



How to Find Funding for your Mobile Home Park

By Tyler Lekas and Jason Postill

The Co-Founders and Owners of MHCI Group



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Sources of Funding

There are two main sources of funding for mobile home parks

Debt:

This type of funding comes from a lending institution (usually a bank). The lending institution makes you a loan that you must repay later.

Equity:

This funding is cash from your bank account or investors cash

Partnerships:

Partnering with existing owners to improve their properties through “sweat equity” and to help source or bring capital.



Types of Debt Financing

Bank Debt

- Most common type of debt for mobile home parks and for “regular” people that are trying to break into the space or buy a handful of parks.

Bridge Loan

- These will have higher interest rates than bank debt but will usually fund faster. This type of loan product has a short loan life.

Hard Money Loan

- This will have similar interest rates to bridge loans but will normally come from an individual or small group vs a bridge loan which is usually from a larger company.

CMBS Financing

- This is for larger assets or large portfolios. The rates and length of these loans are superior to bank debt.

Fannie/Freddie

- This product is like CMBS but normally this will have superior loan terms (interest rate, amortization, term). You will need a strong balance sheet, a high-quality asset and expect this type of product to have a very long lead time to get funded.

Bank Debt

Downpayment: For this type of debt, you will need to put anywhere from 30-40% down. Meaning, if the purchase price of the MHP was \$1,000,000. You would need to produce \$300,000-\$400,000 in cash.

Personal Guarantee: Most of the time the bank is going to require a “personal guarantee”. This means the bank will come after all your personal assets if you default on the loan.

Business Plan: Bankers like to see a business plan so you can walk them through your plan for the asset. Keep this simple.

Funding Time: Banks normally take 45-60 days to fund a loan. Keep in mind you will have third party reports that include surveys, phase 1s, title work, zoning reports and the bank may ask for additional items.



Bridge Loans

Downpayment: Normally this will have a 20-25% down payment.

Interest Rates: Keep in mind that these interest rates will be 3-4% higher than bank rates. For example, bank financing is around 8% and that means bridge loans would be 11-12%. Only use this product if you are in a pinch or if the deal is that good.

Funding Time: They can normally get these done in less than 30 days. The third part reports are less due to the short-term nature of the loan.

Caution: Sometimes predatory lenders are in this space. Read the loan documents carefully.





