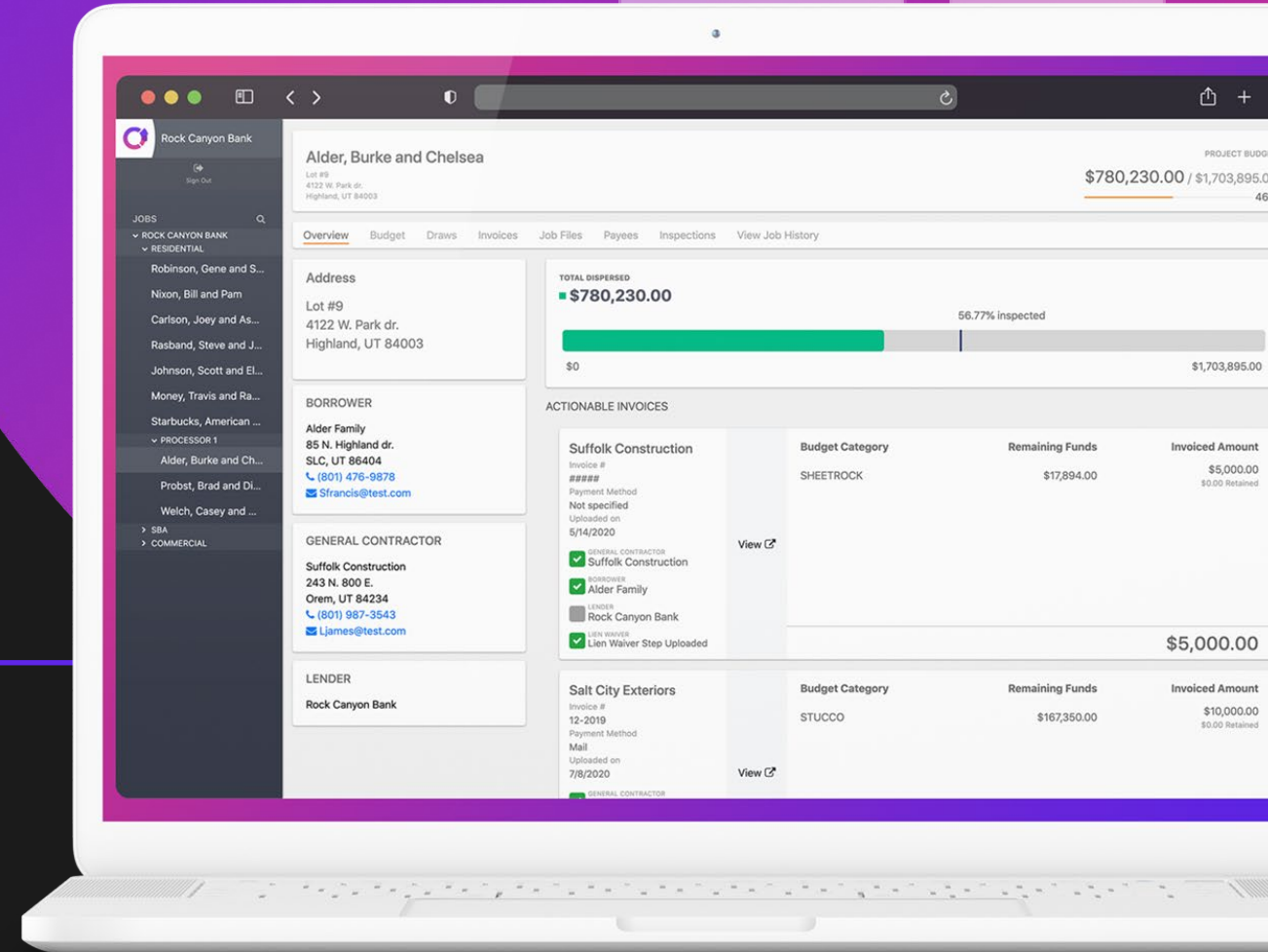




How to Secure the Best Financing for Your Construction Loan – Part 1

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10 Steps to Secure the Best Financing for Your Construction Loan

1. Know Your Business
2. Know Your Project
3. How a Lender Sees Your Business
4. How a Lender Sees Your Project
5. Project | Lender Fit
6. Preparation
7. Pitching Your Project
8. Comparing Term Sheets
9. Negotiation
10. Closing the Deal

Learning Objectives

Set your business and project up for success before you ever break ground

Attract the best lending partner

Close the deal with the best terms



**The way
construction finance
should be.**

STEP ONE

Know Your Business

The Fundamentals of Your Business

1.

