

NEWS OF INTEREST

Enhancing BORROWER VALUE TO REMAIN A *leader* IN A HIGHLY COMPETITIVE MARKET.

High cash position warrants refinement to
lending products and marketing strategies.

Seattle Funding Group is one of the most well-known, quick-serve private real estate lenders throughout the West and is recognized throughout much of the United States. Our 32-year track record and reputation have positioned us to capture some new loan business by virtue of our name alone. However, over the last year or so we have been experiencing a more competitive market. Numerous new private lenders have entered the market, buoyed by low-cost credit lines supplied by institutions and hedge funds seeking secured yields in a historically low interest rate environment.

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Many of these contemporary lenders, armed with this temporary low cost of capital, have never seen a down real estate market and hence seem to be unrestrained by prudence. They are offering an attractive cost of funds to borrowers and pushing leverage to levels that require continuing strong market fundamentals if they are to be successful. Although this is a cyclical situation, and one we have seen in previous cycles, it has truncated our loan volume over the past year, leaving SFG with a higher non-productive cash position than desired. Beginning in May we have instituted some more aggressive marketing campaigns and refined our lending products' design to compete for a greater volume of the high-quality transactions we are accustomed to. More about our competitive refinement later in this article.

"These new lenders know that if it is a Seattle Funding Group loan then good underwriting is already in place..."

In some ways our decades of success have created this challenge. The SFG portfolio is based on loans secured on high demand real estate made to highly reliable

borrowers with strong exit strategies. Loans of this nature tend to pay off quicker than more dubious loans with higher leverage and precarious valuations. Because the lending community is aware of this about Seattle Funding Group, our borrowers are regularly approached by incoming lenders offering a refinance with the lure of slightly better rates and higher leverage. These new lenders know that if it is a SFG loan then good underwriting is already in place, making their job easier. We have countered this with systematic customer retention strategies on maturing loans, lower interest rates for the first 3 to 12 months on incoming

John Odegrd
Senior Partner

SFG Success STORIES



\$2,900,000

Construction of three
high-end homes
NORTH TUSTIN, CA



\$4,400,000

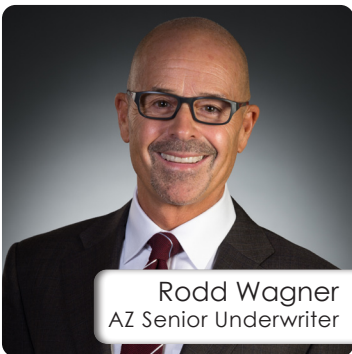
New Industrial
Warehouse Purchase
LAS VEGAS, NV



\$1,050,000

Prime Location for
future development
CHANDLER, AZ

opportunities, and enhanced robust marketing touting our history, capacity, and refined lending products. Although these adjustments will take time to resonate, we are confident they will lead to more relevant borrower conversations and lending opportunities. Our underwriting and sales team is feeling empowered to present our improved loan programs and capture additional good business going forward, employing more of our capital and bolstering returns. We believe



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this is a case where less creates more. Slightly better short-term pricing produces more good business, which

better supports yields over time. We are very confident in our position in the marketplace, yet we too need to adjust some to the inherent ebbs and flows of market competition. As always, we will continue to price opportunistically and capture higher yields when available.

Our most impactful adjustments and strategies to date are:

Marketing

CUSTOMER RETENTION PLANS

For maturing loans:

We systematically reach out to our performing borrowers prior to maturity to reevaluate our position and offer reasonable extensions. We have learned over the years capturing a new borrower is many times more expensive than retaining an existing one.

For repeat borrowers:

Borrowers who borrow from us again within six months of their last loan, get a 50% reduction in loan fees (points). Again, the value of retention.

Pricing

New base pricing is **7.99%** for the first year,
then **8.99%** thereafter.

Short term promotional rates start at **6.99%**
for 90-120 days, then **8.99%** thereafter.

SFG Pay Rate™ program where the borrower pays
monthly an amount equal to **4.99%** annual interest.

The difference between the Pay Rate and interest rate is accrued and reconciled at
loan pay off. This program lowers the initial payment burden to the borrower while
giving us our desired yield. This is known in the marketplace as the SFG Pay Rate,
and it makes for terrific marketing. The lower payment terms are particularly valuable
to real estate entrepreneurs who are repositioning a property and temporarily
interrupting its income stream.

