

“New Construction” Private Loan Lifecycle

A qualified borrower (usually a realtor, builder, remodeler, architect, property manager, or layman “rehabber”) seeks out a suitable discounted property that can be rehabbed, and resold at a considerable profit.

1. Once the property is found, and researched, he enters into a contract with the seller.
2. Now under contract, the investor begins the due diligence to ensure the feasibility of the proposed rehab project. He orders a title report, an inspection report, construction plans with a construction estimate, and a certified real estate appraisal that sets forth the “after repair value” of the property.
3. With his due diligence complete, the investor has all of the assurances of the feasibility of the proposed project.
4. The builder (as an applicant), comes to Metropolitan Commercial Mortgage Funding (MCMF) to apply for funding to complete the project.
5. MCMF reviews and analyzes the due diligence that the investor has already done on the subject property for the proposed project, and determines that the project meets underwriting criteria for private mortgage investor funding.
6. MCMF prepares a formal mortgage investment prospectus for submission to the active private mortgage investor base.
7. An investment decision is made, and the private mortgage investor escrows their loan participation funds into escrow.
8. MCMF’s real estate attorney draws up the loan closing documents and facilitates the pre-closing due diligence.
9. MCMF then schedules the loan closing.
10. Loan proceeds are dispersed at closing to facilitate the sale of the property, and
11. Funds are disbursed at closing, to advance funds for the rehab work.
12. The rehab process is complete, and the house is now inhabitable, and marketable for resale.
13. The property is now marketed through every feasible venue (realtor.com, Trulia, Zillow, For Sale by Owner, MLS, classifieds, and a listing agent/broker).
14. The marketing is a success! A qualified buyer with either cash funds or mortgage loan agrees to buy the property.
15. The resale of the property is consummated on the day of closing.
16. The proceeds of the sale being dispersed through the closing agent to FIRST pay off the loan plus the investors’ premium return.
17. The remaining proceeds of the sale immediately remitted to the investor/borrower as their net profit margin.

NEW CONSTRUCTION - LOAN FUNDING "LIFE-CYCLE" FLOWCHART