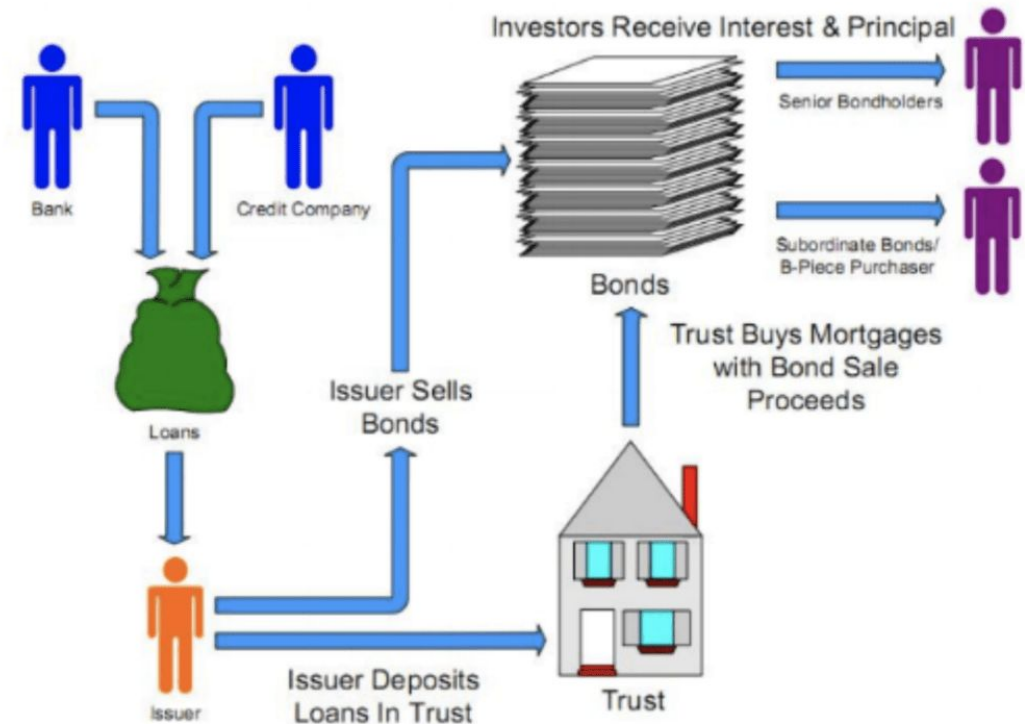
Hard Money Loan

- **Downpayment:** This is going to be very similar to a bridge loan, but these loans can vary a lot due to how the individual or group wants to structure the loan product. We have seen hard money loans with max LTVs at 50%. Meaning, if the purchase price was \$1,000,000, they would only loan \$500,000.
- **Funding Time:** Jason and I used a hard money loan on a deal, and we got it funded in 14 days. These loan products can fund very fast.
- **Interest Rates:** Due to the smaller groups/high net worth individuals lending on these loan types, the interest rates can be all over the place. I would expect them to be significantly higher than bank debt.



