

# NEWS OF INTEREST

YEAR END 2020

## GOODBYE 2020...

*hello*  
**2021**

Quite frankly, it feels great to say goodbye to 2020, one of the craziest years on record. The pandemic permeated all our lives in various ways, from our daily routines, to our work environments, to the ways we interact with one another. For some, the pandemic created a loss of loved ones. Our hearts go out to those who were affected to such extreme – a scenario that was unimaginable just one year ago. We wish everyone good health and prosperity as we turn the page on one of the most difficult years in history.

# 2021



continued on next page...



# THE SFG *portfolio*

## SOLIDLY PREPARED FOR THE UNEXPECTED

Fortunately for SFG, the pandemic only created a slowing of loan volume, as our steadfast underwriting disciplines kept our loan portfolio resilient and healthy. Although the pandemic was unexpected, we always underwrite with the unexpected in mind.

The year 2020 began much like 2019 ended, robust and filled with business activity. By late spring however we noticed our loan payoffs were starting to exceed our loan volume. The cause for this was twofold: historically low interest rates inundated the market with refinance activity, which accelerated our loan payoffs; and COVID-19 created a fog of uncertainty for real estate entrepreneurs causing them to pause, which tempered our loan volume by 25% over 2019. The good news is our portfolio stayed resilient. The only measurable effect the pandemic had on our portfolio was that we carried excess cash for much of the year, which put modest pressure on yields and required us to put a hold on new incoming investor capital. Our non-performing assets percentages remained about the same as in 2019, hovering in the low to mid-single digits. As fund managers who espouse capital preservation first, yield second, 2020 portfolio results confirmed that our underwriting disciplines remain solidly in line with our message.

**GREG  
ELDERKIN**

**JOHN  
ODEGARD**

**SFG  
INCOME FUND  
MANAGERS**

As we begin the new year, we see signs of improved loan activity. Entrepreneurs are beginning to look beyond the pandemic, to the other side, and are taking action in preparation for a more active economy. This is reflected in the fact that November and December combined represented the best 60-day period of the year, and January shows good activity with plenty of promise. Additionally, we have implemented some loan cost concessions, such as lower interest for the first few months of the loan, which has helped capture some terrific business the last couple of months. Modest pricing concessions combined with our ramped-up marketing efforts should combine to boost business activity during the first quarter of 2021. Overall, 2021 should be a much better year for loan volume than 2020. Nonetheless, we expect it will be sometime in early spring before we open the doors to new investor capital.

## Why **ENTREPRENEURS BORROW FROM SFG**

A commonly asked question by those outside the field of real estate, or even on the periphery, is, “why would someone pay a premium interest rate to buy, build, rehab or refinance an investment property rather than go to the bank?”

From the outside looking in, paying an upper single digit interest rate when bank rates range from 3-5% may raise an eyebrow. But for those in the heat of the game, it makes a ton of sense.

**PROVEN.  
TRUSTED  
RELIABLE.  
SINCE 1988**



**“THE SFG  
INCOME FUNDS  
PORTFOLIO  
STAYED  
RESILIENT”**





The answer comes down to three categories,

***SPEED,***  
**SIMPLICITY &**  
***deal certainty***

Primarily the reasons are speed and deal certainty. But many borrow from us simply because the process is straight forward and less intrusive, and for some that is enough of a huge value add. For all borrowers, however, offering the seller a two-week closing rather than a two-month closing, captures a better price, which more than compensates for the slight 12–24-month interest rate premium.

After the property is quickly acquired at a favorable price, the entrepreneur then has the time to refinance through a bank. In most cases the buyer plans to enhance the property's income stream,



and or value, and sell for a profit, all within a year or two. By paying us off quickly, the extra cost of an SFG loan is negligible in relation to the value it added to the transaction.

