

Financing Your Acquisition

Table 10.2 Underwriting Guidelines

Eligible Property Types	Minimum DSCR	Maximum LTV	Ineligible Property Types
Office	1.35	75%	Auto dealerships
Multifamily	1.20	80	Bowling alleys
Industrial	1.25	75	Car washes
Retail	1.30	75	Churches
Mixed use	1.30	75	Gas stations
Mobile home parks	1.25	75	Marinas
Hotels and motels	1.45	80	Nightclubs
Health care facilities	1.40	70	RV parks
Self-storage	1.30	75	Schools
General Loan Terms and Conditions			
Loan size	\$150,000–\$2.5 million		
Index	Treasury bill		
Term	7, 10, 15, 20, or 25 years		
Amortization period	20, 25, or 30 years		
Lien position	First lien only		
Property age	May not be older than 40 years		
Vacancy	10% or less		
Management fees	10% or less		
Operating history	Minimum of 2 years full financials		
Recourse	Nonrecourse		
Replacement reserves	\$250 per unit		
Escrows	No escrow required		
Assumability	Assumable with 1% transfer fee		
Deferred maintenance	Escrowed at closing as required		
Bankruptcy	Not allowed where borrower has filed in last 5 years		
Phase I environmental survey	Required		
Engineering report	May be required on properties older than 10 years		
Appraisal report	Required		
Estimated third-party costs	\$4,500–\$9,500		
Loan origination fees	2% under \$500,000; 1% over \$500,000		

request before submitting the package to a loan review committee. The required preliminary information includes a summary memorandum, an underwriting sheet, operating history, rent rolls, and maps and photos. The summary memorandum section should include a summary of all the pertinent information for the prospective loan, such as the borrower's credit and personal financial statement, the requested loan amount, the underwriting overviews and sponsor information, a review of the general market conditions,