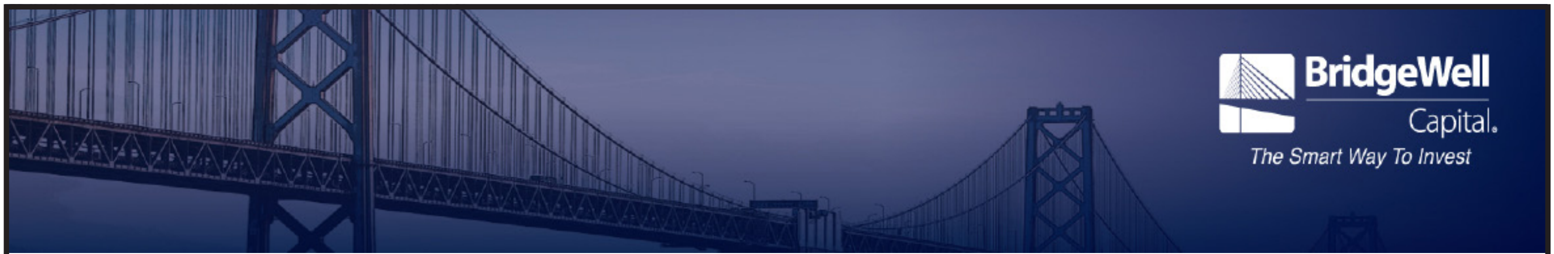

The "5 C's"

November 8, 2019 by John Parrett, President of BridgeWell Capital LLC

A common lender approval overview is described as the "5 C's". The 5 C's are:

1) Cash: RE investment financing typically requires some level of cash investment by the investor. Often referred to as "skin in the game". Depending on the lender's policies, the sources of this cash may be from the investor's business, personal funds, financial partners, or gap funding. Regardless of acceptable sources, few lenders will provide POF Letters and/or begin processing a loan request without proof of the availability of the minimum cash investment. One exception, of course, is if the requested funding is a "refinancing" of an existing investment property, and the investor has substantial equity in the property. Currently in the investor lending market the minimum cash required is 10 – 20% down on the purchase and rehab amount plus closing costs and cash reserves.

2) Credit: While the "Borrower" for most RE investment projects is a business entity, most lenders will utilize the credit history of the company principle(s) to make a funding decision. Banks and other conventional lenders will likely require a 620 or higher FICO credit score. Some Hard Money Lenders will approve lower credit ratings. Recent (less than 1 to 4 years, depending on the lender) bankruptcy and foreclosures can be problematic. Open judgements, creditor liens, tax liens, and unpaid alimony or child support will almost certainly make approval difficult.

3) Character: Lenders try to determine that the potential Borrower is of good character and will deal fairly and honestly with them throughout the transaction. Advancing a large amount of capital to someone creates a significant relationship. Who wants to enter into a significant financial relationship with someone that has a history of being dishonest, unreliable, or "does not play well with others".

4) Collateral: Lenders are typically very interested in the property that is backing or collateralizing the loan. If for some reason the Borrower is not successful in repaying the Loan the Lender will have to rely upon liquidation of the property to recover their capital. Therefore the type, quality, market appeal, and equity in the property are critically important to Loan Approval.

5) Capacity: Refers to the ability to make payments, maintain the property, cover cost overruns, vacancies, other unexpected property expenses, and eventually repay the loan through property resale or amortization. Lenders will analyze information such as employment stability, income, current debt load, cash reserves, experience, and other factors that may affect the investor's ability to support and complete the investment project.

John Parrett is the Founder and President of BridgeWell Capital, a national lender specializing in funding real estate investment projects. John has over 30 years of experience in the business and has successfully developed major commercial and residential projects. He is a licensed general contractor, real estate broker, and mortgage lender. He has participated in over 2500 successful residential flips and funded over $300MM to real estate investors throughout his career. He hosted a national radio program on real estate investing and is a recognized speaker and educator in the industry. John graduated from Purdue University with a degree in Building Construction Management.