SWOT analysis

2.

Where do you fit in the market?

3.

Who are your competitors?
What differentiates them from you?

The HOW to achieve success with a compelling story for a lender.



Honing into Your Niche

Have a strong grip on your niche.

Become the domain experts.

Master Your Financials

Financial management is the PLAYBOOK for financial success.

KNOW YOUR:

Profit & Loss Statement (P&L)
Balance Sheet
Cash Flow Statements
Forecasts & Models

The only way to improve your financial strength is to measure, plan, and adjust.
CFO level help is very important.

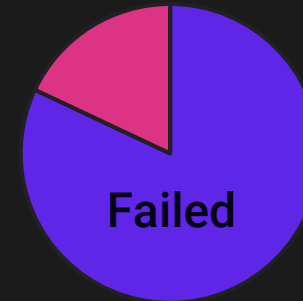
Business Statistics

67% of Businesses Fail,

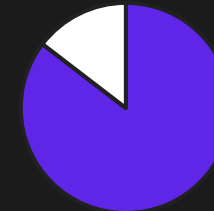


within first 10 years.
Main Cause Financial Mismanagement

82% of businesses that failed,



Cited lack of cash flow for demise.



86% of small business owners
make < \$100K

Step 1: Know Your Business

Potential Problems & Fixes

Business is not as successful as you want it.

- Figure the why?
- Spend the money to consult with a CFO to understand.
- You will pay in lost revenue and time if you don't.

Your business seems scattered.

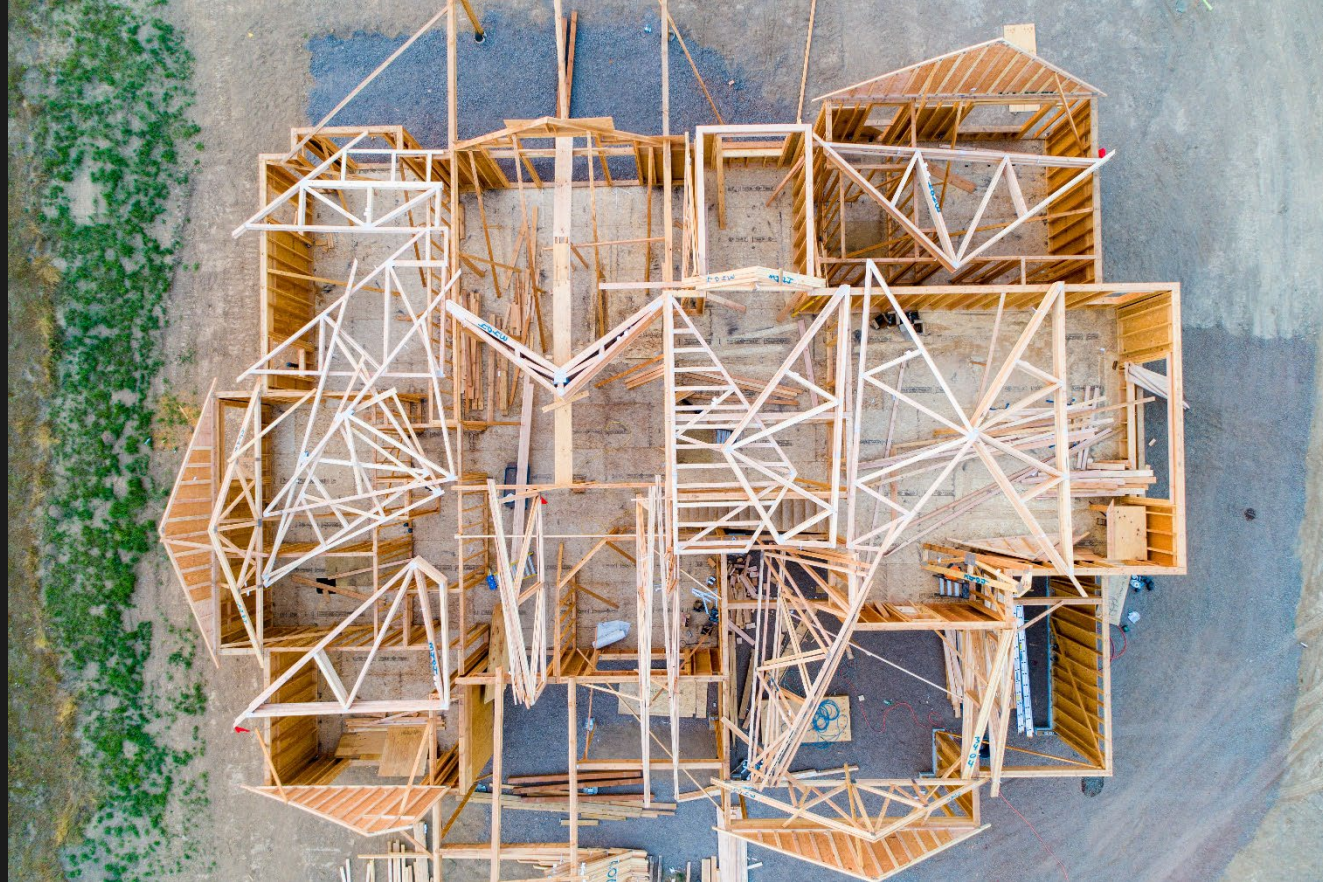
- Focus - find your passion and your profits, use data
- Pivot - find a new market, new product, new land, new realtor, new relationships

