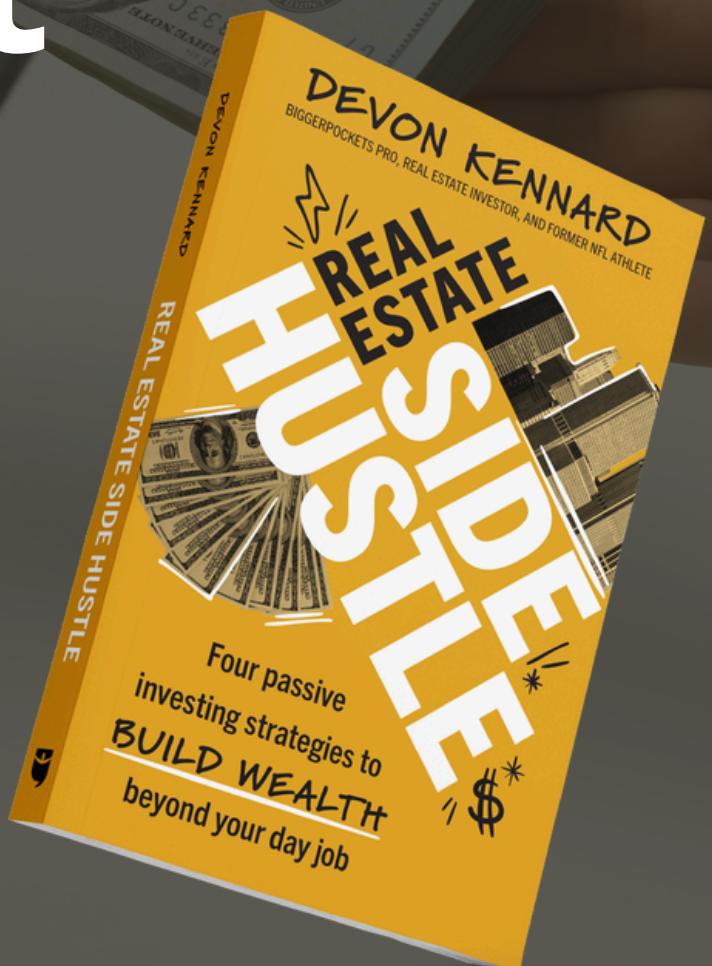


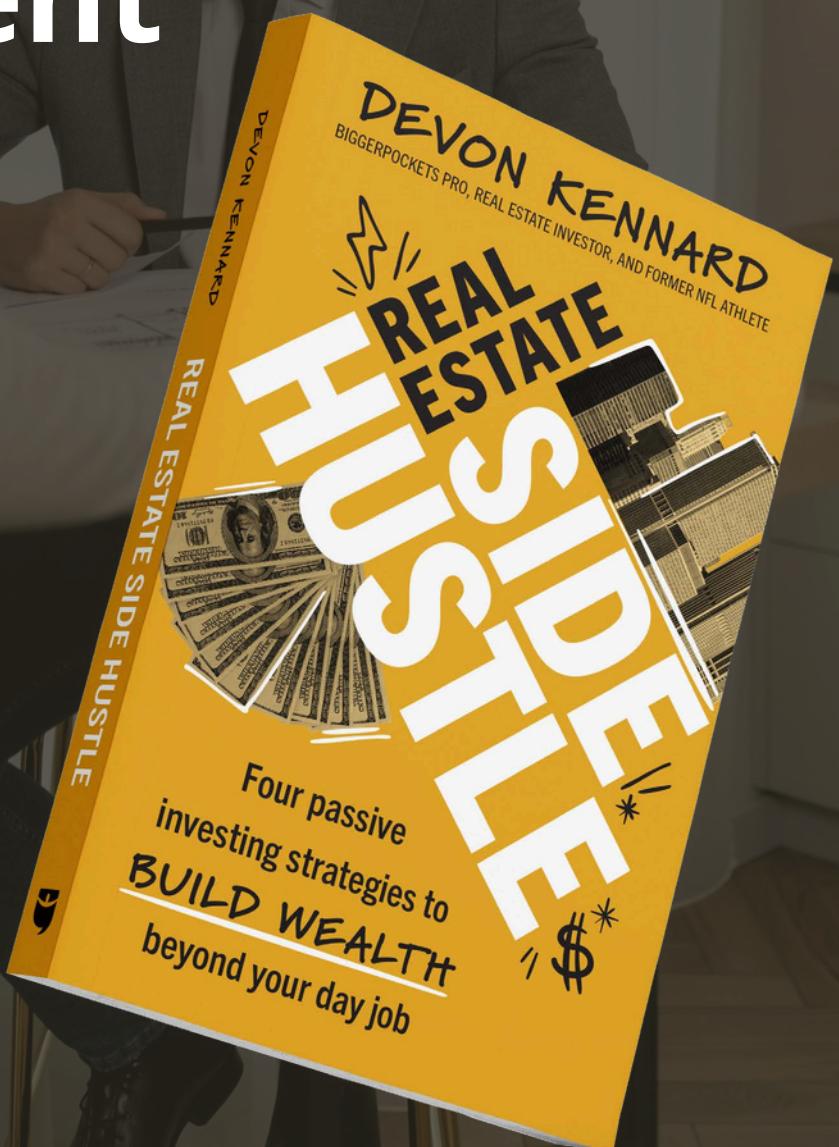


# Private Lending Toolkit





# Business Purpose and Occupancy Statement



# Business Purpose and Occupancy Statement

Before me, the undersigned duly authorized to take acknowledgments, and administer oaths, personally appeared the undersigned Borrower(s), who upon being duly sworn on oath stated the following:

- 1. The property is/will not be owner-occupied.** The Property will not be occupied or claimed as a Primary or Secondary Residence by any of the Borrowers and may produce revenue. Each Borrower(s) now owns, resides, uses and claims another property or properties as Borrower(s) Primary Residence.
- 2. Lender is originating the Loan in reliance upon the occupancy status indicated above. Should the occupancy status not be represented above,** and in consideration of Lender making the Loan, I/We hereby agree to indemnify Lender and hold Lender harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorney's fees, to which the Lender may be put or which Lender may incur by reason of or in connection with my/our failure to provide the correct representation as to occupancy. Borrower(s) understands that Lender may be entitled to receive from Borrower(s) at least an amount sufficient to reduce the principal amount of the Loan to the maximum amount allowed for non-occupant owners under applicable regulations or industry guidelines.
- 3. Borrower(s) also understands that any false statements, misrepresentations or material omissions may result in civil and criminal penalties**
4. Agreements and covenants contained herein shall survive the closing of the Loan.
5. The undersigned Borrower further hereby states and warrants that the above transaction is for a business or commercial purpose and is specifically **exempted under 12 CFR §1026.3(a) of Regulation Z implemented by the Consumer Financial Protection Bureau and under 15 U.S.C.A. §1603 of the Consumer Credit Protection Act, ("Truth-in-Lending Act")**, and that no disclosures are required to be given under such regulation and federal law in connection with the above transaction.

