BREAKING DOWN CLOSING COSTS

5.30.23

Permanent Loans

Purchase

Ex 1:

Loan Terms:

-Max LTV=70% with real estate experience not including his primary residence meaning he has to own 1 other rental property already.

-Loan Amount: $1,050,000.  
- Interest Rate: 11.24% at Par. For every 1 point the client pays the lender the rate goes down by .375 bps.

-30 Year Fixed Term and Amortization.

-Pre-Payment Penalty: 5%, 4%, 3%, 2%,1%.

-This lender allows up to an 80% CLTV, so the borrower can get a 2nd mortgage for 10% or the seller can provide a seller 2nd mortgage.

Rough Break Down of Closing Costs:

Purchase price: $1,500,000

As-Is Value of Property: $1,700,000  
Loan amount: $1,050,000  
Monthly Mortgage payment (Principle & Interest): $10,190.27

-Down money: $450,000  
-$2,995 lender closing fee

-Lender Environmental Fee: $2,600  
-2 broker points= $21,000  
-Title insurance estimate ($4,000). Just an estimate, you want to check with you closing company  
-Property insurance ($960). Needs to be paid in full for 12 months on the day of closing. This is just an estimate and is based on the loan application stating property insurance would be $80/mo.

$481,555 needs to be brought to closing. This lender also requires 6 months of PITI payments as reserves. Besides the down money we need to be able to provide them a bank statement showing an additional 6 months of mortgage payments on hand; $61,141.62 to meet the lender reserve requirement.

Appraisal is upfront and would be around $2,900.00. That is the only item paid for upfront after borrower signs the lender issued (LOI) Letter of Intent.

Ex. 2:

Purchase price: $500,000

Loan amount: $350,000

Monthly Mortgage payment: $2,568.18

-Down money: $150,000  
-$1995 lender closing fee  
-3 broker points= $10,500  
-Title insurance estimate ($2,000). Just an estimate, you want to check with you closing company  
-Property insurance ($2,000). Needs to be paid in full for 12 months on the day of closing. This is just an estimate. I am not sure where you are in your insurance billing cycle.

$166,495 needs to be brought to closing. This lender also requires 6 months of PITI payments as reserves. Besides the down money we need to be able to provide them a bank statement showing an additional $15,409.08 to meet their reserve requirement.

Refinance

Loan Terms:

$350,000 loan amount  
-Debt on Property $217,500  
-$1995 lender closing fee  
-3 broker points= $10,500  
-title insurance estimate ($2,000). Just an estimate, you want to check with you closing company  
-Property insurance ($2,000). Needs to be paid in full for 12 months on the day of closing. This is just an estimate. I am not sure where you are in your insurance billing cycle.  
$116,005 cash out

Some of our lenders even on a refinance cash out transaction require the borrower to have a certain amount of cash on hand in order to close the deal. I know this sounds crazy but they do!

Constructive Multiple Rental Loans:

**14345 Park Ave:**

•  Loan Type: Portfolio Permanent Refinance Cash-Out

•  Loan Amount: $ 150,000

•  LTV: 75% (2.3 DSCR)

•  Rate: 6.125%. If he wants to pay 1 lender point the rate will go down .25 in rate= $5.875.

•  Term: 30 Year Fixed 30 Year Amortization

•  Monthly PITI Payment Estimate: $1,542.25

•  Pre-Pay 5%, 4%, 3%, 2%, 1% for 60 months

•  Broker Origination: 2%

Break Down of Closing Costs with the 1 lender buy down point:

Estimated Property Value: $200,000

75% LTV= $150,000 loan amount

-Debt on property: $51,000  
-1 Lender point= $1,500  
-Lender doc prep fee= $225  
-Lender Closing fee= $995  
-Brokers points: 3 pts= $4,500

