



## **EASY TRANSACTIONAL FUNDING GUIDELINES & RECOMMENDATIONS**

*Adherence to the following guidelines will help to ensure that the processing of your funding request and the closing of both of your transactions all occur rapidly, smoothly and on time. These guidelines may also help you to avoiding any unnecessary or additional costs.*

### **SRM does not offer transactional funding for the following:**

- Non-real estate transactions.
- Rehab projects.
- Mobile home transactions.
- Earnest money deposits or down payments.
- Performing or non-performing notes.
- Transactions where the Borrower is reselling the property to themselves or an entity that they own.

### **The key requirements to qualify for transactional funding are:**

- The loan must be an investor, business-purposed, non-owner occupied loan.
  - The Borrower must utilize a legal entity such as an LLC, corp, trust. (We do not fund individuals.)
  - The Borrower must have a valid, active contract to purchase the subject property.
  - The Borrower have a valid, active contract to sell the subject property.
  - End Buyer's total funds must be deposited into escrow for the BC transaction, and all documents for the BC transaction must be in order before we would be able to fund the AB transaction.
  - The purchase and subsequent sale of the subject property must arranged and scheduled as back-to-back closings (also referred to as "consecutive closings").
  - Closing agent (escrow officer, title officer or attorney) must be a licensed, bonded and insured entity, and must be designated and/or approved by us.
1. For additional information, please review the FAQs on the Easy Transactional Funding website.
  2. SRM issues Proof of Funds Letters to Borrowers for specific property purchases only. We do not offer "blanket" POF Letters. Please fill out and submit a *Proof of Funds Letter Request Form* for each separate property that you intend to make an offer on.
  3. Please note that SRM's POF Letters are provided with the understanding that the Borrower will be utilizing SRM for their transactional funding needs. And, our POF Letter can only be used by Borrower to purchase a property for a back-to-back closing, with an End Buyer in place. SRM will withhold POF Letters and/or funding to any Borrower found to be exploiting or misusing SRM's services.
  4. There is one possibility of an out-of-pocket expense for the Borrower if their Seller requires a Verification of Deposit (VOD) in addition to our *Proof of Funds Letter*. The cost for this would be between \$250-500. An advance payment to SRM, via PayPal, would be required before the VOD could be created for submission to the Borrower's Seller.

5. Borrower must ensure that there are no Seller seasoning requirements that would prevent the immediate resale of the property. If the Borrower's End Buyer is utilizing financing, the Borrower must ensure the same with the End Buyer's lender.
6. It is vital that Borrower knows what the correct market value is for the subject property: making calculations and projections based upon an incorrect valuation could result in a financial loss for Borrower's business.
7. When doing calculations and crunching numbers, the Borrower should ensure that he/she takes: 1) the "total loan amount" (purchase price plus closing costs) for the AB transaction, PLUS, 2) the transactional funding fee for the AB transaction, PLUS, 3) the closing costs for the BC Transaction, ALL into consideration to ensure that he or she will receive an acceptable profit from the purchase and resale of the subject property.
8. Borrower's total amount owed to SRM would consist of: 1) the purchase price for the subject property (minus any down payment or "earnest money deposit" made by the Borrower); 2) the closing costs for the AB transaction; plus 3) SRM's transactional funding fee.
9. Closing costs will be comprised of all the standard costs. SRM will also require an *ALTA Lender's Title Insurance Policy* and hazard insurance (fire) on the subject property.
10. The Borrower must have his/her qualified End Buyer in place before submitting a *Transactional Funding Request Form* to SRM.
11. The Borrower's qualified End Buyer being an "all-cash buyer" is the most optimal arrangement for achieving a smooth and rapid double closing. If the Borrower's End Buyer will be utilizing financing, it should be determined beforehand if the specific lender will be willing to participate in a double closing. End Buyer's lender must be willing to completely fund the BC transaction, and handle any other required actions in preparation for the closing of the BC transaction, BEFORE the AB transaction can be consummated.
12. SRM's closing agents usually will require between \$3,000-\$5,000 in the form of a down payment or "earnest money deposit" in order to open escrow files for both the AB and BC transactions.
13. The transactions must be set up as back-to-back closings, or SRM will not be able to fund your AB transaction.
14. Both the AB and the BC closings must be set up with, and executed by, the SAME closing agent.
15. The closing agent must be designated by SRM.
16. Ensure that the Borrower's *Purchase and Sale Agreement* with Seller in the AB transaction states clearly that the Borrower intends to resell the subject property immediately for a profit.
17. Ensure beforehand that BOTH the AB seller, and the End Buyer's lender—if the End Buyer is utilizing financing—understand that they will be involved in a double closing (also known as: "consecutive closings" or a "back to back closing").
18. The *Purchase and Sale Agreements* for both the AB purchase and BC sale MUST have the SAME closing date on them.

