



COURSE 06 / Intermediate / 20-25 min

BRRRR Financing Strategy

Branded cheat sheet: the calculations and decisions to keep beside your next scenario.

Core decision checklist

1. Underwrite the permanent loan before acquisition.
2. Track the whole-project capital requirement.
3. Use documented rent and realistic refinance proceeds.
4. Repeat only when liquidity and operations support it.

Worked examples at a glance

01 Work Backward from the Refinance

An investor expects \$300,000 finished value and \$2,200 rent. At illustrative 75% LTV, the value cap is \$225,000. If rent and payment support only \$205,000, the refinance plan must use the smaller amount. A \$215,000 bridge payoff would leave a gap even before closing costs.

02 Track Total Capital Through Renovation

Purchase is \$180,000, rehab \$40,000 and total fees/carry \$15,000: cost basis is \$235,000. Debt funds \$190,000 of these costs, so equity contributed is \$45,000. A \$10,000 reserve held outside the project increases liquidity required to \$55,000; it is not an expense until actually used.

03 Rent and Calculate Net Refinance Proceeds

Permanent loan proceeds are \$220,000. Payoff is \$190,000 and refinance costs \$8,000, leaving \$22,000 before other deductions. With \$45,000 equity contributed, \$23,000 remains invested. The investor did not recover all capital, but the strategy may still be viable if operations and returns are acceptable.

04 Repeat Only After Testing the Portfolio

A rental produces \$2,760 annual pre-tax cash flow and has \$23,000 capital remaining. On that defined denominator, cash-on-cash return is $2,760 / 23,000 = 12\%$. A \$4,000 repair reduces first-year cash flow below zero. The favorable base percentage does not replace a repair reserve.



Apply it to your deal

Use documented inputs. Keep lender qualification, investment economics and cash timing visible as separate calculations.

Practice before submitting

Work Backward from the Refinance

Calculate a preliminary refinance using both value and income constraints. Ask about seasoning, property condition and lease documentation. Decide the maximum acquisition basis your exit can support, then compare that with the actual purchase and renovation budget before making a nonrefundable commitment.

Repeat Only After Testing the Portfolio

Create a post-project review showing actual costs, timeline, rent and cash flow. Calculate return with a labeled denominator and test one major repair. Decide how much refinance cash stays reserved before buying again. Identify management tasks that must be covered when adding another property.

Quick glossary

BRRRR: Buy, Rehab, Rent, Refinance and Repeat.

Permanent financing: Longer-term debt replacing an interim loan.

Stabilization: Sustainable occupancy and income after improvements.

Cost basis: Investment cost under the stated accounting assumptions.

Equity contribution: Investor funds supporting project costs.

Working capital: Cash available to meet near-term operating needs.

Cash-out: Refinance proceeds exceeding payoff and eligible costs.

Seasoning: Program-specific required ownership or history period.

Primary-source reading

CoreVest: [financing FAQs](#)

Lima One: [construction draw process](#)

These sources provide context, not universal program requirements. Formulas, eligible costs, qualifying income, seasoning and fees depend on the transaction. Examples are illustrative and are not actual loan offers.