**\$1,273,000**  
**10-UNIT APARTMENT**  
**FIX & FLIP IN ARCADIA LITE**  
**PHOENIX, AZ**

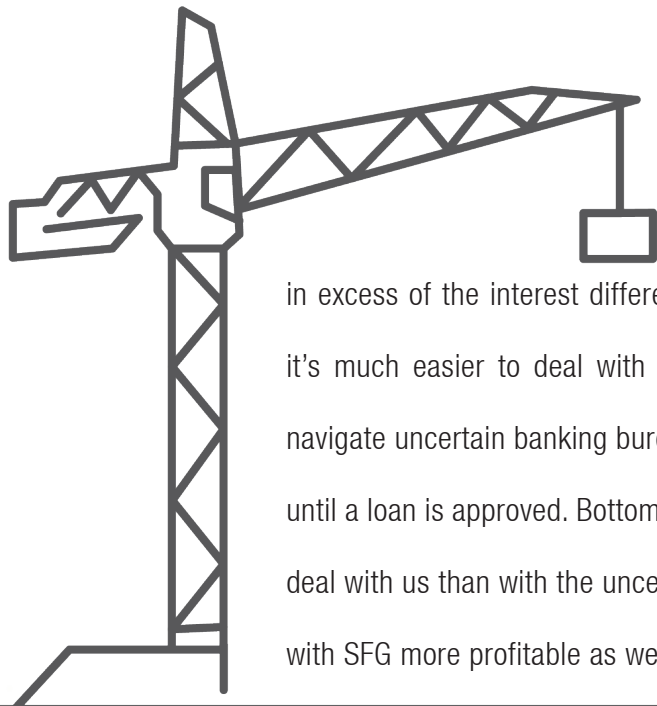


## ANOTHER TERRIFIC CUSTOMER OF OUR LENDING PRODUCTS IS BUILDERS...

and for all of the same reasons described above. By design, builders are in and out of loans quickly, taking their profits and moving on to the next project. In calculating their costs to build, interest is just another line item. And since banks

**SFG IN HOUSE  
CONSTRUCTION  
MANAGER**

**WITH SFG SINCE  
2001**



are painfully slow, smaller builders find they are able to get in and out of their projects faster with SFG, which leads to profits well

in excess of the interest differential. Additionally, when it comes to simplicity, it's much easier to deal with a hands-on local lender than being forced to navigate uncertain banking bureaucracies while putting your excavator on hold until a loan is approved. Bottom line: builders just find it faster and smoother to deal with us than with the uncertainties of bank lending. And most find dealing with SFG more profitable as well. **SFG**



## Success STORIES

Here are a few transactions from 2020 that represent much of the value-add elements SFG brings to the table, while obtaining exceptional collateral along the way.



**A BUILDERS  
BEST RESOURCE**

**\$10,335,000 | LTV 50%**  
**38-UNIT CONSTRUCTION PROJECT**  
**SEATTLE, WA**

Outstanding location on arguably one of the best street in the Capital Hill district of Seattle, Washington. Local entrepreneur, who owned several properties in Capital Hill, needed a lender with the appropriate vision and resources to not only make a construction loan for this outstanding project, but take additional collateral to assemble a portion of the equity needed as well. On this transaction our loan not only included the subject property, but two other attractive properties - all in first position. SFG is soundly collateralized and the borrower was able break ground in sufficient time for an early summer 2021 opening! Win-Win!



## LUXURY IN PARADISE

\$3,600,000 | LTV 56%  
HIGH-END CONSTRUCTION PROJECT  
KAMUELA, HI



This highly proven repeat SFG builder/developer and his veteran team built the pictured 5,500+ sq. ft. home, with unobstructed ocean views that is just minutes to the beach and 10 minutes from shopping and restaurants. Although he has plenty of financing options for his first class projects, he chooses SFG because of our

efficient and straight forward underwriting approach. Additionally, his profits have been substantial on these projects, making our slightly higher interest rate a non-factor in relation to the service SFG provides.

## DOWNTOWN OPPORTUNITY

\$2,500,000 | LTV 62%  
PRIME COMMERCIAL BUILDING  
DALLAS, TX



Real estate entrepreneur had a balloon payment (first mortgage due in full) pending on this 16,000 sq. ft. fully leased steel and masonry automotive care facility and needed deal certainty. The seasoned mortgage broker knew to call SFG for a quick transition loan, giving the borrower the time he needed to better choose his next long term lender. The property is well located on a prominent thoroughfare within the DFW Metroplex.

## SFG WAS THE PERFECT FIT

\$500,000 | LTV 46%  
VACATION RENTAL PURCHASE  
PARK CITY, UT



Deal certainty was a must on the purchase of this well located vacation rental property in the heart of Park City. Time was of the essence to capture what was a great buy! More often than not, borrowers choose

SFG over the bank as they know we are proven to perform when the clock is ticking and profit is on the line.

## A COASTAL SUCCESS

\$4,332,000 | LTV 61%  
CONSTRUCTION OF FOUR HOUSES  
SEAL BEACH, CA



When this four-unit construction opportunity was presented, we knew it was right over our plate. Moreover, the request came from a long-term, trusted industry professional with whom we first closed a transaction over 10 years ago in Carlsbad. Repeat relationship, coastal location, low leverage...**DEAL CERTAINTY.**