As we implement these strategies, we believe we have realigned our lending
products and marketing to enhance our position as an industry leader. Our commitment
to be the lender of first choice in our market segment is vital. More loan choices
leads to better portfolio performance. The financial impact to the portfolio should be

THE SFG PAY RATE™ EXPLAINED

VOICED BY:

Rodd Wagner

SFG OF ARIZONA SR. UNDERWRITER

SFG SEATTLE FUNDING GROUP
PROVEN. TRUSTED. RELIABLE. SINCE 1988.

\$1,550,000
COMMERCIAL PURCHASE
PARK CITY, UT

WHEN **LESS** IS **MORE**

•LIMITED TIME OFFER•
4.99%
SFG PAY RATE™

LOAN AMOUNTS: 500K - \$20M
LENDING IN: AZ CA CO HI ID OR TX UT WA

Submit a Loan

SFG SEATTLE FUNDING GROUP
PROVEN. TRUSTED. RELIABLE. SINCE 1988.

LET'S GET YOU SCHEDULED FOR A **FEBRUARY FUNDING**

\$1,115,000
REPEAT BUILDER IN SUNCADIA RESORT
CLE ELUM, WA

4.99% SFG PAY RATE™ (BRIDGE LOANS)
IN-HOUSE CONSTRUCTION DEPARTMENT
20 DAYS LEFT TO FUND IN FEBRUARY

CALL TODAY, CLOSE IN FEBRUARY
888.734.3863

LENDING IN: AZ CA CO HI ID OR UT WA

Submit a Loan

SFG SEATTLE FUNDING GROUP
PROVEN. TRUSTED. RELIABLE. SINCE 1988.

Call Today,
CLOSE IN JUNE

\$1,050,000
Acquisition of Land & Development
Chandler, AZ

NOW *even better* THAN BEFORE

4.99% SFG PAY RATE™
6.99% INTRODUCTORY RATE
7.99% BASE RATE

EXTRA LEVERAGE: **8.99%** ADDITIONAL LEVERAGE RATE

Submit a Loan

LISTEN TO THE PODCAST:



twofold. Increased number of loans and increased capital. While some of the new loans entering will be at lower short term interest rates, an increase in our productive capital employment should counter these lower promotional rates.

“More loan choices leads to better portfolio performance.”

Your investment in SFG is more than just a portfolio position that ebbs and flows; it includes a seasoned management team willing to make the decisions and changes required to maintain the highest quality in all market cycles, including today's highly competitive lending market. **SFG**



WE HAVE *moved!*

New Corporate Offices Create an Exciting Change in 2021!

Over the last 30 years, Bellevue, Washington has become one of the more dynamic business centers in the nation, per capita. Old buildings and structures are being torn down to make room for multi-story towers. Such is the case with the 1960's-era shopping center directly across from SFG's

headquarters of the last eight years. Amazon has commenced the construction of two 30-story towers of office and retail to accommodate the public and over 8,000 Amazon employees. The construction created congestion at the entrance to our old offices and made it difficult for clients and employees to get in and out. Add in COVID, which changed



the thinking of office building owners everywhere, and suddenly, new office tenants were scarce, and landlords were motivated.

The new towers construction and COVID came at the exact time our office lease was up for renewal. Office leasing agents began calling us constantly, inviting SFG to come visit their buildings and enticing us with attractive lease rates and concessions that would have been unheard of just a few short months prior. We jumped.

SFG moved to our new location, just about a mile away at 11245 SE 6th Street, Suite 210, on March 1, 2021, and we couldn't be happier. Better parking, easier access, newer building and all new tenant improvements designed specifically for SFG. In this case COVID worked in our favor.



BELLEVUE THROUGH THE *years*

- 1 Amazon Towers (*rendering*)
- 2 Bellevue from Above | 1980
- 3 Bellevue Arts Fair | 1973
- 4 Bellevue Park | 2021
- 5 Bellevue from Above | 2021



SFG INCOME FUNDS
CORPORATE HEADQUARTERS

If you are ever in the area, please come visit us. We always enjoy seeing and connecting with our investors in person.
Cheers to a great future ahead!

Cheers
**TO A GREAT
FUTURE AHEAD!**

SFG
**INCOME
FUNDS**

SFG INCOME FUNDS HEADQUARTERS

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