**BORROWER(S):** \_\_\_\_\_

**PROPERTY ADDRESS:** \_\_\_\_\_

**Borrower Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Co-Borrower Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Email:** \_\_\_\_\_ **Phone:** \_\_\_\_\_

# Business Purpose and Occupancy Statement

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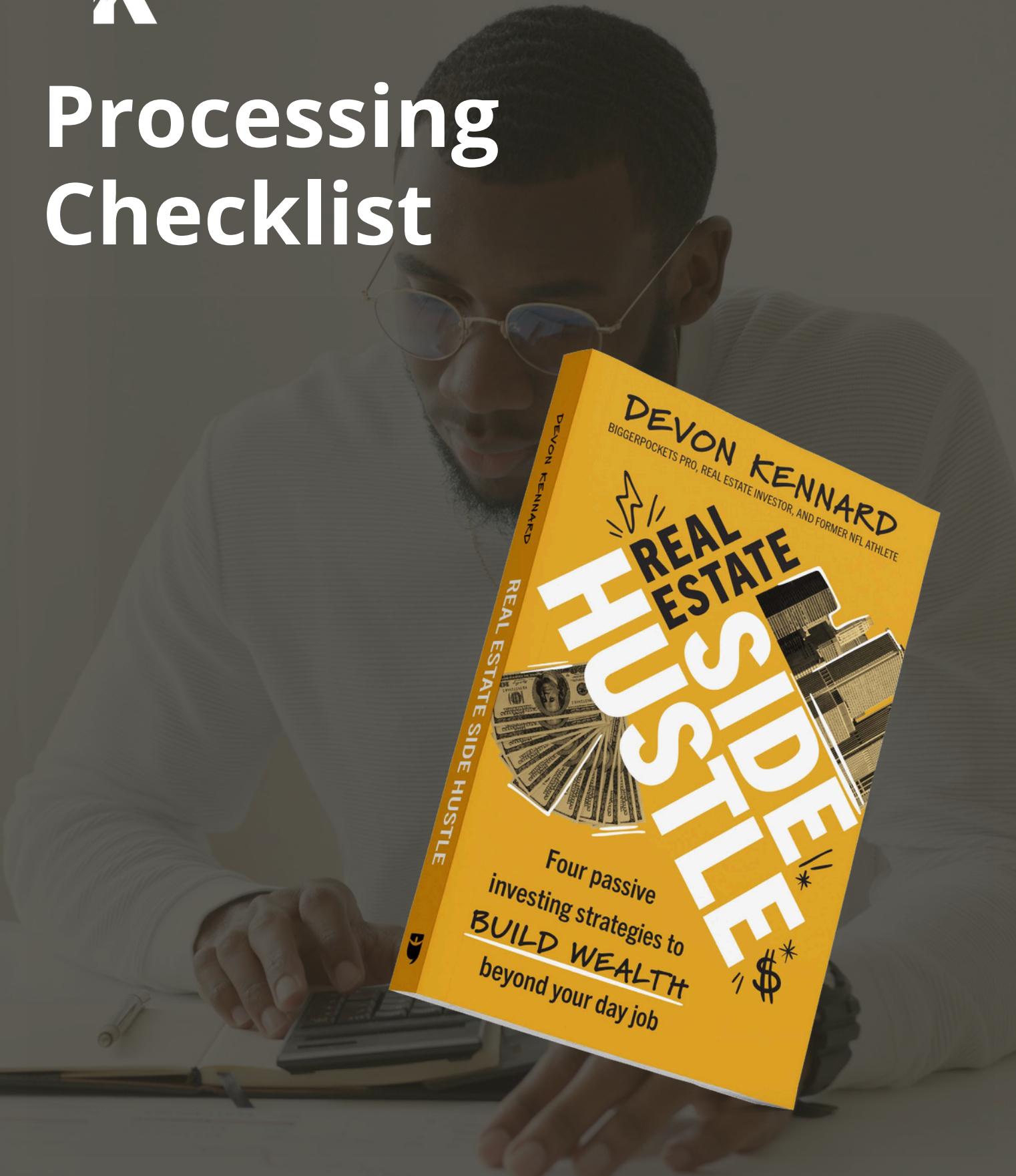
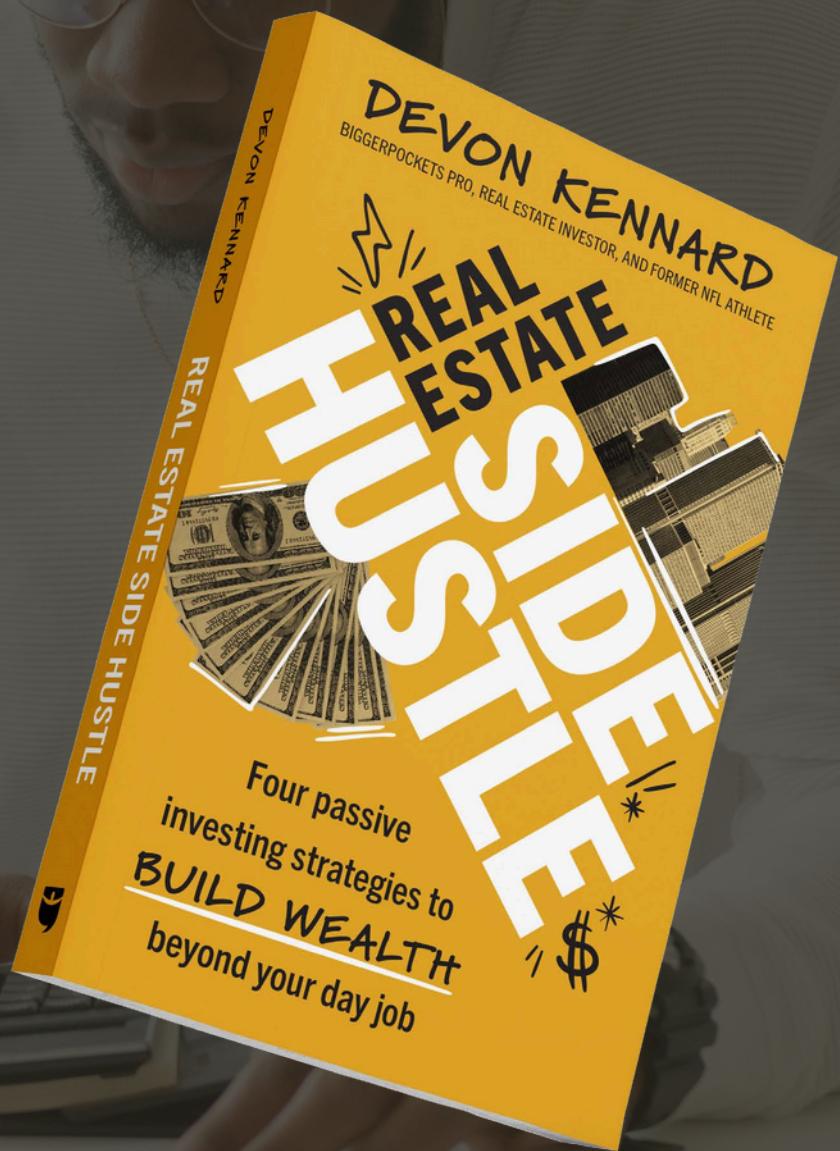
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# Processing Checklist



