



COURSE 03 / Beginner / Intermediate / 20-25 min

Fix & Flip Financing 101

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

Core decision checklist

1. Size acquisition and rehab funding separately.
2. Budget all project costs before estimating profit.
3. Plan draw liquidity and realistic sale timing.
4. Compare loan terms and protect the exit.

Worked examples at a glance

01 Map Acquisition and Renovation Capital

Purchase price is \$200,000 and renovation is \$50,000. An illustrative commitment funds \$160,000 at closing and holds \$50,000 for draws. Total financing is \$210,000, but acquisition equity is \$40,000 before fees. The borrower must also fund early work until eligible draws are released.

02 Budget Profit Before Borrowing

Sale price is \$320,000. Purchase \$200,000, renovation \$50,000, finance/carry \$15,000 and selling/closing costs \$20,000 leave \$35,000 before tax. A \$10,000 overrun and \$5,000 delay cost reduce that to \$20,000. The initial \$120,000 purchase-to-sale spread overstated expected profit.

03 Manage Draws and Contractor Cash

The first work package costs \$12,000. The investor pays it from available cash. A hypothetical lender retains 10% and reimburses \$10,800 after inspection. The investor has \$1,200 still tied up, plus the next contractor payment. A \$15,000 cash reserve cannot be treated as fully replenished.

04 Underwrite the Sale and Loan Exit

A \$300,000 sale with \$21,000 selling costs and a \$215,000 payoff leaves \$64,000 closing cash before other adjustments. At \$280,000 with \$19,600 selling costs, it leaves \$45,400. These distributions include return of investor capital; neither amount alone is project profit.



Apply it to your deal

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

Practice before submitting

Map Acquisition and Renovation Capital

Sketch a cash timeline from contract through sale. Show the purchase deposit, equity, closing fees and first contractor payment. Compare day-one proceeds with total commitment, then ask the lender which renovation expenses are eligible and what cash must be available before the first draw.

Underwrite the Sale and Loan Exit

Write a primary sale plan and a separately tested rental fallback. List price-reduction dates and the last practical date to request an extension. Reconcile closing cash with invested equity and total project profit. Read the payoff and extension clauses before accepting a term sheet.

Quick glossary

Commitment: Maximum loan funding under agreed conditions.

Holdback: Funds reserved for later approved disbursements.

Acquisition equity: Investor cash covering the unfunded purchase amount.

Contingency: Budget allowance for unexpected project costs.

Carrying cost: Ongoing expenses while holding the property.

Cash waterfall: Ordered distribution of closing proceeds and payoffs.

Draw: Approved disbursement of construction funds.

Retainage: Amount held back until specified completion conditions.

Primary-source reading

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.