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Memorandum

To: Southern Investment Financing, LLC (“SIF”) Clients and Prospective Clients
From: Jay Ciaccio and Joel Travelstead
Date: 3/10/08
Re: How to become a Client, Loan Products, and Loan Procedures

I. How to Become a SIF Client

Step #1: Obtain permanent financing pre-approval. Jay Ciaccio can provide you with a list of approved mortgage brokers.

Step #2: Form a legal entity to operate your business (if you have not done so already). SIF is not a mortgage company and, as such, can not loan money to individuals if that loan is secured by residential property. Most of our clients have formed Mississippi limited liability companies (“LLCs”) although we do business with corporations and LLCs that have been formed in other states as well.

Please contact Jay Ciaccio for recommendations on local attorneys that can help you form a Mississippi LLC.

Step #3: Complete SIF’s new client application and return it to Jay Ciaccio along with the following:

- Permanent financing pre-approval letter
- A copy of your last two years’ federal tax returns (first two pages only)
- A statement of net worth
- A copy of your drivers’ license

Please send all information at one time!

Step #4: We will obtain a copy of credit report either directly from the mortgage broker or via our Trans Union account. **A minimum credit score of 700 is required.**

Step:#5: We will contact you to let you know if you have been approved or if additional information is needed to complete our underwriting process!

II. Loan Products – 2008

60-Day Note

Unlike most hard money lenders, SIF offers this loan product **without points**. The loan consists of the following:

- 0 points
- 2.5% interest/month
- \$600 funding fee
- Automatic renewal at day 60 (provided interest payment is made)

The funding fee includes the internal appraisal, up to three re-hab inspections, and document preparation.

Six-Month Product

This loan product is designed for retailers and consists of the following:

- 5 points
- 1.25% interest/month (for 6-months, default rate is 2.5%/month)
- \$600 funding fee
- Interest payable monthly

Hazard Insurance

SIF requires six-months' of hazard insurance to be purchased at closing. The premium payment at closing should be for the full six-months' of coverage and not simply a down payment. The minimum amount of coverage required is the full amount of SIF's loan to you. Finally, SIF should be listed as the mortgagee on the hazard insurance policy.

Title Insurance

Title Insurance is required and the closing attorney will ensure that proper coverage is in place at the time of closing.

Multiple Loans

SIF may provide multiple loans to you (i.e., more than one loan on our books at any given time). **In order to be approved for a new loan, you must be current on all existing loans.** In addition, you will not be approved for a new loan if you have an existing loan that has been outstanding more than 240 days (even if that loan is current).

Out of State Clients and Re-Fi Deals

SIF will require out of state clients (and local clients that will use permanent financing to pay off our loan) to pre-pay 60-days' interest.

Valuations

It is your responsibility to determine the value of any property being purchased! SIF recommends that you obtain an appraisal prior to purchasing any property. SIF does

inspect each property as part of its underwriting process but this inspection is for the benefit of SIF and should not be relied upon by you.

III. Loan Request Procedures

All loan requests must be completed on the attached loan request form. While the entire form should be completed the following are especially important:

- Information regarding how to access the property. **Please do not provide a phone number for access.** Acceptable methods include providing a lockbox code number, providing information about a key hidden on site, or dropping off a key at your office.
- Information regarding a required seller's agent. If you are purchasing a HUD or bank-owned property then there is a good chance that the seller will require use of their own closing agent. If this is the case, please provide information about the seller's agent. If this information is not provided, it may cause a delay in the closing.
- Specific information about the re-hab work to be performed and the cost of each re-hab item.
- A copy of the purchase contract should be sent along with the loan request form.

Property Must be Under Contract

Please do not send a loan request form to us until the property is under contract. When we receive a loan request form, it is our understanding that you have the property under contract. If we inspect a property, approve a loan request, and then the deal does not close because the property was not under contract an inspection fee of \$250 will be charged.

Re-Hab Request Forms

All re-hab requests must be completed on the attached form. These forms are due by Wednesday at 5:00 and should include detail about work completed through Wednesday. Joel inspects houses on Thursday (and Friday morning if necessary) and we cut checks Friday after 2:00. Due to the high volume of re-habs, we can not guarantee that your property will be inspected if this form is not sent to us by Wednesday at 5:00.

The forms should include the following information:

- Your signature. This is very important because the escrowed money is your money and SIF can not release it without your permission. A third party can only sign for you if they have a power of attorney to do so. If you need a power of attorney form, Jay will be glad to provide you with one.
- **Information regarding how to access the property!** This is critical information because Joel can not approve a request without access (at least a request for work done inside the house). **You must provide either a lockbox code or information about a hidden key.**

- Information about whom the check should be made payable to. If this information is not provided, then the check will be made payable to the borrower.
- The e-mail address of whom that should be contacted after the inspection. After the inspection, Joel prefers to send an e-mail to let you know details about the inspection. The e-mail may be sent to you or to a third party. We prefer not to send the e-mails to the contractor.

Loan Addendums

We prefer not to do addendums to loans, but we understand that this is necessary from time to time. If you need additional funds for your property, then you should complete another loan request form and send it to us for underwriting. The form should include the additional re-hab work to be done and the costs of such additional work.

There is a \$100 document preparation/processing fee and interest will relate back to the original date of the loan.