# Processing Checklist

Borrower(s) identification (copy of driver's license)

Contact information for the borrower(s)—phone, address, email

Current credit score (screenshot acceptable)

Title commitment from the closing company with contact information

Purchase & Sale. Contract (PSA)

Business entity documentation—most recent Operating Agreement, Article of Incorporation/Certificate of Formation, and EIN Letter

Signed copy of Term Sheet, Non-Owner Occupancy Letter, and Borrower Strategy Letter

Bank statements showing proof of funds to make payments and/or pay back loan (screenshot of bank account balance acceptable)

Schedule of real estate owned (prior owned properties if you are a fix-n-flipper)

Rehab budget/bids from general contractor

Current interior and exterior pictures (can be an online link or file folder)

Hazard insurance binder/declaration page (including lender as mortgagee/loss payee on policy)

Flood zone established as "X" or flood insurance coverage/elevation certification if needed

Property valuation (comps, CMA, BPO, appraisal, online valuation vendor)

Contact Information on main vendors (real estate agent, general contractor, title company, insurance company)

Contact information on previous lenders (if requested for a reference)

# Processing Checklist

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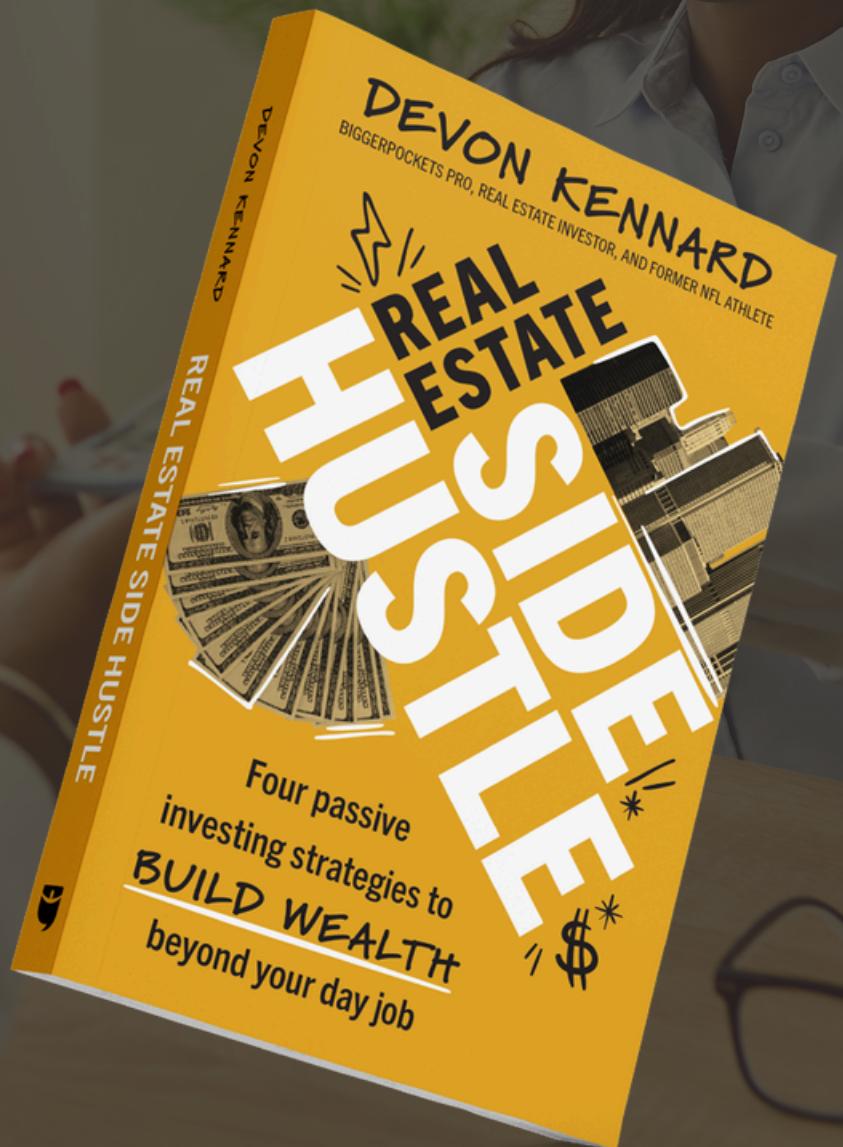
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# Borrower Strategy Letter



# Borrower Strategy Letter

Borrower(s) Name(s):

---

Property Address:

---

I understand I am applying for a business or commercial purpose investment loan.

