

**Deal of the Month –
Using a 2nd Mortgage to Refinance a 1st Mortgage**

Initial Application

- Prior to 2nd mortgage financing
 - Property Appraisal Value - \$200k
 - \$157,500 1st Mortgage @ 6.99% (Monthly Payments of \$1,038) due in 4 months time
 - \$36k of high interest credit card and loan debts (Monthly Payments of \$1,850)
 - Both husband & wife have salaried jobs earning about \$5k per month, after tax.
 - Need \$5k to finish home improvements

Appraised Value (8 mths ago)		\$200,000
Subject Property		Monthly Debt Payment
Secured		
1st Mortgage	\$157,500	\$1,038
2nd Mortgage	\$0	\$0
Total Secured	\$157,500	\$1,038
LTV	79%	
Other Secured		
Installment Loan (xxx-XXX)	\$8,616	\$823
Auto Loan (xx-XXX)	\$21,000	\$633
Unsecured and Credit Card Debts	\$28,026	\$1,015
Total Unsecured & Other	\$57,642	\$2,472
TOTAL DEBT	\$215,142	\$3,509

Private 2nd Mortgage

- Brahma Capital provided \$22,500 2nd Mortgage Loan to 89% LTV
 - Paid down \$15k of high interest debts
 - Net cash proceeds of \$5k advanced to Borrower to finish renovations
 - Borrower's cash flow improved by more than \$600 per month (annualized \$7,200)

Appraised Value (8 mths ago)		\$200,000			
Subject Property	Debt	Monthly Payment	Eff Rate	Pro Forma	
				Debt	Payment
Secured					
1st Mortgage	\$157,500	\$1,038	6.99%	\$156,000	\$1,038
2nd Mortgage	\$0	\$0	16.0%	\$22,500	\$300
Total Secured	\$157,500	\$1,038		\$178,500	\$1,338
	LTV	79%		89%	
Other Secured					
Installment Loan (xxx-XXX)	\$8,616	\$823		\$3,616	\$346
Auto Loan (xx-XXX)	\$21,000	\$633		\$21,000	\$633
Unsecured and Credit Card Debts	\$28,026	\$1,015		\$18,264	\$568
Total Unsecured & Other	\$57,642	\$2,472		\$42,880	\$1,547
TOTAL DEBT	\$215,142	\$3,509		\$221,380	\$2,884

Refinancing

- Borrower obtain new appraisal ahead of maturity date of current 1st Mortgage
 - New appraisal came in at \$220k due to home improvements and general price appreciation
 - \$165k new 1st Mortgage @ 4.90% (monthly payments of \$880) – DOWN \$160 per month!
 - Brahma Capital provides **Postponement** to new 1st mortgage lender in order pay down installment loan and high credit debt still outstanding.
 - Borrower's cash flow improved by an additional \$650 per month, total \$1,250 since initial application 4 months ago (\$3,500 - \$2,235)
 - **Borrower's annual cash flow improves by about \$15,000 per year!**

<i>New Appraised Value</i>		\$220,000			
Subject Property Secured	Debt	Monthly Payment	Eff Rate	New Refinancing	
				Debt	Payment
Old 1st Mortgage	\$156,000	\$1,038	6.99%	\$0	
New 1st Mortgage	\$0		4.90%	\$165,000	\$880
2nd Mortgage	\$22,500	\$300	16.0%	\$22,500	\$300
Total Secured	\$178,500	\$1,338		\$187,500	\$1,180
LTV	81%			85%	
Other Secured					
Installment Loan (xxx-XXX)	\$3,616	\$346		\$0	\$0
Auto Loan (xx-XXX)	\$21,000	\$633		\$21,000	\$633
Unsecured and Credit Card Debts	\$18,264	\$568		\$15,639	\$422
Total Unsecured & Other	\$42,880	\$1,547		\$36,639	\$1,055
TOTAL DEBT	\$221,380	\$2,884		\$224,139	\$2,235

Conclusion

Benefits 2nd Mortgage Private Financing

- Improve monthly cash flow – pay down high interest amortizing credit card debt (22% to 25%) with lower Interest Only debt (15%)
- Improve credit score – pay down some card balances to lower utilization levels (< 60%)
- Improve value of appraisal – use portion of proceeds towards home improvements
- A combination of the factors above can lead to a dramatic reduction in mortgage interest rate costs resulting in significant cash flow improvement.
- Happy client!