Estimated Cash out= **$91,780**

**MBFS:**

Loan Terms:  
-Rate should be 4.0-4.25% which are fixed for the first 5 years.  Rate will adjust every 5 years indexed to prime plus .75%. Prime is currently 3.25% (as of Feb 11th), hasn't changed since then.  
-LTV= 75%  
-Loan Amortization: 25 years  
-Term up to 15 years (Loan balloons after that)  
-No prepayment penalty  
  
Rough Break Down of Closing Costs:  
Estimated Value of Properties= $1,650,000  
-75% LTV Loan Amount= $1,237,500  
-Pay off on Properties= $805,000  
-1 lender point origination fee: $12,375  
-1 broker point origination fee: $12,375  
-Title Insurance: $3,500 (estimate, check with your local title company you want to use)  
-Property Insurance: $6,000 (estimate, this just needs to be paid in full for one year on the day of closing. I am not sure where you are in your insurance billing cycles on each property.)  
$398,250 would be your estimated cash out.

Rehab

Purchase 1. Temple View.

Quote (Based on loan amount of $486,250, which is 75% of PP and 100% of rehab):  
Purchase Price ($) 515,000  
Rehab Cost? ($) 100,000.00  
Current Fair Market Value: $693,000  
ARV (After Repair Value) of property: ($) 750,000.00  
  
-75% of purchase price funded at closing: **$386,250**  
-15% upfront draw at closing (based on 15% of purchase price, since that is less than the as-is value): $77,250  
-100% of rehab funded= $100,000  
-25% down money on purchase: $128,750  
-10%, interest only loan  
-Lender is offering a 9 month term on this deal, but they do 6-24 month terms as well.  
-Quote is based on 3 investment properties sold in past 3 years and 3 current leased rentals  
-2 lender points: $9,725  
-$999 Lender closing fee ($199 is paid upfront to do a credit and background check. The remaining balance of $800 is due at closing)  
-Doc & Legal Review Fee - $125.00  
-Tax Service & Onboarding Fee: $89.00  
-2 broker point: $9,725  
-Title Insurance: $2,500 (estimate, you need to check with your title insurance representative)  
-Property Insurance: Needs to be paid in full for term of loan: $2,500 (estimate, you need to check with your property insurance representative)  
-3 months of interest only payments escrowed at closing. Borrower will not make a mortgage payment until month 4 then. (Based on a 1 year interest only loan amount for $486,250, at 10%, the monthly interest only payment is $4,052.08.3 months of mortgage payments paid at closing is $36,468.72).  
  
$112,632.72 you would roughly need to bring to closing. I just added up all the numbers in Red and minus-ed the upfront draw in blue, to come up with this number.

**$189,882.72**  
  
The below mortgage calculator is how I figured out what your monthly interest only payment would be.  
  
<https://www.mortgagecalculator.org/calcs/commercial.php>

Purchase 2. LendingHome. Now known as Kiavi

FIX & FLIP QUICK DEAL ANALYZER

Purchase Price: $122,300

Rehab Budget: $30,000

ARV: $255,000.00

LTC: 90%

Total Project Cost: $152,300

Total Loan Amount: $137,070

Rehab Holdback: $30,000

Interest Rate: 11.5%

Term: 13 months

Monthly Payment: $1313.59

Down Payment: $15,230

Origination Fee: $2056.05

Broker Fee: $4112.10

Processing Fee: $500.00

Cash Due at Closing: $21,898.15

Assets Required: $32,779.68

Purchase RCN

Below is a Purchase + Rehab loan offer and the lender only charges interest on money you draw down on. This loan offer is for property address 518 El Court Pittsburgh, Pennsylvania 15208.

Numbers on loan:

Purchase Price: $460,000  
Current Fair Market Value: $650,000  
Rehab Cost: $300,000  
ARV (After Repair Value) of property: ($)1,600,000

Loan Terms: (Based on Loan amount of $645,000)  
-Initial Loan amount on purchase: $345,000 (75% of the purchase price)  
-10.74%, interest only loan  
-Monthly mortgage interest only payment= Depends on what you draw down on.  
-12 month term, again interest only  
-Quote is based on a mid fico score of 760 and an experience level of 3 (3 fix and flips done in the past 36 months).

