

## **Private Loan Solution – Re-Capitalizing to Retain Mortgage Clients**

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## *Bank MMS Dilemma*

- Bank's underwriting department would NOT approve Borrower to refinance existing mortgage to upgrade roof and pay off high interest credit card debts due to:
  - Existing CRA Lien of \$36k registered on title
  - CRA arrear of \$6,300
  - Borrower's spouse had prior bankruptcy history
  - Credit cards maxed out or in collection services
  
- Borrower's switching costs to move to another Lender potentially very high due to:
  - \$6k - \$8k prepayment penalty
  - Potentially 4x increase in mortgage interest rate (7.99% vs 2.19%)
  - Limit on maximum LTV 75%
  
- Bank representative did not want to lose the client to an alternative B- or C-Lender at a higher rate and duration of 2 years or longer

## Initial Application

- Prior to new private financing solution
  - Borrower owed CRA \$6,300 in unpaid taxes, incurring monthly interest charges and penalties
  - \$247,000 1<sup>st</sup> Mortgage @ 2.19 (Mthly Pmt = \$1,760 incl Prop Taxes) through 2019
  - \$19,500 of Credit Card debts (Mthly Pmt = \$485) that were maxed out
  - Looking for \$8k - \$10k to repair and upgrade roof structure
  - Primary Borrower income of \$85k; spouse on temporary disability

Subject Property		<b>\$369,750</b> <i>Estimated based on 2016 MPAC and Purview</i>	
<i>Credit Scores 608 (Borrower A); 646 (Borrower B)</i>			
Subject Property	Debt	Monthly Payment	Int Rate
<b>Secured</b>			
Current 1st Mortgage (Bank A)	\$247,000	\$1,636	2.19% <i>\$755 bi-weekly, includes property tax holdback</i>
CRA Tax Arrears	\$6,300	\$150	<i>CRA Demand Letter</i>
Brahma 2nd Mortgage	\$0	\$0	14.0% <i>Interest ONLY</i>
<b>Total Secured</b>		<b>\$253,300</b>	<b>\$1,786</b>
LTV		69%	
<b>Other Secured</b>			
Auto Loan	\$18,000	\$316	<i>Originally \$22k (12/15)</i>
<b>Total Other</b>		<b>\$18,000</b>	<b>\$316</b>
Credit Card I	\$4,200	\$126	<i>Based on D&amp;A Group Letter</i>
Credit Card II	\$11,000	\$219	<i>\$10k Limit</i>
Credit Card III	\$806	\$23	<i>\$1k Limit</i>
Credit Card IV	\$3,472	\$116	<i>\$3600 Limit</i>
<b>Total Unsecured</b>		<b>\$19,478</b>	<b>\$484</b>
<b>TOTAL DEBT</b>		<b>\$290,778</b>	<b>\$2,586</b>

## Private 2<sup>nd</sup> Mortgage

- Brahma Capital provided \$40,000 2<sup>nd</sup> Mortgage Loan to Borrowers\*
  - Paid off CRA arrears of \$6,300 and discharged CRA lien that was registered; lawyer obtained letter confirming pay off and discharge which were forwarded to Bank representative
  - Paid off ALL outstanding credit card debt and debt-in-collection of \$19,500
  - After payoffs and fees, Borrower has \$11k of cash liquidity to repair and upgrade roof structure
  - Bank's debt servicing ratios improved dramatically

\*Brahma structured and underwrote the private mortgage w/ an independent mortgage agent BUT kept the MMS up-to-date at all times

