



FIRST-TIME BORROWER GUIDE



First-Time Borrower Guide

As a first-time borrower, you probably have a lot of questions on both the loan process and the types of commercial loans available to you. The commercial lending process is very different from a traditional home mortgage, which can frustrate unprepared first-time borrowers. Commercial loans tend to last for shorter periods of time than a home mortgage and commercial loans can be acquired without all the scrutiny of personal income history and the time that goes along with it.

1 The Commercial Real Estate Loan.

A commercial real estate loan (or CREL for short) is a mortgage loan secured by a lien on a commercial or rental property, not a primary residence or homestead property. The loans are typically used to finance a purchase or to tap into equity from retail stores, office buildings, warehouses, restaurants, rental homes, and more. Depending on the lender, the loan length (term) can vary from a few months, as is the case with hard money loans, to 30 or more years. The longer the term, the lower are the monthly payments.

2 The Difference to Hard money.

Propel Real Estate Capital is not a traditional hard money lender, we're better. Hard Money is a term used for loans that are secured primarily by the property and not by the creditworthiness of the borrower, meaning it is typically more efficient to secure a hard money loan than a traditional bank loan. Generally, hard money loans are short-term in nature (up to a year) and used to transition property into something more valuable through either a rehab or by leasing out vacant space. A Propel Real Estate Capital loan takes the best benefits



(The Difference to Hard money, continued)

of hard money, and then extends them to make the loan and the process more beneficial to a wider range of borrowers. Propel Real Estate Capital offers longer term loans, ranging up to two years with half year extensions available to allow for investors to hold their property for at least two years. Some hard money borrowers will use Propel Real Estate Capital loans to pay off their hard money loans and get into a more favorable rate, or longer loan term.

3 How quickly can I get a loan?

Our loan process is significantly faster than a traditional loan. In a perfect lending situation, we could even determine your loan approval in the same day! Try asking your bank if they can do that for you. We do require an appraisal before finalizing a loan, so that will be the longest part of the process if you don't already have one. We can often accept existing appraisals if you already have a recent one, and then may be able to close a loan within a few days.

4 Will I qualify?

Propel Real Estate Capital has different loan programs depending on your investment objectives and status. Our best loan terms are available for creditworthy customers with positive cash flow properties. However, we also have programs available for properties that aren't cash flowing and customers with imperfect credit. So, the chances are you'll qualify for at least one of our loan products. The only restriction we have is that the real property pledged as collateral must be in Texas. We only lend on Texas property.

5 Lending amounts and limits.

We offer loan amounts between \$250,000 and \$5,000,000. The amount you can qualify for is based on the loan-to-value ratio (LTV) of the loan. Quite simply, the higher the value of the property, the larger the loan amount we can typically offer you. For example, our max LTV is 70% of the as-is value of a property, so if a rental house's appraisal value is \$300,000 we can lend up to \$210,000 towards the purchase of the house. Note that if you are paying less than the appraised value, the loan would be based on your actual purchase price, since we see that as the "fair value" of the property if you can actually buy it for that.

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Rates and fees.

Commercial real estate loans carry a higher interest rate than a traditional home loan. Propel Real Estate Capital's interest rates are slightly higher than bank interest rates.

This is because we lend our own money, often for shorter periods of time and on less stringent terms, so we require a higher return than the bank. In exchange, we can overcome barriers that traditional lending institutions cannot. Rates and fees will be determined depending on the loan details and property.

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Required documentation.

Our loan application process is simple and has you provide general information about you, the borrowing entity, the property, and the investment goal. We will typically need three months of bank statements for the borrower, approval to pull a credit report, organization documents if the borrower is an LLC or corporation, copies of leases/rent rolls if the property is rented, and proof of insurance. Depending on the loan size and terms, we may also request a copy of last year's tax returns. Based upon our underwriting which generally is completed in a few days, we will get back to you with which of our loan programs is right for you and provide a letter of interest laying out the loan's terms. If you wish to move forward, we will require a deposit to cover the appraisal and underwriting fee. The appraisal normally takes the longest, and we can generally close within 3 days once we get the appraisal back.

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We are here to help.

As a first-time borrower, we will help you determine the best type of loan for your needs. Our loan officers will walk you through which loan terms make the most sense for you. If we can't make the type of loan you need, we probably know someone else who can. We look forward to being a valuable resource to you while you navigate the world of real estate investment loans.

Key Terms

Amortization: The process of paying off debt with regular payments made over time.

Capitalization (Cap) Rate: The estimated percentage rate of return that a property will produce on the owner's investment.

Cost Basis: The total cost of a property, including hard and soft costs, less any depreciation.

Debt-Service Coverage Ratio (DSCR): The relationship between a property's annual NOI and its annual mortgage debt service.

Loan-to-Value (LTV): The amount of money borrowed in relation to the total market value of a property.

Net Operating Income (NOI): The potential rental income plus other income, less vacancy, credit losses and operating expenses.

Small Balance Commercial Loan: A commercial property loan generally under \$5 million. They tend to have less rigorous underwriting requirements and can usually be closed in a shorter period of time.