Yes  No

**The subject property**  is  is not owner-occupied.

**What is your plan for this property?**  Rental  Flip  Bridge  Other \_\_\_\_\_

**Personal Information:**

**Company Name:** \_\_\_\_\_

**Name of ALL Shareholder(s):**

---

---

**Email of ALL Shareholder(s):**

---

---

**Phone # of ALL Shareholder(s):**

---

---

**How many deals have you completed in the last 36 months?**

---

# Borrower Strategy Letter

**Estimated Credit Score:** \_\_\_\_\_

**How long have you been investing?**

---

**Have you had a foreclosure, deed in lieu, or short sale in the past 7 years? If so, explain.**

---

---

**Property Address:**

---

---

---

**Property Type:**  Single Family  Small Multifamily  Commercial

**Number of Bedrooms (specify units if multifamily):**

---

**Number of bathrooms:** \_\_\_\_\_

**Total square foot of property:** \_\_\_\_\_

**Projected closing date:** \_\_\_\_\_

**Loan Term:**  6 Months  12 Months

**Purchase Price:** \_\_\_\_\_

# Borrower Strategy Letter

**Requested Loan Amount:** \_\_\_\_\_

**Rehab/Repairs:**

NO Rehab Needed  I need funding for Rehab/Repairs  I will self-fund the rehab/repairs

**Exit Strategy:**  Sell  Refinance

**Attorney/Title Company Name and Contact Information:**

---

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**Insurance Company Name and Contact Information:**

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---

**Any other details on strategy/plan:**

---

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---

---

# Borrower Strategy Letter

---

**Entity / Company Name (if applicable)**

---

**Borrower / Authorized Signer Name (print)**

---

**Co-Borrower / Authorized Signer Name (print)**

---

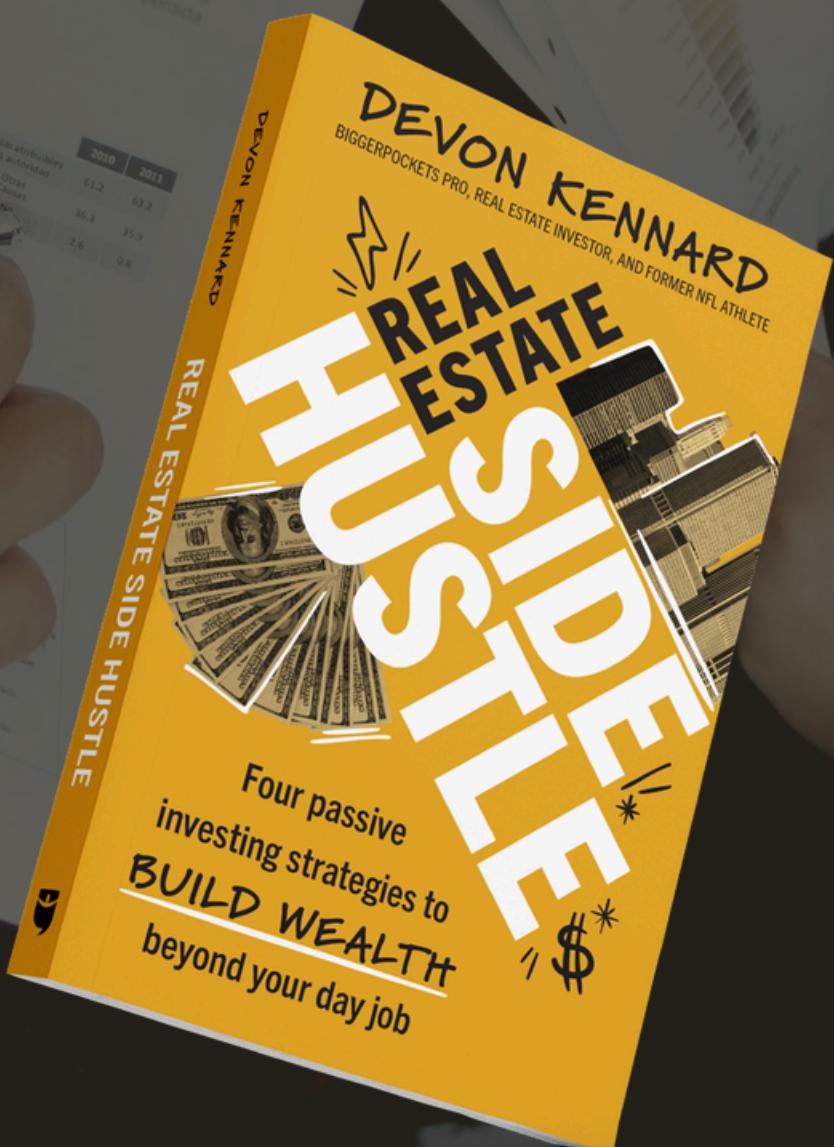
**Borrower / Authorized Signer Signature      Date**

---

**Co-Borrower / Authorized Signer Signature      Date**



# 8 CORE PML Loan Docs



\*This is to serve only as an example and starting place. I am not a lawyer and I recommend that you work with one to determine what loan documents you will need. The documents you choose should be highly specific to your needs, risk tolerance, location of loans, and so much more. Additionally, the required documents may differ depending on the state in which you are lending.\*

- **Deed of Trust or Mortgage**—Legal documents used to secure a loan with the property. Which document you need will depend on the state you are lending in. The title company should prepare this document. This document is meant to secure the loan on real property.
- **Term Sheet**—This is a non-binding document that outlines the terms and conditions of the loan. It is usually a 1-2 page document.
- **Personal Guaranty**—A legal commitment by an individual to personally repay a debt if the primary borrower (such as an LLC) defaults on the loan. This makes the borrower personally liable to repay the loan.
- **Promissory Note**—This is essentially a formalized IOU that includes the terms of the debt. It serves as a formal, legally binding agreement that outlines the terms of the loan.
- **Loan Agreement**—A detailed legally binding contract between a lender and a borrower that outlines all of the terms and conditions of the loan. It provides detailed information about the obligations and rights of both parties involved.
- **Non-Owner Occupant Letter**—A letter that confirms that the borrower (or none of the guarantors) does not plan to live in the property that is being financed. This ensures that the borrower will NOT be living in the property at any point in time and the property is solely for investment purposes.
- **Indemnification Agreement**—A contract that states that the borrower agrees to protect the lender against any losses, damages, or liabilities involving the property during the course of the loan.
- **Settlement Statement (a.k.a. Closing statement or HUD-1 form)**—A document that outlines all of the final financial terms and costs involved in a real estate transaction. It itemizes all the fees, costs, credits, and payments involved in the transaction.

