

## WHY INVEST? AND WHY REAL ESTATE?

Real estate is the IDEAL investment, here's why:

I: \_\_\_\_\_

D: \_\_\_\_\_

E: \_\_\_\_\_

A: \_\_\_\_\_

L: \_\_\_\_\_

Example: \$100,000 house, \$200/mo tax/ins, \$1,200/mo gross rent

**Sample 1:** Pay cash for it. Gross profit is 1,000/month or 12,000/year. What's the COC (cash on cash return)

COC ROI=  $\frac{\text{Annual return}}{\text{Cash Invested}}$

Depreciation:

**Sample 2:** Put 50% down on 2, (50k@30yr@6%=\$300, +200 t&i= \$500 piti), profit \_\_\_\_\_, \_\_\_\_\_/yr

COC:

Depreciation:

**Sample 3:** Put 20% down on 5 (80k@30yr@6%=\$480 + 200 t&i=\$680 piti), profit \_\_\_\_\_, \_\_\_\_\_/yr

COC:

Depreciation:

Look at this: 20% down on 5 (80k@30yr@10%=\$702 + 200 t&i=\$902 piti), profit \_\_\_\_\_, \_\_\_\_\_/yr

\*\*\*NOTE\*\*\* All scenarios are for example only and are not an offer to lend. Individual qualifications may vary.  
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Recent Changes to Guidelines and Product Availability for Investors:

In recent years FNMA & Freddie Mac have changed their view on investment property loans. Before they required you to either have a history of owning property or they counted the entire payment against you. Now, they have no requirement for a history of prior experience and will allow 75% of rents to be used to help qualify for the loan based on Market Rent, (which can be calculated by a Rent Schedule added to the appraisal) OR current leases, whichever is lower. You can have up to 10 financed properties under this program.

### **New Program Highlights:**

***Bank Statements as full doc*** loans that can be done by either using 24 months bank either Business or Personal statements (some are allowing 12 now). This is ideal for the self-employed that take every available write off and don't show a lot of income on their returns.

Commercial Residential Lending is now available to the small investor and big investor alike (some require a minimum experience history or 6 months). This has been used forever in the commercial world, but is new to the residential side. You may have heard of a DSCR loan or "debt service coverage ratio" loan... this is it!

Lending is based on the property being purchased or refinanced and its ability to cash flow. In simplified terms, they take the Market Rent and compare it to the monthly expenses associated with the property and as long as it covers the payment they qualify.

***Blanket loans*** are also available for the long-term hold investors who want to either purchase larger multi-family property or package 7 or more properties under one loan. Another use could be to place multiple properties under a Commercial Blanket Loan to free up eligibility to finance more under FNMA/Freddie Mac terms.

For those that want to ***Fix and Flip*** properties there is financing for that also (terms based on experience level). Some options are:

Single property loans that will cover up to 85% of the Purchase Price and 90% of the Rehab Costs.

Credit Lines that are for experienced investors which will cover up to 90% of Purchase Price and 95% of Rehab Costs. Qualify once and add properties to it as needed. Credit line is 5x cash assets.

New Construction Loans for investors/small builders are available as well.

And there's plenty of hard money lenders out there as well as your "Uncle Bob" (my personal fav)

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