**Deal or No Deal**

**Lending Deal Breakdown – Phoenix, AZ**

**📍 Property Details:**

**Address: 3502 W Gardenia Ave, Phoenix, AZ**

**Property Type: Single-Family Home**

**After Completion Value (ACV): $450,000**

**💰 Loan Request:**

**Total Loan Needed: $350,000**

**$315,000 to pay off existing loan**

**$35,000 to complete rehab**

**Alternative Option: $25,000 loan just for rehab completion**

**📊 Loan Terms & Collateral:**

**Loan Position: 1st or 2nd lien (negotiable)**

**Interest Rate: Open to discussion (industry standard 10-14% for private money)**

**Loan Term: Minimum 12 months (with potential for early payoff)**

**Collateral: Secured by the property**

**LTV (Loan-to-Value) Post Funding: ~78% if full $350K loan is funded**

**✅ Why This is a Strong Deal:**

**Clear exit strategy – Refinance or resale upon completion**

**Strong equity position – ~$100K spread between ACV and total loan**

**Experienced team – Ready to execute on rehab**

**Flexible funding options – Open to either full refinance or targeted rehab loan**

**Key Questions to Ask**

**1. Loan Structure & Security**

* Will my loan be secured by a **1st or 2nd lien position**?
*A 2nd lien is significantly riskier, as the 1st lien holder gets paid first in case of foreclosure.*
* What is the borrower’s creditworthiness and track record?
*Are they experienced with similar projects? Have they completed past deals successfully?*
* What is the **exact timeline** for rehab completion and refinancing or sale?
*Your preference is short-term lending, so you need clarity on how soon your capital will be returned.*

**2. Rehab & Exit Strategy**

* Has the **$35,000 rehab budget been fully vetted**, and is it enough to complete the project?
*Underbudgeting for rehab is a common cause of project delays.*
* What **stage is the rehab currently at**?
*If it’s mostly done and just needs finishing touches, it’s lower risk than a full renovation.*
* Are there **permits or contractor risks** that could cause delays?
*Unforeseen delays can extend the loan past 12 months, affecting your liquidity.*

**3. Market & Valuation**

* Is the **$450,000 After Completion Value (ACV) realistic**?
*Ask for comps and an appraisal to confirm this number.*
* What is the **current market demand** in Phoenix for homes in this price range?
*If the market slows, it could take longer to sell or refinance.*

**4. Loan-to-Value & Risk Mitigation**

* If I only lend **$25,000 for rehab**, how does that impact my lien position?
*A smaller loan means less risk, but you need to ensure you’re adequately secured.*
* Is there a **personal guarantee** from the borrower?
*This adds an extra layer of security in case of default.*

**Risk Assessment for Your Lending Profile ($30K, Short-Term)**

| **Risk Factor** | **Assessment** |
| --- | --- |
| **Loan-to-Value (LTV) Risk** | **Moderate-High** – 78% LTV is slightly aggressive for a private loan, but acceptable if the ACV is accurate. |
| **Exit Strategy Risk** | **Moderate** – Plan seems solid (refi or sale), but market conditions could delay it. |
| **Lien Position Risk** | **High if 2nd lien** – A 2nd lien means you may not recover funds in case of default. Prefer 1st lien. |
| **Rehab Completion Risk** | **Moderate** – Need to confirm if the $35K is sufficient. Cost overruns are common. |
| **Liquidity Risk** | **Moderate** – 12-month term may extend if market or rehab delays occur. |

**Best Fit for Your Lending Profile:**

* **Smaller $25,000 rehab loan**, secured with a **1st lien** if possible.
* Ensure there’s a **clear and short-term exit strategy** with a buffer for delays.
* **Avoid a 2nd lien position** unless the borrower is highly credible and the deal is very strong.