19. Decide upon a realistic closing date. Keep in mind that, once begun, it will usually take a closing agent approximately two weeks to organize, manage and close both transactions. (To make your flip deal happen as swiftly as possible, it would be best to be well organized, start the process with the closing agent as soon as possible, get all of your document submissions and signings done right away, and assist the closing agent throughout in expediting the double-closing process.)
20. It is important to ensure that: 1) the End Buyer's total purchase funds are on deposit with closing agent, and 2) all necessary document signings and other required actions have been completed by the End Buyer as soon as possible, so that the BC transaction is able to be closed. We CAN NOT fund the AB transaction unless the BC transaction is 100% ready to be closed.
21. To avoid any delays, Borrower should submit a *Transactional Funding Request Form* to SRM, along with all the required documentation, as soon as possible.
22. Below are the usual documents that a Borrower will need to submit to the closing agent:
  - A copy of the Borrower's driver's license, or legal photo ID.
  - Articles of Incorporation, or Articles of Organization if an LLC.
  - Corporate bylaws, or LLC Operating Agreement if an LLC.
  - A document authorizing the Borrower to act on behalf of his entity to obtain financing for the purchase of real estate, as well as to acquire and dispose of real estate. (If needed, the closing agent will assist the Borrower with the creation of this document.)
  - If the Borrower is purchasing the subject property through a trust, the following would be required: (1) the *Agreement and Declaration of Trust; The Appointment of Trustee; Assignment of Beneficial Interest; and the Affidavit of Trust*. (Documented evidence that the Borrower has the power and authority to borrow money, sign for, encumber, acquire, and dispose of the subject property is required.)
  - Evidence that Borrower's entity is active and in good standing. (E.g. Something such as a current printout from the Secretary of State's website would suffice.)
  - A copy of the fully executed AB *Purchase & Sale Agreement* (with ALL counter-offers, addendum and disclosures).
  - A copy of the fully executed BC *Purchase & Sale Agreement* (with ALL counter-offers, addendum and disclosures).
  - Verification of End Buyer's "earnest money deposit" or down payment.
  - Proof of Funds, if the End Buyer is paying cash, or a copy of the *Funding Commitment Letter* if the End Buyer is utilizing financing to make the purchase.
23. The closing agent will instruct the Borrower as to what documents you will need to submit and what actions you will need to take. The key documents that the Borrower will need to submit will be: entity related documents; and the *Purchase & Sale Agreements* for both the AB and BC transactions. The key documents that the closing agent will have you sign and have notarized for SRM will be: *Lender Closing Instructions; Affidavit of Identity; Promissory Note; Deed of Trust or Mortgage; and a Personal Guaranty*.
24. There are three levels in SRM's approval process for transactional funding: 1) the business entity, 2) the terms of the loan, and 3) the subject property.
25. A *Terms & Submissions Agreement* will need to be agreed to and signed by the Borrower before SRM can issue a *Letter of Commitment* as the lender for the AB transaction, thus enabling the Borrower to open escrow files with the closing agent for the AB and BC transactions.

26. It might be beneficial for the Borrower to find and form a relationship with a proven lender, that the Borrower can refer his/her End Buyers to, that will not enforce any form of seasoning requirements. (Small local banks and hard money lenders do not usually enforce seasoning requirements.)

Note: In preparation for a future encounter with a property that has seasoning restrictions, it might be advantageous to Borrowers to have a knowledge of the use of *Revocable Trusts* in order to circumvent seasoning restrictions. One company well versed on this subject is John Grant & Nancy VanNote, The Dovetail Program, 517.925.8882, and their website can be accessed at [www.thedovetailsolution.com](http://www.thedovetailsolution.com). You can also go to the website, [www.strategicrealestatecoach.com](http://www.strategicrealestatecoach.com) and key in "the dovetail method" into the search box for additional information. (Note: SRM is not affiliated with any of these people or companies and does not receive any compensation from them for referrals or otherwise.)

If any questions, complications or difficulties arise for the Borrower regarding the above guidelines, SRM would be happy to discuss the specifics and work with the Borrower to accomplish a resolution for the mutual benefit of both parties, enabling the Borrower to move forward with their business.

Thank you for giving SRM the opportunity to assist you in your business endeavors.

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