Not competitive in the market, losing to competition.

- Can you work your way to the top?
- Is it better to pivot?



Scenarios



Step 1: Know Your Business

STEP TWO

Know Your Project

Proforma Mastery

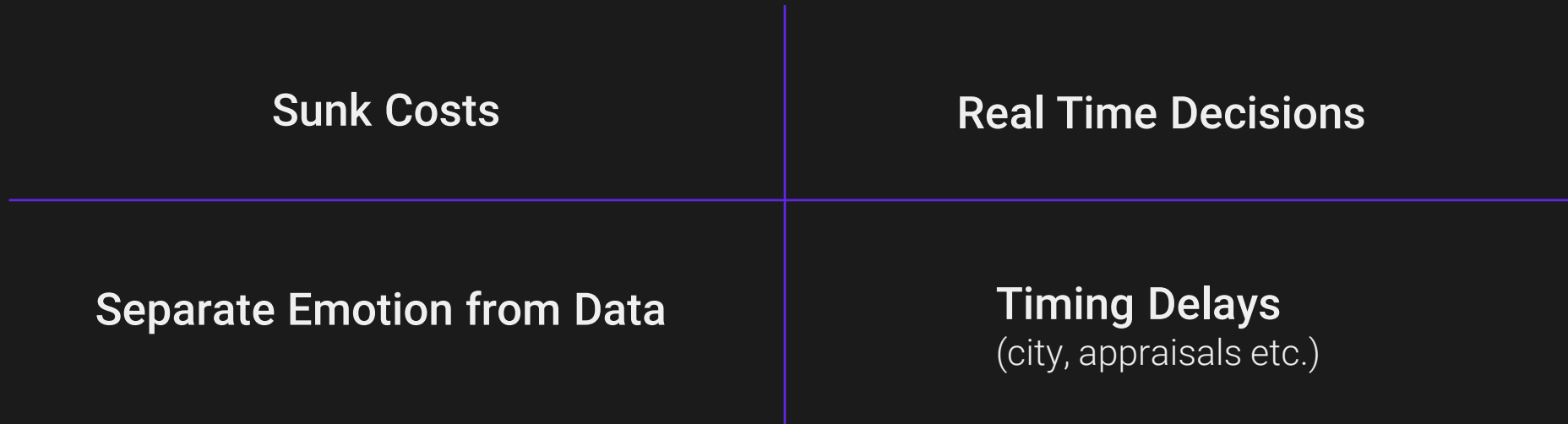


Deep Dive into a Great Performa

1. Assumptions	2. Expenses	3. Revenue	4. Debt	5. Equity
6. Timelines	7. Profit	8. Plans with Attached Cost Breakdowns	9. Sales over Time	10. SWOT Analysis

