

Rehab Funding Frequently Asked Questions

1. **How do I pre-qualify for a loan?**

Go to the "[Online Pre-Qualification](#)" page to apply right online. You will be notified via email of your pre-qualification status. Your account executive will also follow up to discuss our loan programs with you. Please note that all final approvals require full documentation for funding. See the qualifications documents section of our website for full details.

2. **Is this a hard money loan, and if so, why do you pull credit and look at things like cash reserves and cash flow?**

We do almost everything that you would want from a HML in that we finance 100% of the purchase price and repair money of a property with a strong LTV, we finance off the "after repair value" of the property, we close very quickly, we can offer deferred pay plans to strong credit people, and we never charge pre-payment penalties. In exchange for funding everything upfront, we do need to see that a borrower can handle the loan. For a more complete answer, please go to our "[Rehab Education](#)" page and click on the article titled "New Criteria for Hard Money".

3. **What are your minimum requirements to qualify for a loan with Rehab Funding?**

While we use a cross section of things such as liquid cash reserves, net disposable income, mortgage and credit pay history, debt to income ratio, etc. We generally look for:

- A minimum middle credit score of 640 or higher.
- A minimum of liquid cash reserves to cover all closing costs (approximately 10% of the loan)
- Approximately 25% to 50% of the repair funds needed
- Debt to Income ratio should not exceed 50%, based on net monthly income
- A positive net monthly cash flow sufficient to cover the monthly interest payment
- If monthly net cash flow does not cover monthly interest payments, the borrower should have enough liquid cash reserves to cover a full year's worth of interest payments
- If self employed, must be two years or more to qualify. If self employed for less than two years, applicant would require a cosigner.

***Liquid cash reserves may consist of any of the following: personal & business bank accounts, stock, bonds, CD's, HELOC's and personal lines of

credit. No retirement accounts unless you are of retirement age and no credit cards.

4. If you can do true 100% financing, why do we need any cash reserves?

All businesses run on cash flow, and none more than real estate investing. Always remember that once you close on a property (even one that required no money out of pocket), that is the time that all of your expenses start, not where they end. After closing, you are responsible for paying interest, taxes, insurance, utilities, labor and materials (not to mention the real threat of cost over runs). Also, your normal expenses never stop. And, you will need money to start your repairs before we can reimburse you for your work.

The bottom line is that you will need some working capital. The specific amount will vary and will be determined in large part by the size of the loan and the amount of repairs.

5. Will you refinance a property that I currently own?

Rehab Funding can refinance any property that you own that fits within our guidelines. We can provide the funds you need to rehab your property and in many cases we can reimburse you for the funds used to purchase the property and/or pay off any existing liens up to 65% of the after repair value.

6. Can you provide me with a non-recourse loan that I can use to invest with my Self Directed Roth IRA/401K?

Rehab Funding can provide you with a non-recourse loan that the IRS requires when using a Roth IRA to buy real estate. Please refer to our web page on Non-recourse loans for complete details.

7. Can Rehab Funding take a second position or allow second mortgages on my rehab project?

Rehab Funding must always take first position on all loans. Second mortgages are not allowed nor recommended. The idea behind rehabbing is to make a profit. Anything that the investor pays above 65% of the ARV eats into their safety spread. The safety spread is the difference between what it costs to purchase and rehab a property versus what the property can be sold for once it is complete.

8. What is your minimum loan amount? What is your maximum loan amount?

Rehab Funding's minimum loan is usually \$30,000. Our maximum loan normally tops out at \$1,000,000.

9. Do you have a minimum credit score?

Rehab Funding's minimum credit score is normally 640. If you have a lower fico score, yet have a good pay history, rehab experience, and strong cash reserves, we may have alternative ways to work with you.

10. What type of properties do you fund?

Rehab Funding limits its loans to residential properties (1-4 units). Rehab Funding does not fund commercial, mixed use or large multi unit properties.

