

Brahma Construction & Renovation Loan

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Financing Dilemma

- Big 6 banking institutions have significantly reduced their volume of construction mortgages to well-qualified and accredited homeowners looking to renovate or build custom-style homes.
- Traditional Non-Bank Lenders charge 9% to 13% Interest and 2% to 3% origination fee on **owner-occupied** construction and renovation project loans up to 65% LTV.
- **10% construction lien holdbacks reduce the amount of funds advanced to borrower** – actual advance ends up being just 55% LTV. Borrowers have to invest even more personal funds to complete project.
- Multiple visits by 3rd party appraiser is unnecessary, expensive, and can lead to **project delays**.
- **Limited funding flexibility** for *minor* cost over-runs can cause material delays – higher interest charges for longer period of time.
- Suppliers, contractors, and sub-contractor payment holdups can cause **work stoppages** – leads higher interest charges and potential legal costs
- Frustrated and angry client! Too late to switch to a better financing alternative.

Brahma Underwriting Framework

- Brahma Capital provides renovation and construction loans under the following framework:
 - **No 10% construction lien holdbacks**
 - **No interest holdbacks** – Borrowers make monthly Interest Payments on each Draw taken
 - **No upfront fees** - ONLY on amount Drawn
 - No visits by 3rd party appraisers until completion
 - Draw schedule limited to 2 to 4 Draws (vs 8 to 10 draws at traditional lenders)
 - Completion occurs within 3 to 4 months of 1st Draw (vs. 6 to 10 months w/traditional lenders)
 - Brahma willing to take 2nd position behind lower interest rate Bank or VTB 1st mortgage (traditional lenders typically not willing to go in 2nd)
 - Permits and documents **MUST** be in place

- Brahma works closely with all transaction parties - borrower, contractor, mortgage agent, and legal
 - Borrower/Contractor to provide Budget and Timeline at inception
 - Mortgage agent provides takeout financing at inception (w/"as if complete" appraisal)
 - Purchase and work order receipts to be submitted at inception (must include HST)
 - Borrower's lawyer responsible for disbursing funds directly to suppliers and vendors
 - Borrower's lawyer to obtain letter from contractor and sub-contractor(s) confirming they have been paid and no construction liens exist on the Property prior to each Draw

The process above (A) INCREASES the Loan advances by 15%-20%; (B) IMPROVES completion time by 50%; and (C) LOWERS the over-all \$ costs of the project despite higher headline rates and fees

Case Study I: New Construction

- Clients purchased 2-acre lot to custom-build home for their growing family
 - Clients were salaried (\$160k combined) with strong credit scores and savings
 - Land purchased for \$200k w/a \$180k VTB 1st @ 3.70% from Seller (Aug 22)
 - Mortgage Agent obtained “as if complete” appraisal for \$600k (Sept 25)
 - Clients completed the permitting and foundation phase with their own funds (\$75k)
 - Clients required \$150k to complete construction and interiors – provided by Brahma across just 2 Draws (\$90k on Oct 28 and \$60k on Nov 26) @ 13% Interest and 3.5% Fee per Draw
 - Construction and certificate of occupancy completed on Jan 21 on an appraised value of \$650k

Lender Cost Comparison

	Traditional Const Lender	Brahma Capital Inc	NOTES
Loan Amount	\$405,000	\$150,000	<i>Includes \$75k from Client Savings</i>
Mortgage Position	First	Second; Behind VTB	
# of Draws	10	2	
Months to Complete	7	3	
Const Lien Holdbacks	\$40,500	None	
Net Funds Advanced	\$364,500	\$150,000	
Fees	2.0%	3.5%	
In Dollars	\$8,100	\$5,250	
Interest Rate	10.0%	13.0%	<i>Mid-point of 9% - 11% range</i>
Int Charges in Dollars	\$23,625	\$4,875	<i>Includes VTB Interest</i>
Other Costs*			
*Legal; Appraisers, Broker; VTB etc	\$3,000	\$4,800	
Total Costs of Financing	\$34,725	\$14,925	

Case Study II: Renovation

- Clients hired an independent contractor to tear-down and upgrade/modernize their home in Westboro
 - Clients were salaried (\$195k combined) with strong credit and \$100k avail on HELOC and LoCs
 - \$360k existing 1st mortgage at 2.20% due Jan 2020 (replacing 1st would incur \$20k penalties)
 - Mortgage Agent obtained “as if complete” appraisal for \$850k (Nov 20)
 - Clients submitted contractor’s remaining three (3) construction and payment schedules for \$260k
 - Brahma provided funds across just 3 Draws (\$60k on Dec 16; \$120k on Jan 13; \$50k on Feb 3) @ 13% Interest and 3.5% Fee per Draw
 - Clients did NOT need the full \$260k, therefor did not incur any costs for taking less funds.
 - Clients refinanced existing 1st (\$405k) and 2nd (\$230k) into a new \$680k 1st on March 4.