Proforma Sheet

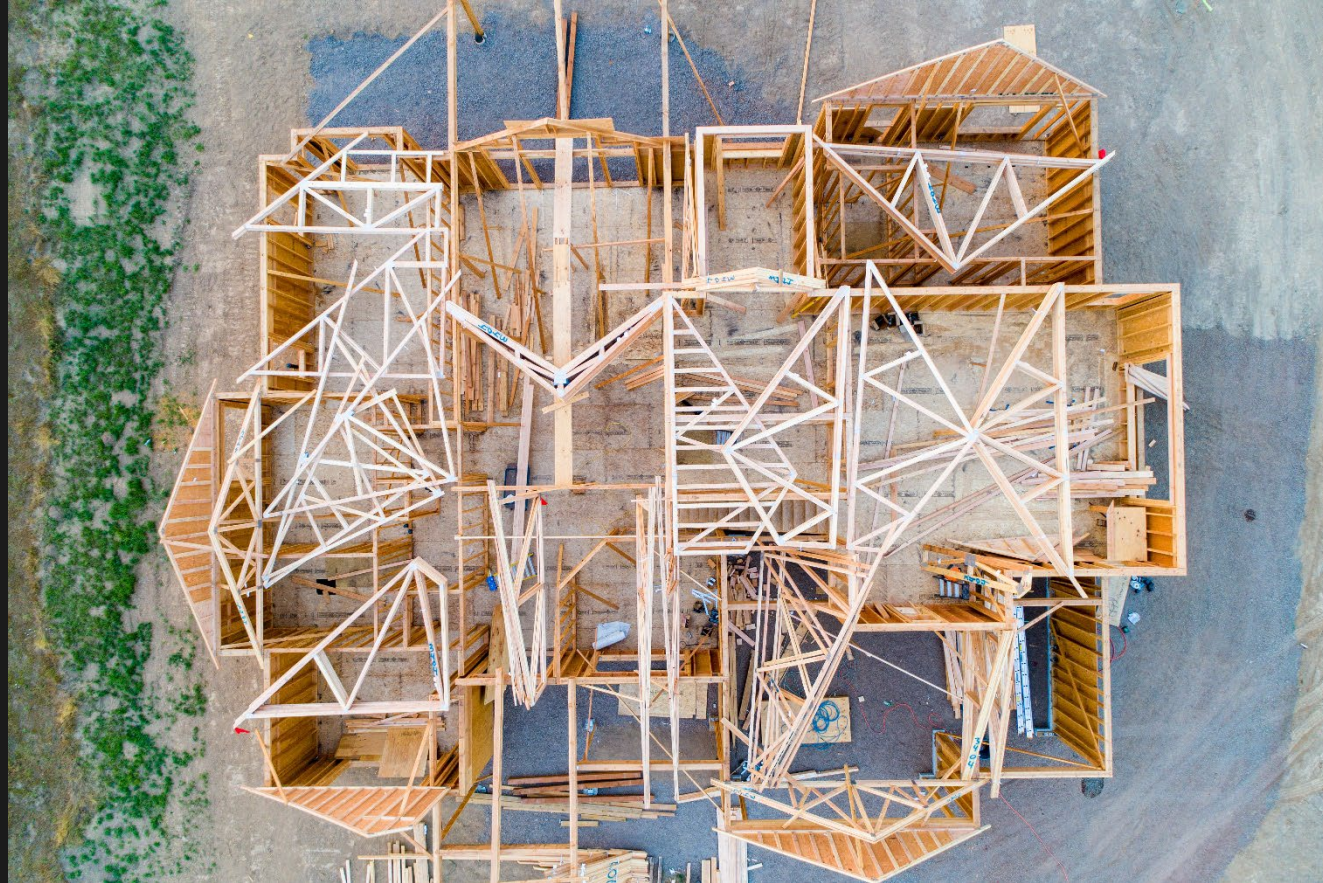
Knowing When to Proceed or to Back Out



Every builder/developer has a project that fails. Are you ready?



Scenarios



Step 2: Know Your Project

STEP THREE

How a Lender Sees Your Business

The Basics

HISTORY OF THE BUSINESS

Has a builder completed similar past projects?

- Gives lenders faith that the builder can deliver
- Allows a lender to get to know new builders by their past

HOW PROFITABLE IS THE BUSINESS

Is the builder/developer making money?

Greater Profit =
More Excited Lender

CASH MANAGEMENT

Does the builder pay their subcontractors and suppliers on time?