11. Can I do more than one loan at a time?

Rehab Funding does not have a specific number of loans that anyone can have at one time. The limit will be based on each borrower's financial ability to hold additional loans.

12. Do I have to re-qualify each time I want to do a new loan with Rehab Funding?

No. Rehab funding will not make you redo the pre-qualification process. You will only need to send updated bank/investment or open lines of credit statements.

13. Does Rehab Funding charge pre-payment penalties?

No. The faster you fix the property up and sell or refinance it, the more profit you will earn. Real estate investors should never pay pre-payment penalties!

14. What are your terms, fees, and interest rates?

Each Rehab Funding loan plan has different terms and costs. For individual breakdowns, please refer to the "Payment Plans" section of this website.

15. Will you roll closing costs into your loan?

Rehab Funding will loan up to 65% of the ARV (after repair value) for any property. As long as the loan does not exceed this, you may receive 100% of the sale price, 100% of your repair costs. The bottom line is that if your loan to value is sufficiently strong, you can get into a property with very little money down!

16. How can I get repair funds for the property?

These are construction loans, so at the time of the property settlement, all repair funds are sent to Rehab Funding to place in an escrow account. Periodically, as the work is being done, you may contact Rehab Funding and request that an inspection be ordered so that you can receive a draw. Please note that repair funds are a reimbursement for work that is completed. No repair money is actually fronted (unlike the funds to acquire the property,

which are fronted). Therefore, you will need to have funds to start any rehab project (always figure that the typical contractor that you use will require 25% to 50% up front in order to commit their time and to purchase materials in advance).

You may order as many inspections as you like. There is no set schedule. However, each inspector does charge for their time (generally around \$75 for follow up draw inspections, depending on distance traveled, etc.), so you should order inspections to meet your cash flow needs.

Rehab Funding will send your repair fund reimbursements to you in one of two ways. You may elect to have these payments mailed to you. Or if you wish, you may request that Rehab Funding wire you these funds. (The banks charge a small fee for the wiring, and you would be charged this fee).

17. Do you have to borrow repair funds?

You don't have to borrow repair funds, however if Rehab Funding is loaning only acquisition money, the loan will be based on 65% of the "as is" value, instead of 65% of the ARV as is normally the case.

18. Can I order my own appraisal?

No, Rehab Funding must order any appraisal for the property.

19. Why do you ask for an "Subject to Repairs" Broker Pricing Opinion (BPO) with each new loan request?

Rehab Funding recommends that each borrower to submit a BPO with each new loan request. The reason that we recommend this is to ensure that each investor is doing their due diligence when making offers on their investment properties. The cost of a BPO is so much less than a full blown appraisal and can save the investor lots of time and money if they know ahead of time what the after repair value of a property truly is.

20. Do you provide "proof of funds" letters?

Yes! As long as you have been pre-approved by Rehab Funding.

21. How quickly can you close?

As long as you are pre-qualified, Rehab Funding will be ready to close within two weeks (subject to the title work and the appraisal being completed).

22. Can I live in the house during the course of the loan?

No. Rehab Funding only lends on properties that are non-owner occupied. You may however rent the property once all repairs have been finished. You will require the right type of insurance coverage to make sure that you are protected against any potential loss as a result of your tenants' actions. Consult with your insurance agent to ensure that you are properly covered.

23. Do you ever discount your points for volume?

Yes. After your third deal is paid, you will only be charged 4.5 points on all subsequent deals.

24. Can I title my property into my LLC or corporate name?

Yes, you may title the property into any entity you wish. We do require a personal guarantee on the loan though.

25. What States do you currently lend in?

We currently lend in all states except: OH, CA, MI, AK, HI, VT, & LA or the city of St Louis, MO. There are certain states where it may be more difficult to sell the property or refinance based on declining property values. In these specific states Rehab Funding will fund up to 50% of the after repair value with all closing costs being paid at settlement. These states include MO, IN, FL & NV Rehab Funding reserves the right to change these and all policies without notice.