# 8 CORE PML Loan Docs

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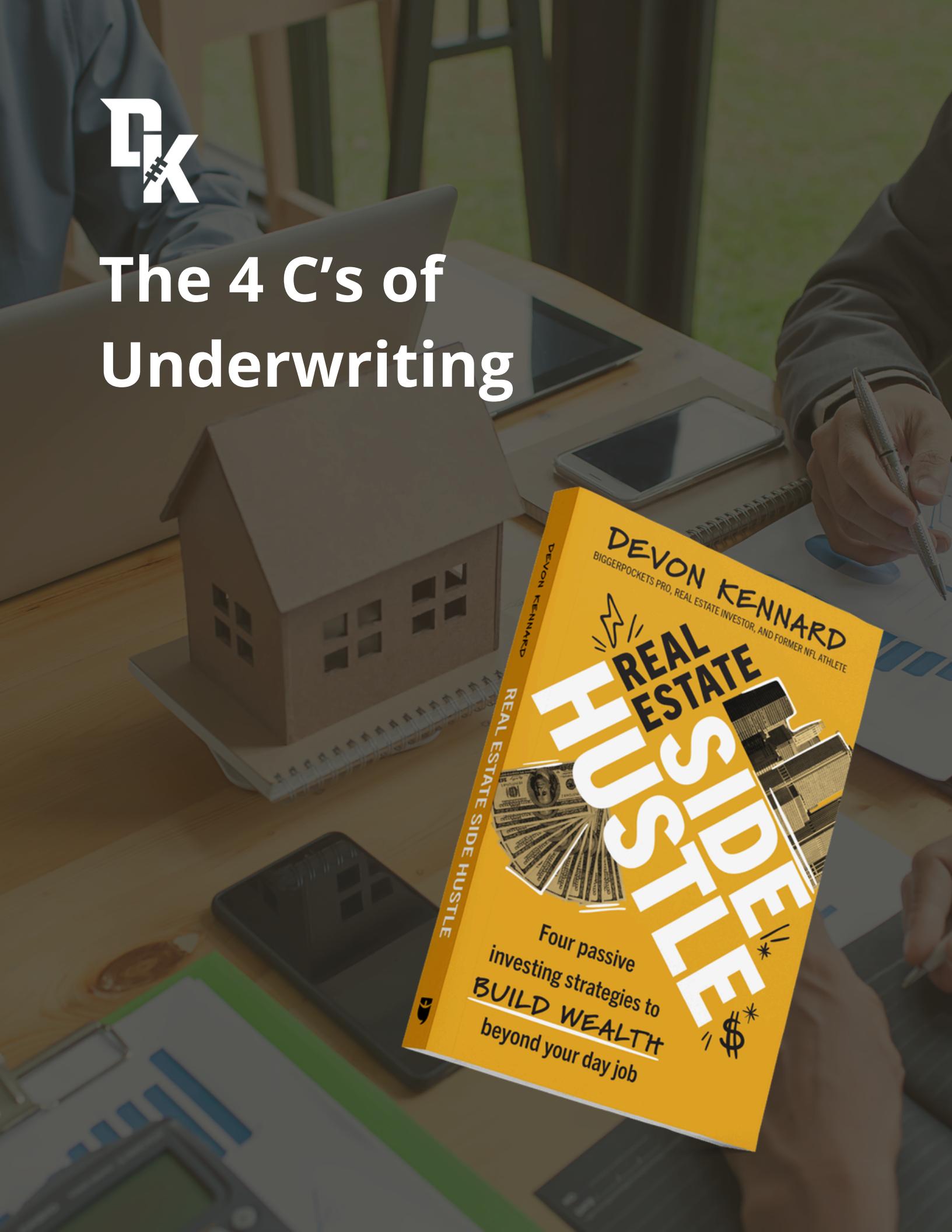
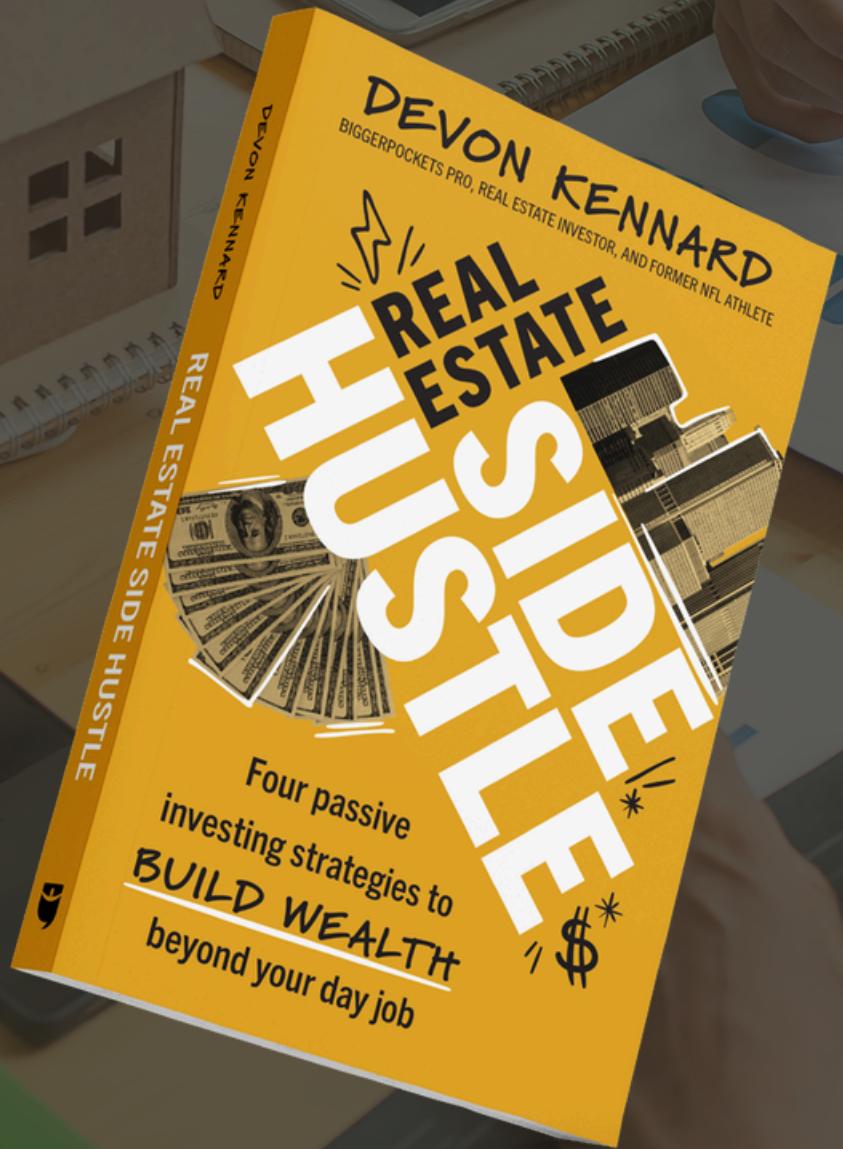
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# The 4 C's of Underwriting