Financing Options

Cheaper Rates/Fees = More Information Required + Longer Process to Get Cheap Money

- A. A+ Money – Grueling
- B. Mid-Tier – Fast, Easy, and Safe
- C. Asset Based – Only Care about the Project

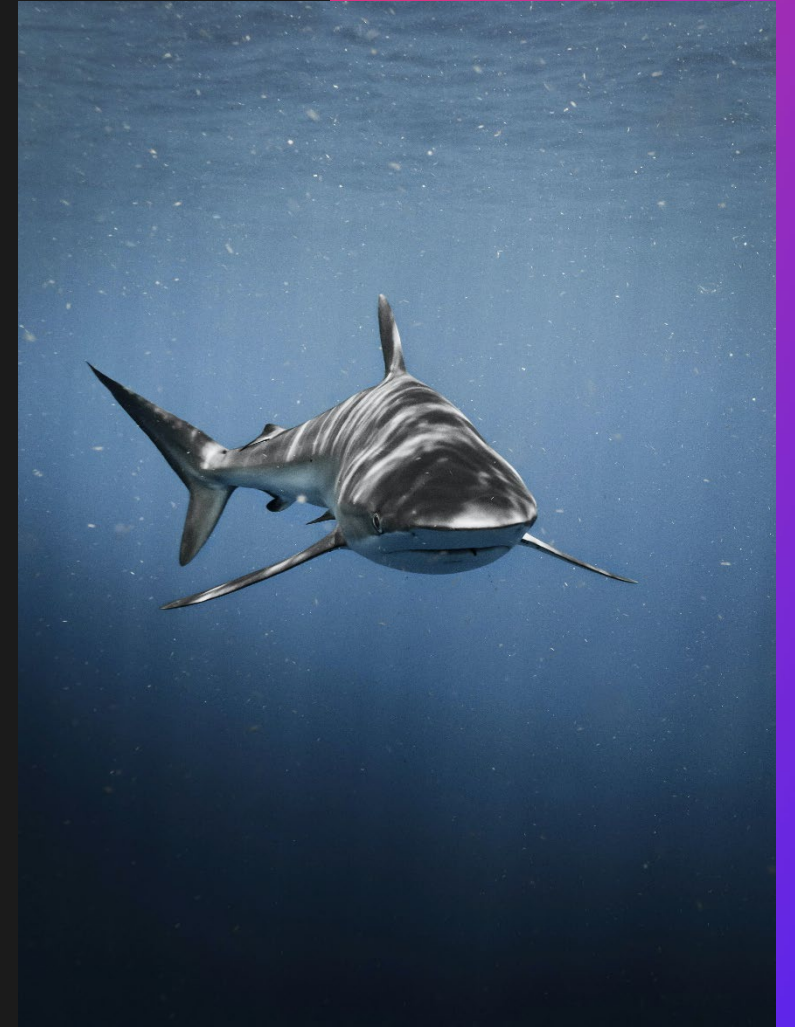


The Buy Box

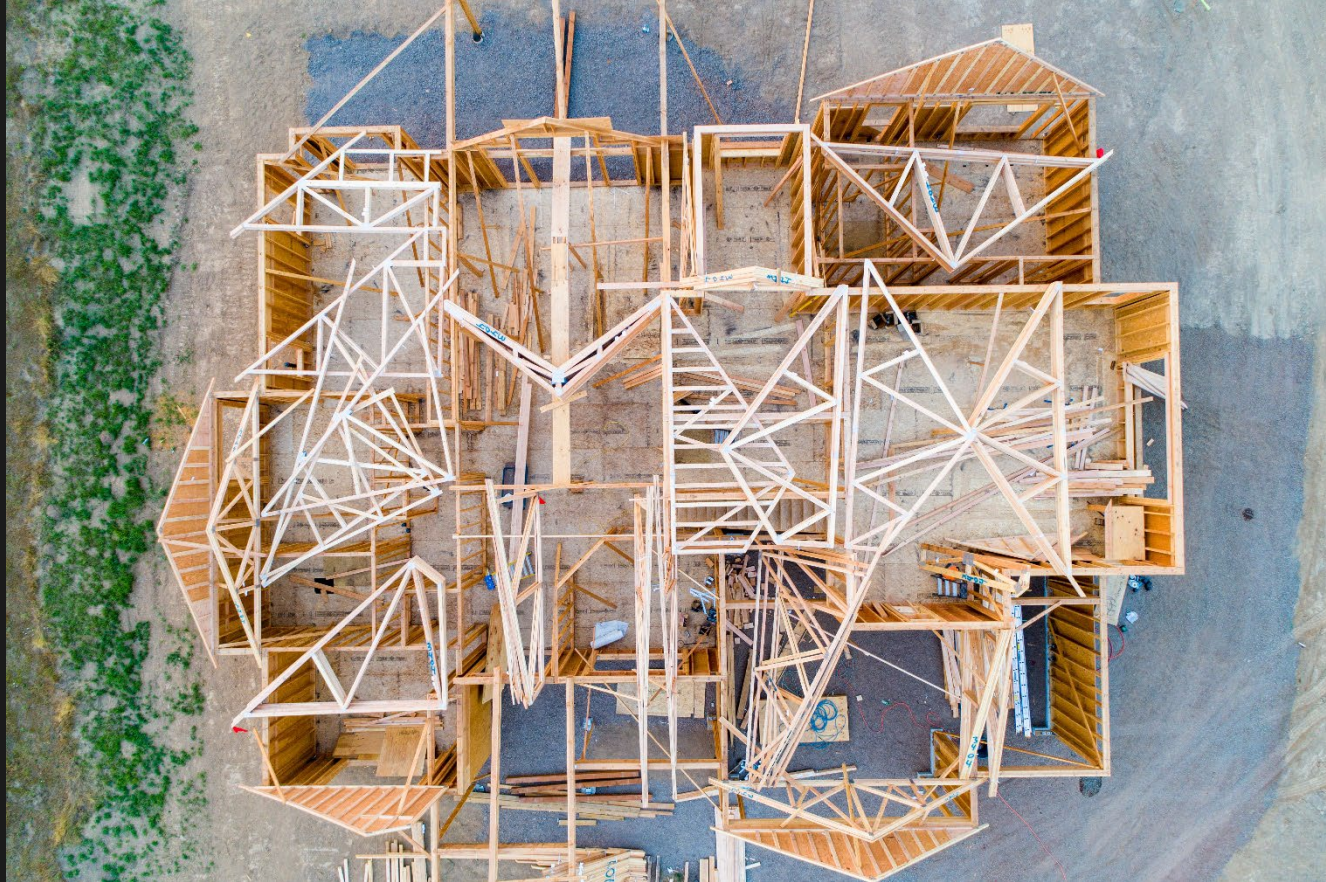
- What is your appetite for my type of project right now?
- How far are you in your construction portfolio?
- What are the geographic aspects?

Beware of Sharks

- Loan shark lenders can change rates and fees at the last minute and cost you significant more than you anticipated
- Establish solid relationships with your lender
 - Based in honesty and integrity



Scenarios



Step 3: How a Lender Sees Your Business

Common Questions

- I have a great relationship with my current bank. Why should I switch?
 - Do you get multiple bids on trades?
 - Is the bank is doing a good job for you? If not and if there are questions, why not?
 - Who is serving who in the relationship?
 - How is the payment and servicing process?



STEP FOUR

How a Lender Sees Your Project

The Basics

Debt to Equity Ratio

**Loan to Cost (LTC)
Loan to Value (LTV)**

Market Conditions
(best project wins amongst
comparable projects)

Geography

Tired of the Lender Wasting Your Time or Telling You No

Does the lender have the capacity to take your deal right now?

1. Have they maxed out their legal lending limit?
2. Can the lender lend you more than they already have?
3. Can the lender lend in that specific region?

Does the lender lend on your project type?

1. What percentage of their portfolio is your project type?

What amount fits their target deal?

1. Is yours too big or too small?

Do you have a champion that can take your deal to the committee and win?

1. Does your champion have enough pull to get people to say yes?
2. Do you know your underwriter at the lending institution?
3. Has your champion and underwriter closed deals with the committee?

Understanding and asking the right questions will help you know if your deal will get funded

Credit Committee

- You need a champion within the lending organization
- Lenders are notorious for never saying no
- They say no by giving you higher rates or worse terms



Debt-to-Equity Ratio

First metric lenders use to understand your project.

Traditional lenders will want no less than 20% equity stake in play before they lend 80%.