Rough Break Down of Closing Costs:  
-Initial Loan Amount: $$345,000 (75% of the purchase price)  
-Down Payment: $115,000  
-Origination Fee: $20,962.50 (3.25% or points)  
-Legal Fee: $995  
-Underwriting Fee: $495  
-Title Insurance: $3,000 (estimate, check with your local title agent)  
-Property Insurance: $3,000 (estimate, needs to be paid in full for 1 year I am not sure where you are in your billing cycle)  
$143,452.50 is the estimated cash you need to bring to closing.

The lender will also verify you have $58,000 of cash reserves on hand to start the rehab.

Please note that all appraisals are paid for upfront.

Refinance. Temple View

Current Fair Market Value: $134,000

Rehab Cost: $41,000  
ARV (After Repair Value) of property: ($)165,000  
Current Debt: $0  
75% ARV Cap: $123,750  
  
Quote (Based on loan amount of $123,750)  
-12%, interest only loan  
-Lender is offering a 12 month term on this deal  
-Quote is based on 1 investment properties sold in past 3 years and a mid fico score of 650

-100% of the rehab can be financed as long as the total loan amount does not exceed 75% of the After repair value, which on this loan is $123,750.  
-70% of the as value: **$93,800**

**-Rehab review fee $695**  
-Debt on property: $0  
-3 lender points:$3,712.50  
-$999 Lender closing fee ($199 is paid upfront to do a credit and background check. The remaining balance of $800 is due at closing)  
-Doc & Legal Review Fee -$125.00  
-Tax Service & Onboarding Fee:$89.00  
-3 broker points:$3,712.50  
-Title Insurance: $2,000 (estimate, you need to check with your title insurance representative)  
-Property Insurance: Needs to be paid in full for term of loan: $2,000 (estimate, you need to check with your property insurance representative)  
-12 months of interest only payments escrowed at closing. One Month of interest only payments at 12.5% interest is $1,289.06. 12 months of payments are $15,468.72.). The lender always escrows 3 months of mortgage payments. Any un-used payments over month 3 will be returned if property is sold or refinanced before the 12 months is up.

-Due to the cash out, the upfront draw is not available on the day of closing  
  
$65,892.28 borrower will roughly get cash out at closing.

Again the full $41,000 rehab budget can be financed 100% as long as the ARV comes back at $165,000 or higher.   
  
Please note that all appraisals are paid prior to underwriting.  
  
The below mortgage calculator is how I figured out what your monthly interest only payment would be.  
<https://www.mortgagecalculator.org/calcs/commercial.php>

Refinance + Rehab (RCN)

Dear Blandina,

Thanks for your time today. Below is how I like to explain our refinance + rehab loan offers. This loan offer is for property address 431 N Genesee St. Waukegan, Illinois 60085.

Numbers on loan:  
Current Fair Market Value: $100,000  
Rehab Cost: $100,000  
ARV (After Repair Value) of property: ($)175,000  
Current Debt: $0

Initial Purchase Price: $70,000

Original Purchase Date: 09-12-2018  
  
Loan Terms: (Based on Loan amount of $91,875)

-Loan amount of $91,875  
-10.49%, interest only loan

-Monthly mortgage interest only payment= $803.14  
-12 month term, again interest only  
-Quote is based on a mid fico score of 700 and an experience level of 4 (2 current rentals, and 2 fix and flips done in the past 36 months).  
  
Rough Break Down of Closing Costs  
-As-Is Value of property: $100,000  
-Initial Loan Amount: $57,500 (57.5% LTV)  
-Debt on property: $0  
-Origination Fee: $4,593.75  
-Legal Fee: $995  
-Core Logic: $89.00  
-Overnight Delivery Fee: $25.00  
-Tax Service Fee: $85.00  
-Wire Fee: $20.00  
-Title Insurance: $1,500 (estimate, check with your local title agent)  
-Property Insurance: $1,000 (estimate, needs to be paid in full for 1 year I am not sure where you are in your billing cycle)  
$49,192.25 is the estimated cash out you will walk with at closing and you can use this money to start the rehab on this property. You are not bringing any money to closing since your closing costs are being taken from your initial cash out amount (which is 57.5% of the **as is appraised value of the property**).