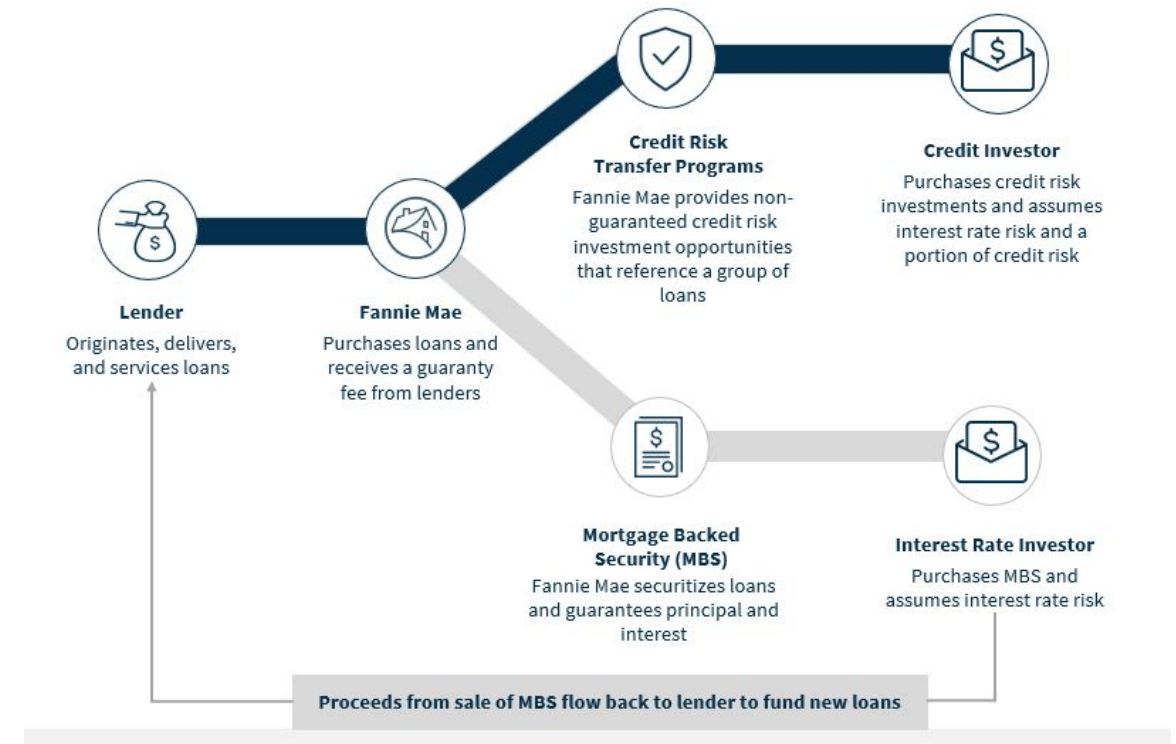
CMBS Financing

- **CMBS:** This stands for “Commercial Mortgage Back Security”. Here is how this type of loan product works. The lending institution makes a loan to you. Then they take your loan and 100s or 1000s of other commercial loans and package them up and securitize them into an investment called a “CMBS”. They then take this investment out to the market to sell to different hedge funds, mutual funds, other banks and a myriad of other investment firms.
- **Defeasance:** What the hell is defeasance? Great question. Defeasance is like a prepayment penalty except the amount you must pay back is going to depend on interest rates and the amount of loan life left. The reason for that is you are buying a bond ladder to replace the income that the investors who bought your loan should have got.
- **Due Diligence:** The number of additional surveys, phase 1s, appraisals, legal paperwork and several other items for these loans make them very cumbersome. You may end up hating your CMBS lender by the time you close the loan.
- **Non-Recourse:** These loans do not make you sign your personal net worth on the loans to guarantee them.



Fannie/Freddie Financing (Agency Debt)

- **What is this:**
 - There are two government owned agencies that provide mortgage financing. They also buy loans from lending institutions so that the banks can create liquidity.
- **Defeasance:**
 - There is also defeasance on these loans. If you plan to pay off the loan earlier than the maturity date, beware.
- **Qualifications:**
 - To qualify for these loans, you need to have good credit, liquidity in the form of cash/cash equivalents, a lot of experience in the space and a deal that is over \$5,000,000 that is a high-quality asset.
 - These loans are not easy to qualify for and if you are new to the space, we would recommend passing on. MHC Group has still not done one of these.
- **Terms:**
 - The interest rate, amortization and LTV are all far superior to a bank.
 - For example, the agencies are lending on mobile home parks in the 5s, the LTVs are 70-75% and the amortizations can be up to 30 years. Banks are in the 8s, their LTVs are 65-70%, and the amortizations are between 20-25%.



What is Equity?



Equity:

When we say equity, we mean cash that comes from your bank account or from investors bank accounts to provide the down payment for a lending institution, cash purchase of a mobile home park and the additional cash needed for improvements



Investors:

We are assuming that you are sitting at this talk because you do not know how to raise capital from investors. If your last name was "Gates", we assume you would not be sitting here.



How Do you Raise Capital from Investors?

You will most likely use a combination, or all the strategies listed below to raise money. Focusing on just one is thinking about capital raising in the wrong way:

- **Social Media:**
 - Running advertisements about your deal on social media is a great way to raise money. Organic content and newsletters are also a good strategy. This are some intricacies to both strategies that we will dive into on the next slide.
- **Friends and Family:**
 - Reaching out to your “network” or “circle” of people you already know.
- **Networking:**
 - Going to events focused on MHPs, paying for a mastermind, joining your local real estate meetup and even networking at events that you enjoy as a hobby.
- **Hiring a Capital Raising Firm/Person:**
 - There are firms and people who are registered with the SEC to raise capital.

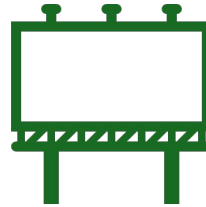


Social Media



Spending:

Make sure you have a lot of capital to spend. We just did this, and we estimated you need about \$50,000-\$75,000 in ad spend to get \$1,000,000 in equity.



Advertisements

Running multiple advertisements that have different content in them is crucial. Most likely your first advertisement will not be the one that gets the most traction.



Leads:

There are going to be a lot of leads that get generated. That means you or a full-time cold caller needs to be calling the list of leads daily and following up with an email.

90% of them will not know what you are talking about, or they will be a “looky-loo” just trying to get information on your deal.

Staying on top of leads is crucial because if you do not, the advertising spend will have been a waste.