# The 4 C's of Underwriting

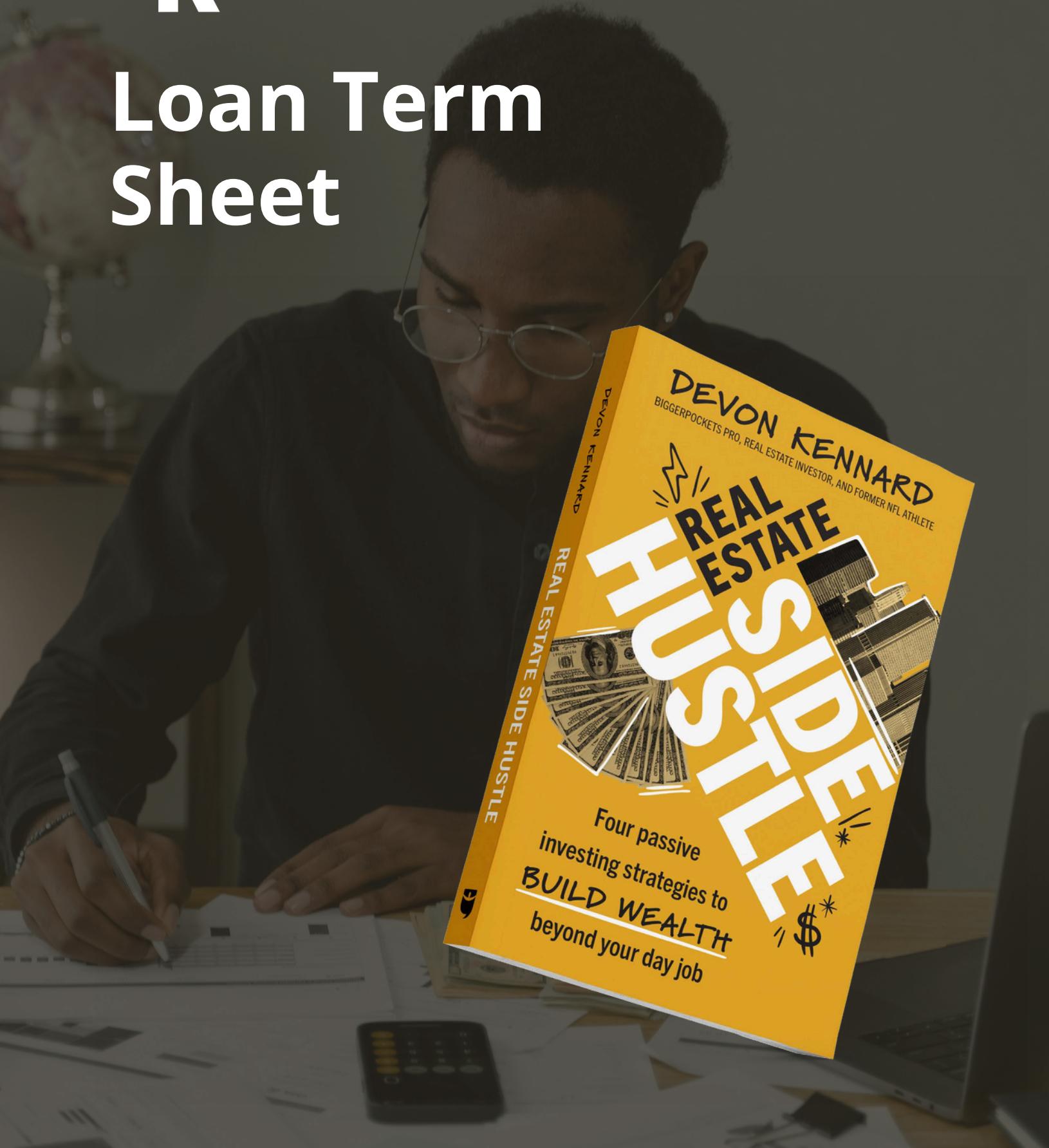
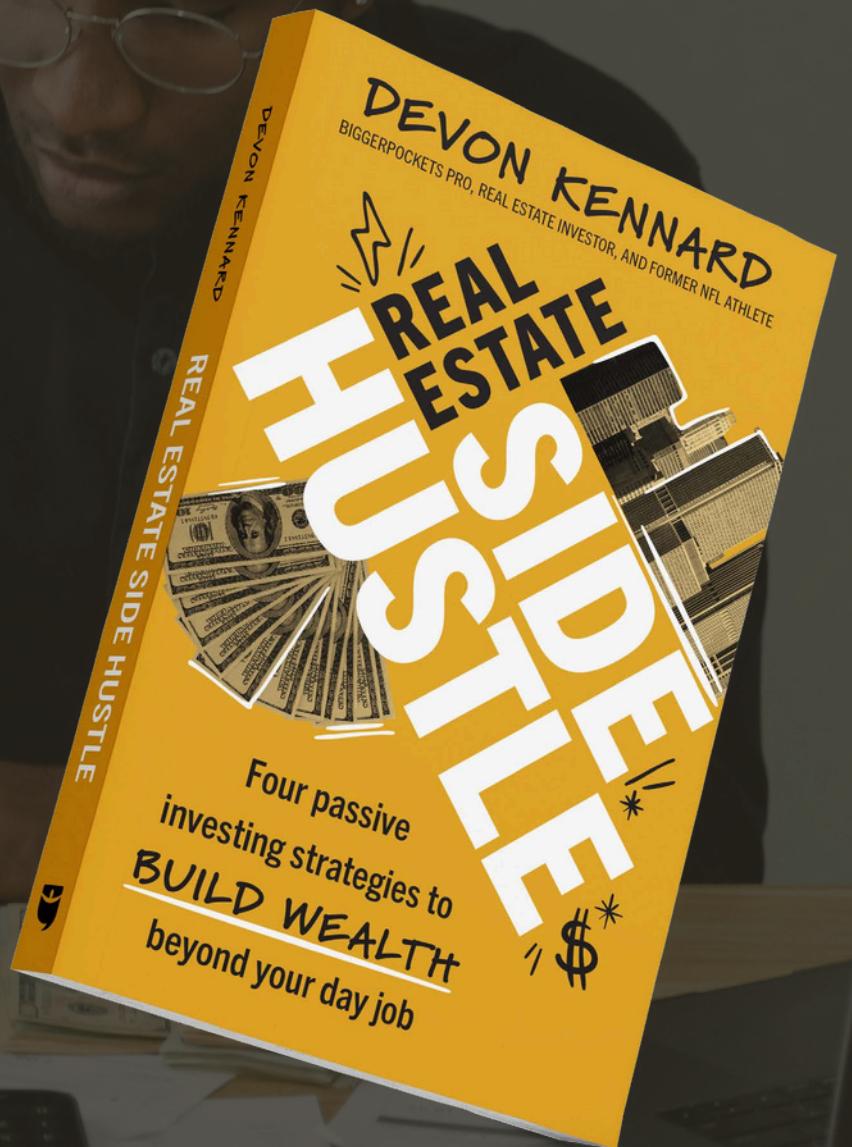
In real estate lending, assessing the risk and viability of a deal is crucial. At the core of this process are the 4 C's of Underwriting—Collateral, Character, Capacity, and Credit. These four pillars help evaluate the property, borrower, financial strength, and credit history to ensure that each investment is sound and secure. By analyzing these factors, lenders can make informed decisions that protect both their capital and the success of the borrower.

