



Here's an example of a sample city purchased housing project.

FFRI acquires a tax-foreclosed duplex from the City of Milwaukee for \$5,000. The house is vacant and in derelict condition. As is the case with most tax foreclosure acquisitions, the City of Milwaukee allows FFRI between 6-12 months to complete the renovation. The budget for the renovation is \$65,000. FFRI utilizes a hard money loan (15% and 6-month term) for the acquisition and renovation budget. Once renovated, the home will establish an appraised value (ARV) of \$85,000.

Through FFRI's current roster of contracting relationships, FFRI completes the extensive renovation over the next 3 months. With FFRI's stellar reputation with the City of Milwaukee, they work together to tenant the duplex with an under-market rental rate that is guaranteed by the City of Milwaukee. The City of Milwaukee's NIDC program is a key step in the process, which is a dollar-for-dollar reimbursement program for renovation costs, up to \$15,000 reimbursement per rental unit. Assuming a \$30,000 reimbursement, FFRI would lower the existing debt from about \$70,000 to \$40,000. The loan to value (LTV) would be 50% or less and the debt service coverage ratio (DSCR) often exceeds 2.00.

At this point, FFRI needs to refinance the existing hard money loan into a reasonable interest rate and longer-term debt. FFRI's primary concern is to find a local lending partner who understands FFRI's background, challenges, and its focused real estate mission.