We can also extend you an additional $34,375 for rehab funds after you go through the first $49,192.25.  
  
Please note that all appraisals are paid for upfront.  
  
The below mortgage calculator is how I figured out what your monthly interest only payment would be.

<https://www.mortgagecalculator.org/calcs/commercial.php>

Bridge (works same as permanent)

Purchase

Purchase price: $500,000

Loan amount: $350,000

Monthly Mortgage payment: $2,568.18

-Down money: $150,000  
-$1995 lender closing fee  
-3 broker points= $10,500  
-Title insurance estimate ($2,000). Just an estimate, you want to check with you closing company  
-Property insurance ($2,000). Needs to be paid in full for 12 months on the day of closing. This is just an estimate. I am not sure where you are in your insurance billing cycle.

$166,495 needs to be brought to closing. This lender also requires 6 months of PITI payments as reserves. Besides the down money we need to be able to provide them a bank statement showing an additional $15,409.08 to meet their reserve requirement.

Refinance

$350,000 loan amount  
-Debt on Property $217,500  
-$1995 lender closing fee  
-3 broker points= $10,500  
-title insurance estimate ($2,000). Just an estimate, you want to check with you closing company  
-Property insurance ($2,000). Needs to be paid in full for 12 months on the day of closing. This is just an estimate. I am not sure where you are in your insurance billing cycle.  
$116,005 cash out

Ground Up Construction

Good afternoon, Jim.  
  
We just received another lender quote for you below, which I believe you will find more favorable.  
  
This lender will allow you to pay their lender fee on the back end and their rates are much lower. The way they structure is their rates and their rates across the board, starting at 4.99% in month 1, and increases .50% each month there-after maxing out at 7.99%.   
  
Based on the numbers below you meet the lenders 15% Equity requirement. Your loan amount cannot exceed 67.5% of the completed value, but based on the below numbers, it does not. 67.5% of the completed value would be a loan amount of $337,500 and you only need $245,000 for construction. The lender can fund 100% of the construction but it will be done in draws. You need to start the first draw with your own money, and then you would be reimbursed for those funds once every item that is a part of that draw is completed. You don't need to bring the first draw to closing necessarily but if the first draw will cost $50,000 for example, you would need to have that on hand to start construction.  
  
Breakdown of Closing costs

-Lot Cost, you already paid for: $67,500  
  
-Construction Cost: $245,000  
  
-Total Project cost is : $312,500  
  
-Completed Value: $500,000 ($337,500)  
  
-Lender can fund 100% of the construction, which is $245,000  
  
-Loan Amount: $245,000  
  
-2 broker points: $4,900  
  
-Title insurance on land ($1,000- estimate)  
  
-Builder’s Risk Insurance- Should be for 125% of the loan amount with Lender listed as additionally insured. The policy will need to include language that coverages will not be cancelled or diminished without at least 10 days prior written notice to Lender. (not sure what this costs you)  
- Commercial General Liability Insurance- Should be for $1 million per occurrence and $2 million aggregate with Lender listed as additionally insured. The policy will need to include language that coverages will not be cancelled or diminished without at least 10 days prior written notice to Lender. (not sure what this costs you)  
  
-\*Lender is charging 2 points (can be deferred to sale of property if you want) : $4,900  
-\*Lender has a $500 closing fee (can be deferred to sale of property if you want)  
-\*Interest only payments can also be deferred to the sale of the property!  
  
$5,900 roughly needs to be brought to closing

JV Lender CFRE

Dear Neil and Rebecca,

I have a Loan offer from our JV Rehab lender for your deal located at 714 Armandale St.