- **Collateral:** Evaluating the Property and Deal
  - What's the property worth? Is it appraised properly?
  - What's the LTV (Loan-to-Value)? Ensuring there's enough equity.
  - Is the deal solid? We assess market trends, location, and property conditions.
- **Character:** Evaluating the Borrower
  - Who's behind the deal? We look into the borrower's reputation and track record.
  - Can they be trusted? We assess their reliability based on past projects.
- **Capacity:** Assessing Experience and Financial Strength
  - Do they have the experience? We check if they've successfully executed similar deals before.
  - Do they have the financial strength? We review their financials to ensure they can handle any challenges.
- **Credit:** Ensuring Debt Repayment
  - What's their credit history? We review creditworthiness to ensure timely payments.
  - Are they responsible with debt? Past behavior can predict future actions.

At 42 Solutions, we use these 4 pillars to ensure smart, safe investments.



# Loan Term Sheet



# Loan Term Sheet

## BORROWER INFORMATION

Borrower Name: \_\_\_\_\_

Marital Status: \_\_\_\_\_

Borrower Phone: \_\_\_\_\_

Borrower Email: \_\_\_\_\_

Home/Mailing Address: \_\_\_\_\_

Co-Borrower Name (if applicable): \_\_\_\_\_

Borrower Business Name (if applicable): \_\_\_\_\_

## PROPERTY INFORMATION

Property Address: \_\_\_\_\_

Property Type: \_\_\_\_\_

## LOAN INFORMATION

Total Requested Loan Amount: \_\_\_\_\_

Interest Rate: \_\_\_\_\_

Loan Term: \_\_\_\_\_

Lien Position: \_\_\_\_\_

Monthly Loan Payment: \_\_\_\_\_

## LOAN FEES

Origination Fee: \_\_\_\_\_

Other Lender Fees: \_\_\_\_\_

Third-Party Fees (e.g. servicing): \_\_\_\_\_

## OTHER LOAN CONDITIONS:

- **Pre-payment Penalty: Yes/No**
- **No junior liens allowed**
- **Subject to non-owner occupancy**

PLEASE NOTE: The following terms are conditional and subject to property valuation, clear title report, verification of borrower provided information, and other due diligence. Terms may be subject to change at the lender's discretion.

## **Late and Default Fee Structure**

## LATE PAYMENTS AND FEE STRUCTURE

- Five business days after due date is considered late.
- A 10 percent fee of the monthly payment is added on once reach fifth business day.
- Once reach tenth business day an additional 10 percent fee of the monthly payment will be added on

## DEFAULT PAYMENT & FEE STRUCTURE

- We consider a borrower has defaulted on his loan after being late ten (10) business days.
- At that time a balloon payment for entire loan amount and interest will be due immediately.
- The default penalty fee is 3 percent of the total loan amount.
- An additional 3 percent will be added onto the loan every fourteen (14) days that the total loan amount and interest isn't paid.

Entity / Company Name (if applicable)

---

Borrower / Authorized Signer Name (print)

---

Co-Borrower / Authorized Signer Name (print)

---

Borrower / Authorized Signer Signature

Date

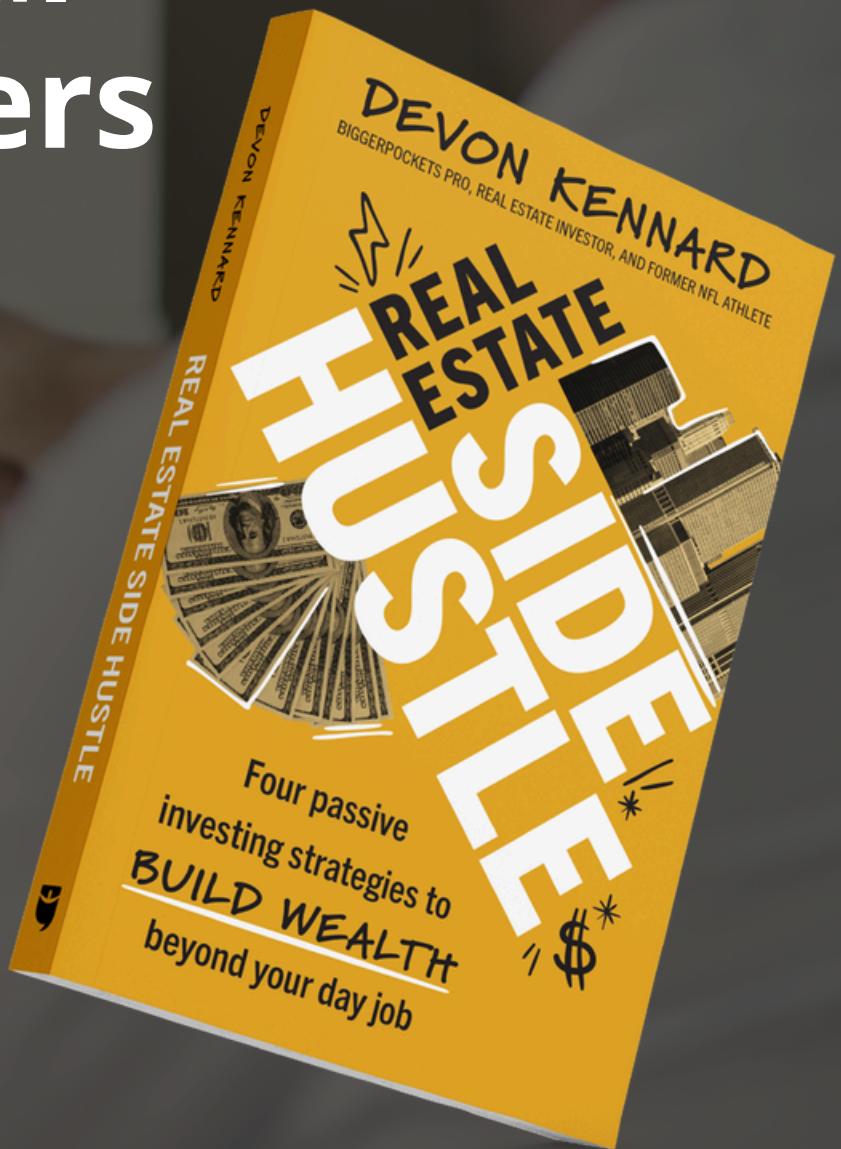
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Co-Borrower / Authorized Signer Signature