Friends and Family

- **Pros:**
 - **Trust:** This group of people already knows and trusts you. That helps when you make the initial approach to them.
 - **Referrals:** Since this group already trusts you, they will more likely give you referrals even if they do not invest.
- **Cons:**
 - **Mistakes:** If you do make a mistake, you could lose a friend or family member forever.
 - **Social Interactions:** Whether its Thanksgiving or a night out with your friends, your time with your friends and family could turn into “How is the investment doing” vs telling jokes/having fun.



Networking



MHP Focused Events: There are a number of events that focus on MHPs each year. MHI (Manufactured Housing Institute) has a large event that is usually held in Las Vegas or Orlando and smaller events in Chicago and Atlanta. We go to the large event each year and it's a great place to network with lenders, brokers, and potential capital partners.



Local Real Estate Meet Ups: Consistently going to a local meet up can get a group of people that already know real estate to know/trust you.



Master Minds: There are a number of great master minds to that can range from \$1,000 a year to \$100,000 a year where you can meet capital partners at. These master minds can be real estate focused but there are plenty of these out there that focus on technology, mind set, capital raising, business etc.



Hobbies: The activities that you enjoy on a daily basis or weekly basis is a great place to meet potential investors. The other people that enjoy the hobbies that you enjoy get to know and trust you through consistency. Tyler Lekas has found a lot of interest in the mobile home park space in his Brazilian Jiu Jitsu classes.

Hiring a Capital Raiser

- Pros:
 - This person or company specializes in building a network of investors who want to invest in real estate
 - They will offload cold calling, following up and lead generation which give you more time to run your business
 - They get paid when someone invests. Meaning, they are aligned with your goals and if they do not raise money, they do not get paid.
- Cons:
 - Every time we have tried to hire someone in this field they have wanted “up front” fees. We do not do that as it puts us and them out of “alignment”.
 - They are most likely working on multiple deals which means your deal is not getting their full attention.
 - Every capital raiser we have spoken with has no interest in raising for any deal that has under a \$2,000,000 equity check. This means if the MHP you are buying is \$2,000,000 and the bank wants 30% down. The equity check is \$600,000. You need large deals to get a capital raiser interested.



Utilizing Partnerships for Sourcing Equity in Mobile Home Investments



How Partnerships Enhance Equity Sourcing

Private Investors & Joint Ventures

- Collaborate with private investors to pool resources and share ownership.
- Joint venture partnerships with developers or investors who have expertise in mobile home communities.

Real Estate Syndications

- Partner with syndicators who can bring multiple investors together.
- Utilize syndications to raise equity from individuals in exchange for returns.

Institutional Partners & Funds

- Seek partnerships with institutional investors or funds specializing in mobile home parks.
- Institutional equity often brings larger amounts of capital and stability.

Crowdfunding Platforms

- Use real estate crowdfunding to engage with a larger audience.
- Crowdfunding partnerships allow you to tap into retail investors at smaller amounts.

Why Partner for Equity in Mobile Homes?

Increased Capital Access

- Partnering enables access to larger pools of funds, allowing for bigger deals and more homes to be brought in.

Expertise and Network Expansion

- Gain access to partners' expertise, knowledge of markets, and network of contacts.

Reduced Personal Financial Exposure

- By sourcing equity from partners, you reduce personal financial exposure.

Risk Sharing

- Partnerships allow risk to be spread among multiple investors.

Conclusion



Finding funding for a mobile home park is never easy, especially when you are starting out. Investors and lending institutions like to see a track record. Since you have none when you first start, both are reluctant to take a chance on giving you money.



Most of the time the downpayment and capital expenditure budget will have to come from you to get started in this business. The bank will likely ask for more down and require stricter loan covenants because of the lack of experience.



As John D. Rockefeller once said, “Opportunity is disguised in a hard hat and work boots.” Finding funding for a mobile home park is just that, its hard work. The more you do it, the easier it will become.





Visit us at www.mhcigroup.com

Call: 386-679-5729

jason@mhcigroup.com

tyler@mhcigroup.com

424 Luna Bella In ste 120B, New Smyrna Beach, FL 32168