Subject Property					
<b>\$369,750</b> Estimated based on 2016 MPAC and Purview					
Credit Scores 608 (Borrower A); 646 (Borrower B)					
Subject Property	Debt	Monthly Payment	Eff Rate	Debt	Monthly Payment
<b>Secured</b>					
Current 1st Mortgage (Bank A)	\$247,000	\$1,636	2.19%	\$247,000	\$1,636
CRA Tax Arrears	\$6,300	\$150		\$0	\$0
Brahma 2nd Mortgage	\$0	\$0	14.0%	\$40,000	\$467
<b>Total Secured</b>	<b>\$253,300</b>	<b>\$1,786</b>		<b>\$287,000</b>	<b>\$2,103</b>
LTV	69%			78%	
<b>Other Secured</b>					
Auto Loan	\$18,000	\$316		\$18,000	\$316
<b>Total Other</b>	<b>\$18,000</b>	<b>\$316</b>		<b>\$18,000</b>	<b>\$316</b>
<b>Unsecured</b>					
Credit Card I	\$4,200	\$126		\$0	\$0
Credit Card II	\$11,000	\$219		\$0	\$0
Credit Card III	\$806	\$23		\$0	\$0
Credit Card IV	\$3,472	\$116		\$0	\$0
<b>Total Unsecured</b>	<b>\$19,478</b>	<b>\$484</b>		<b>\$0</b>	<b>\$0</b>
<b>TOTAL DEBT</b>	<b>\$290,778</b>	<b>\$2,586</b>		<b>\$305,000</b>	<b>\$2,419</b>

## Bank Refinancing

- After 6 months Bank representative (MMS) re-qualified the Borrowers and obtained new appraisal value
  - New appraisal came in at \$425k due to general price appreciation and roof upgrades
  - Bank's underwriter approved Borrowers request for a NEW \$305k 1<sup>st</sup> mortgage
  - Borrowers did NOT incur any early repayment penalties from either of the Lenders
  - Borrowers' cash flow had **improved close to \$7k per year** (\$2,585 – \$2,000 \* 12 months) since initial application 7 months ago
  - Borrowers had NO Credit Card and CRA obligations and equity build of \$120k in home

**Subject Property**      **\$369,750** *Estimated based on 2016 MPAC and Purview*  
*Credit Scores 608 (Borrower A); 646 (Borrower B)*

Subject Property	Initial			Brahma Pvt Loan		Refinancing	
	Debt	Payment	Int Rate	Debt	Payment	Debt	Payment
<b>Secured</b>							
Current 1st Mortgage (Bank A)	\$247,000	\$1,636	2.19%	\$247,000	\$1,636	\$0	\$0
CRA Tax Arrears	\$6,300	\$150		\$0	\$0	\$0	\$0
Brahma 2nd Mortgage	\$0	\$0	14.0%	\$40,000	\$467	\$0	\$0
NEW 1st Mortgage w/Bank A			2.37%	\$0	\$0	\$305,000	\$1,686
<b>Total Secured</b>	<b>\$253,300</b>	<b>\$1,786</b>		<b>\$287,000</b>	<b>\$2,103</b>	<b>\$305,000</b>	<b>\$1,686</b>
<b>Appraised Value</b>	<b>\$370,000</b>			<b>\$370,000</b>		<b>\$425,000</b>	
<b>Implied Equity / Net Worth in Home</b>	<b>\$116,700</b>	<b>\$2,586</b>		<b>\$83,000</b>	<b>\$2,419</b>	<b>\$120,000</b>	<b>\$2,002</b>

**Annual Cash Flow Savings**      **\$7,008**

## *Summary Recap*

### **Benefits of using a short-term Brahma private loan for Borrowers and Mortgage Specialists**

- Quick, executable solution to **restructure homeowner's balance sheet** by discharging unwanted liens and paying off high interest debts and government agency arrears
- Immediate **improvement in Borrower's debt servicing ratios and credit score** enables MMS to **re-qualify** Borrower under Bank's "conventional" underwriting criteria
- **Extract equity in home** for large home improvements and upgrades to enhance value of home
- **Prevents mortgage client from moving** to more expensive financing alternatives that have fewer opportunities to restructure balance sheet and extract equity in home
- Increases customer/client retention: Borrower-MMS relationship **strengthens**

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