Date



# 10 Scripting Questions With Potential Borrowers

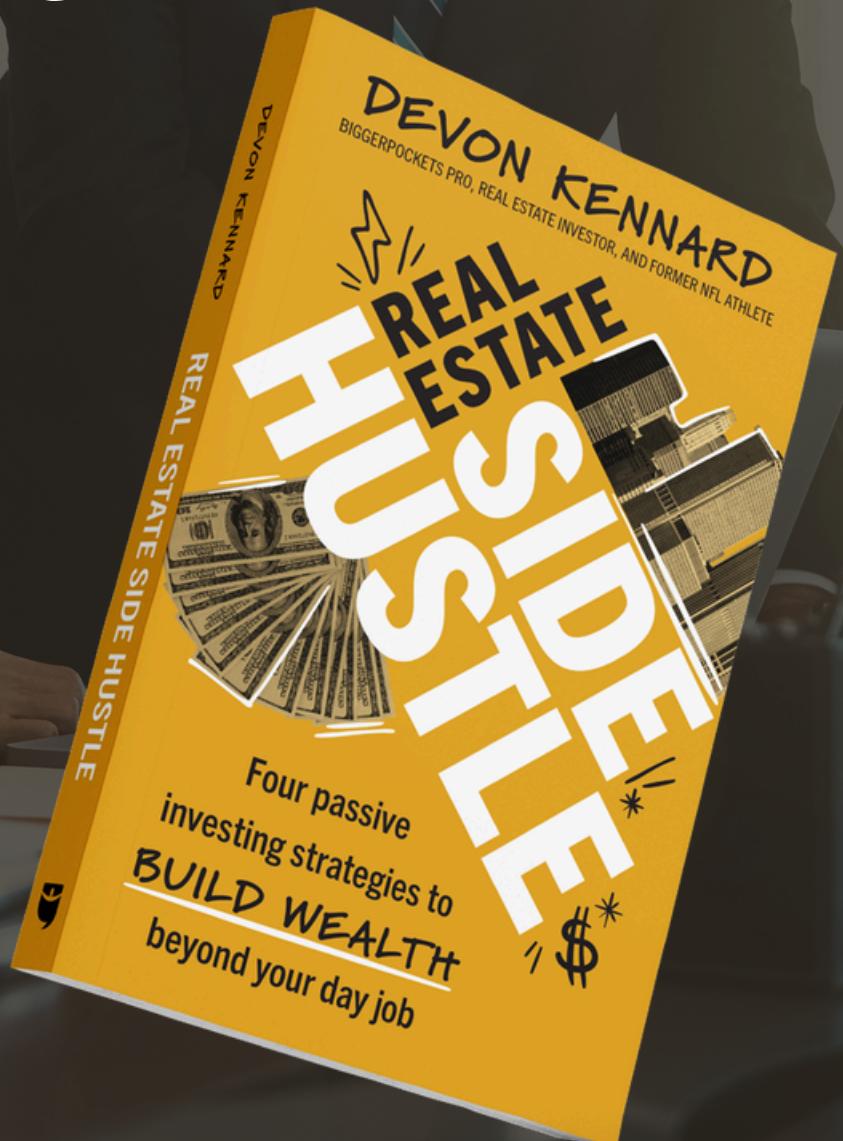


## 10 Scripting Questions

1. What is the property address?
2. What is the purchase price?
3. What is the rehab budget?
4. What is the ARV?
5. What is the As Is Value?
6. When do you need to close?
7. What is your experience level? How long have they been fix and flipping?
8. Have you done a similar deal to this before? Same area?  
Price point?
9. What is your credit score?
10. How much liquidity do you have?



# Private Lending Jumpstart Checklist



## Software

- Quickbooks:** I recommend starting a Quickbooks account and handle bookkeeping personally or work with your accountant and/or hire a bookkeeper. Track profit/loss statements as well as a balance sheet for your lending business to know exactly how much money is being earned and spent and the liquidity levels of your business.
- Baseline Software (Private Lending Tool):** There are many loan origination and loan servicing software companies out there but the one I am currently using and recommend is Baseline Software. For those who decide to become private lenders on your own Baseline Software is a one stop shop for everything you will need to do within the private lending space
- Google Drive:** There are many different storage services out there (Dropbox, iCloud, OneDrive) so this is based on your preference but I personally like Google Drive best for general document management. You can store documents in baseline software but I like having major company documents like SOPs stored in a google drive where everyone on my team can access.
- Lightning Docs:** is a platform designed by Geraci Law Firm (a leader in representing private and hard money lenders). Lightning Docs is a cloud based system that is designed to automate the creation of loan documents for private and hard money lenders. This platform streamlines the loan creation process by reducing the time and money spent on getting fully executable loan docs.

## Team Members

- Accountant:** Someone who understands real estate and how to benefit from tax law
- Lawyer:** Someone to write and review contracts and legal documents to ensure you're protected when providing loans. I recommend using Geraci Law Firm, they specialize in representing private and hard money lenders.
- Bookkeeper:** Someone to keep you financially organized and aware
- Virtual Assistant:** Someone to handle all administrative work on your behalf regarding the business.

As your private lending business scales you will likely want to hire a transaction coordinator, underwriter and someone to handle servicing but when you are just starting you can get excel with this team of 4 and yourself!

# Loan Term Sheet

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