Deal Dynamics/Terms:

-Address of Property: 712 Armandale Street, Pittsburgh. PA. 15212  
-Purchase Price: $275,000

-Current Fair Market Value of property: $550,000

-Rehab Cost: $55,000

-ARV (After Repair Value) of property:$550,000

-Total loan amount that can be offered: $330,000 (covers all of purchase price and all of the $55,000 of rehab)

-Loan Cap: 75% of ARV= $412,500

-9% interest only loan.

-Loan Term: 12 months

-Loan Term Projection: Lender wants the property rehabbed and sold by month 6 or the lender could ty to negotiate new terms with you. If the deal goes by this time frame there are two things that happen.  1. One being that the lender can take over management of the deal and force the property to sell in order to recoup their investment.  2. The lender could ask you to start making interest only payments on the loan.  If you cannot make the payments then the lender would have to take over management of the deal.

**Loan Fees:**

1. Due Right now if borrower accepts offer: $950

2. Due at the Purchase closing of this loan from borrower: NOTHING!

3. Covered by lender at closing:

-100% of the $274,900 purchase price

-$55,000 in rehab (will be dispensed in draws). Borrower needs to start draws with their own funds.

-An interest reserve of 6 months will be included in the loan.

-Property insurance for 6 months:

-Lender LOC Fee:  0.75% points ($2,475)

-Lender Closing Fee: $805.

-Broker points: 2 points= $6,600

4. Fees Due on Loan at Sale:

1.50%-3.00% Monthly Management fee of the total capital provided, which will be accrued monthly and paid when the property is sold;

The borrower will agree to sharing profits on the subject property in return for 100% funding.  The agreed upon profit share will be in accordance with the Local Investor Services. Operating Agreement.  The **greater of** the 1.50%-3% monthly management fee or 10-40% of net profits will be paid to CFRE.  Exceptions on pricing will be discussed case by case.

The final revenue structure will be sent once we get the appraisal back and the lender reviews the entire package for approval.  That is when the JV docs will be prepped which will outline the specific % and fee amount for the management fee.  As a rule of thumb you can tend to see trends in what the lender charges based on the below:

1. The lessor the experience the borrower has the higher on the range they will be
2. The lower number of deals they have done with us before the higher on the range they will be
3. The higher number of deals they have done with us before the lower on the range they will be
4. The larger the rehab tends to run the risk of having a higher range for the cost as well, depends on the experience and strength of the ARV%

This is a general rule you can use to set expectations going into this loan. It is a little difficult for the lender to nail down a set amount upfront as there is so much flexibility and customization this program allows

Atlantic

Dear Raphael,

I just called you and left you a message about the loan quote for 8A Dunman Way, Dundalk, MD 21222. Do you have any questions for me about the quote?

It is definitely an interesting offer and I love the fact the loan is amortized over 40 years and your payments will actually be principle and interest payments. Most construction loans are just interest only payments, so this offer allows you to gain equity in your building, while you are doing the construction.

-Loan Amount: $350,000

-Interest Rate: 12.99% (principle and interest payment)

-Loan Amortization: 40 years

-Loan comes due: In 2 years

-Monthly mortgage payment= $3,810.45

-This lender does allow a second loan behind their loan

-I know you need $555,000 to finish construction but they said once you use the $350,000 in full they want to evaluate where you are and if you have improved the property significantly they can then do another loan for the remaining construction funds of $205,000

-If the property is in good shape now they can just release the full $350,000 at once, but if the appraisal will determine if they can release the $350,000 in full or if they have to do the money in draws.

Estimated Closing Costs:

-Loan Amount: $350,000

-Lender Points: 3.5% = $12,250

-Broker Fee: 3.5%= $12,250

-Title Insurance: $3,500 (estimate, check with your local title company you want to use)

-Property Insurance: $3,500 (estimate, check with your insurance agent. It just needs to be paid in full for a year on the day of closing)

$31,500 is the estimated amount of closing costs. This would just come out of your first draw, you wouldn't be bringing money to closing.