DEBT

EQUITY



LTV & LTC Ratios

Loan-to-Value

LOAN TOTAL

**PROJECTED VALUE
OF PROJECT**

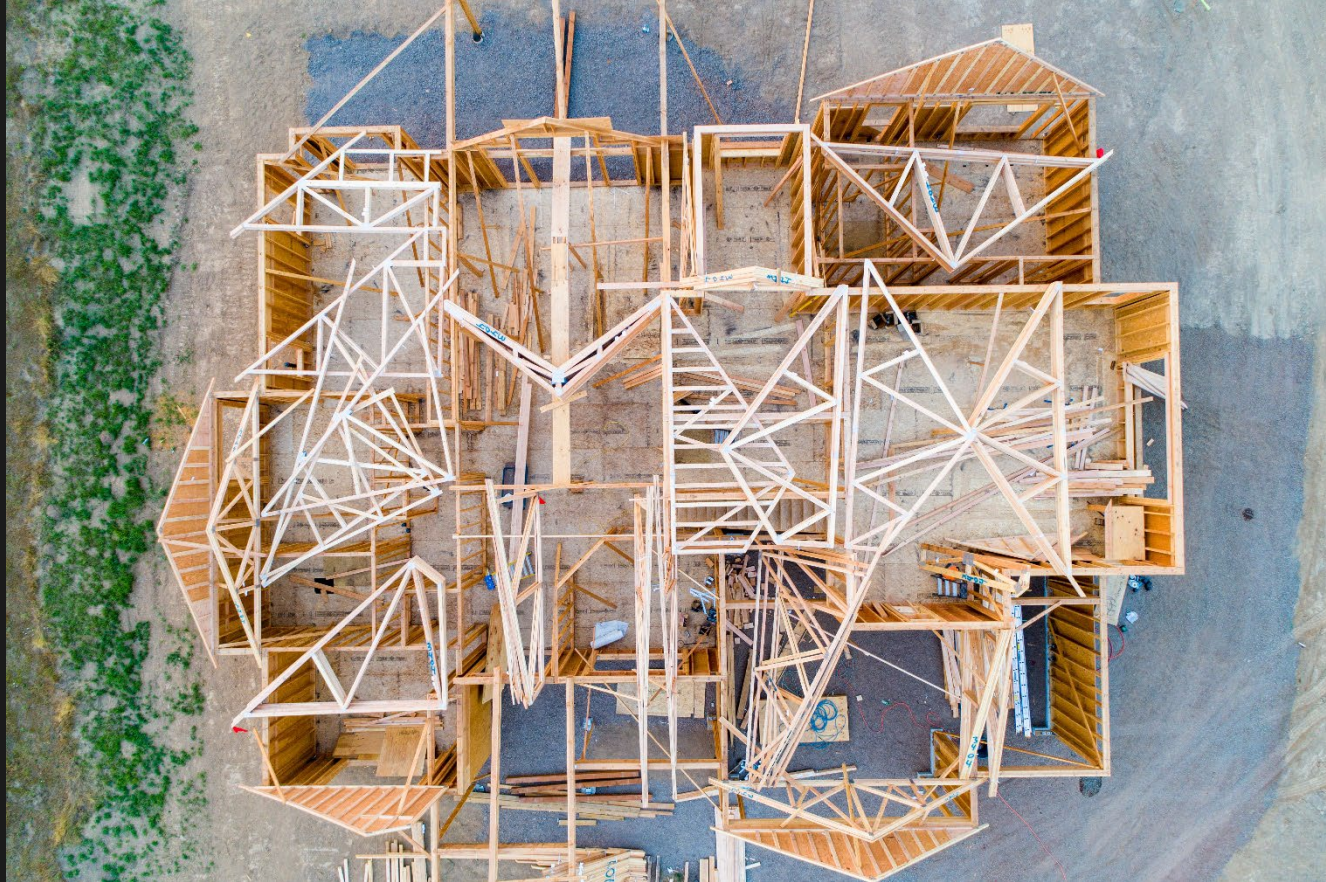
Loan-to-Cost

LOAN TOTAL

**CONSTRUCTION
COST**

The next best metrics to determine lenders willingness to lend.

Scenarios



Step 4: How a Lenders Sees Your Project

Contact the CoFi Team



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CoFi

The Way Construction Finance Should Be