Lender Cost Comparison

	Traditional Const Lender	Brahma Capital Inc	NOTES
Loan Amount	\$720,000	\$230,000	
Mortgage Position	First	Second; Behind Bank	
# of Draws	10	3	
Months to Complete	6	3	
Const Lien Holdbacks	\$72,000	None	
Net Funds Advanced	\$648,000	\$230,000	
Fees	2.0%	3.5%	
In Dollars	\$14,400	\$8,050	
Interest Rate	10.0%	13.0%	Mid-point of 9% - 11% range
Int Charges in Dollars	\$36,000	\$7,475	
Other Costs*			
*Legal; Appraisers, Broker; 1st etc	\$3,500	\$4,493	Includes 1st Mortgage Int
Total Costs of Financing	\$53,900	\$20,018	

Case Study III: Purchase & Renovate

- Client purchased a run-down home in Brockville that she wanted to fix-up and build her dream home
 - Client was salaried (\$90k) with strong credit (770) and \$90k in savings and \$50k LoC available
 - Contractor and Renovation Budget of \$100k
 - Purchase Price of \$166k (Aug 22)
 - Client submitted contractor's budget and timeline of \$100k over 2.5 months
 - Brahma provided \$130k 1st mortgage to purchase the Property at 12% Interest and 3% Fee
 - Client completed & refinanced into a new 80% LTV 1st on \$300k appraised value @ 2.60% (Oct 28)

Lender Cost Comparison

	Traditional Const Lender	Brahma Capital Inc	NOTES
Loan Amount	\$266,000	\$130,000	
Mortgage Position	First	First	
# of Draws	5	1	
Months to Complete	5	3	
Const Lien Holdbacks	\$26,600	None	
Net Funds Advanced	\$239,400	\$130,000	
Fees	2.0%	3.0%	
In Dollars	\$5,320	\$3,900	
Interest Rate	10.0%	12.0%	<i>Mid-point of 9% - 11% range</i>
Int Charges in Dollars	\$11,083	\$4,000	
Other Costs*			
<small>*Legal; Appraisers, Broker</small>	\$2,500	\$2,000	
Total Costs of Financing	\$18,903	\$9,900	

Case Study IV: New Construction

- Client purchased agriculture land for \$30k to build home in Gatineau
 - Client is salaried (\$60k) with decent credit score (635)
 - Client provided municipal permit and certificate upfront
 - Mortgage Agent obtained “as if complete” appraisal for \$145k (Aug 23)
 - Client provided unpaid invoices (\$23k) and budget & timeline for remaining construction (\$42k)
 - Brahma provided \$70k 1st mortgage on Oct 7 at 13% Interest and 3.5% Fee.
 - Some funds were used to pay down existing credit cards to improve credit score and liquidity
 - Final re-zoning permit approved on Feb 7. 75% LTV on appraised value of \$150k; 685 score

Lender Cost Comparison

	Traditional Const Lender	Brahma Capital Inc	NOTES
Loan Amount	\$95,000	\$70,000	
Mortgage Position	First	First	
# of Draws	5	1	
Months to Complete	6	3.5	
Const Lien Holdbacks	\$9,500	None	
Net Funds Advanced	\$85,500	\$70,000	
Fees	2.0%	3.5%	
In Dollars	\$1,900	\$2,450	
Interest Rate	10.0%	13.0%	<i>Mid-point of 9% - 11% range</i>
Int Charges in Dollars	\$4,750	\$2,654	
Other Costs*			
*Legal; Appraisers, Broker	\$2,800	\$3,300	
Total Costs of Financing	\$9,450	\$8,404	

Conclusion

Benefits of a Brahma Construction and Renovation Loan

- No construction lien holdbacks gives the Borrower 15% more funds to complete project.
- "Pay-per-use" fee structure creates additional flexibility to Borrower in managing cash flow
- Taking a 2nd mortgage position behind a lower-interest 1st mortgage saves the Borrower upfront dollar fees because it is on a lower borrowed amount and total weighted average cost of financing is significantly lower
- Fewer Draws and no appraiser visits accelerates the time to completion and avoids any work stoppages.
- Project completion time can be cut by 35% to 50% which results in lower Interest Costs to the Borrower.
- Lender and transaction participants are very engaged throughout the process to mitigate and resolve any setbacks should they occur.
- Lower costs allow the Borrower to build a lot more "equity" in their new home and a lot sooner.
- Increased Borrower satisfaction!