

Welcome.....



Multi-Family Cash Flow Refresher & Q&A

Presenter: Gina Koenen

VP, Commercial Loan Officer

Provident Bank

gkoenen@myprovident.com

Cell: 951-403-0567

To allow people time to get logged in & set up, we will likely begin closer to 10:05.

- ***Provident Bank Wholesale Account Representatives:***
- ***www.pbmwholesale.com***
- ***At any time, you can use the webinar controls to ask me a question.***
- ***These slides will be available after webinar, to request a copy, please email Gina @ gkoenen@myprovident.com***

Webinar is NOT recorded, no saved history, each class is unique based on actual questions asked and different scenarios reviewed.

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- ***IMPORTANT!!! If you are approved with Provident Mortgage:***

- ***please let me know who your account executive is so your Acct Exec gets credit on fundings.***

- **Highlights on our program:**

- Multi-Family, Mobile home parks, Mixed Use, Self Storage, Office & Industrial

- California Only

- Loan sizes from \$300,000 - \$7,000,000 (under \$500,000 w/rate bump)

- Up to 70%-75% LTV on purchase and rate & term refinances

- Up to 65%-70% cash out refinances

- Allow seller carry up to 80%/85% CLTV (1.10DCR) – case by case

- Min FICO 680 / lower w/ exception & rate bump

- Allow credit for self-management

- Rates: http://www.pbmwholesale.com/rates/rates_GKoenen.pdf

- Worksheet & submission form: www.gmvirtual.com

Income Property Types

Properties Provident Likes

- 5+ units Multi-Family &
- Mobile Home Parks
- Self Storage
- Non Owner Occupied Office
- Owner occupied office/Light industrial (use market rents to support loan at appraisal)
- Industrial & Flex space

Difficult Properties

Single purpose (more difficult, typically one type of tenant)

- Restaurants
- Car wash
- Gas Stations
- Auto repair/Smog
- **Also Retail can be difficult, not single purpose, but tough due to industry/online resellers etc.

Income Property

Helpful hints for quotes:

Typically for a bank to quote, it's helpful to send the following to a lender:

- Address
- Rental income per unit
- For Multifamily units: bedroom count & rental income per unit
- For Office/Light industrial: sq ft per unit, tenant names, lease end date, rental income as well as Schedule E or approx annual expenses
- If Purchase, purchase price & target loan amount
- If Refinance: amount owed and target loan amount

For Many lenders, the above information affects the quote, often there is rate bumps for the following:

- Loan size, adds for loans under \$500,000
- Units all studios or one bedrooms / Reasons
- Cash out
- Credit

LTV Restraints / Locations

Most commercial lenders are more aggressive in major metro areas/core employment areas and tend to restrict LTV's in tertiary markets.

Major Metro/More Aggressive LTV's / Examples:

San Francisco, Sacramento, Oakland, Los Angeles, Orange County, San Diego

*Palm Springs/Palm Desert Area

Restricted LTV Areas / Examples:

Victorville, Apple Valley, Fresno, Bakersfield, Yuba City, Chico, Lake Tahoe Area.

Small towns, lower populations, less employment

Income Property

LTV & Debt Cover/DCR

NOTE: The rental income a property generates will determine a property's value = 'income value'

- Banks lend to the lesser of Purchase price or income value
 - LTV restraints & DCR restraints must be met
 - LTV's & DCR vary depending on property type & loan type
 - Cannot use borrower global income to support property, property must stand on its own

Variables which affect loan amount supported:

- LTV = Banks base "LTV" on "income value" or lesser of income value or purchase price
 - Income value = Net operating income (NOI) / Cap rate
 - Appraisal determines market cap rate / Banks can estimate based on recent appraisals
 - Market expenses typical 35% (rule of thumb for apartments / Commercial depends on lease types ie: NNN, Gross, Modified Gross (explain)
 - Vacancy factor 5% / 10% commercial / 15% single tenant
- DCR = Debt Coverage Ratio – Min 1.20/1.25
 - DCR = Ratio between net operating income & new annual mortgage payments
 - 1.20 DCR states that Net operating income MUST be at least 20% higher than new annual mortgage payments on property

Borrower

– Credit & Cash flow

Most Commercial lenders also review borrower's personal global cash flow, full documentation.

This is the borrower's personal debt versus reported income

- Pre-2010/economic downturn, borrower personal cash flow was not as important as it is now, regulations have changed.
- Borrower's income does not need to support subject property's payment, property supports itself
- Borrowers reported income must support their personal debt plus 25% approx for living expenses
 - Rule of thumb, if they would qualify for personal SFR refinance on residential loan, cash flow should work on commercial / Approx 40 DTI or better
- Liquidity must be 6 months principal and interest
- Credit/FICO
 - 680 or above with no credit issues past 7yrs (loan mods, foreclosures, short sales, etc)
 - Possible lower with LOE, and credit bump depending on circumstances

Rate sheet review & discussion

Then worksheet

Worksheet is located at:

www.gmvirtual.com

(DCR/Loan Calc – top left of page)

Current Multi-Family & Commercial Rate Sheet:

<http://pbmwholesale.com>

Click – “Wholesale Rates” top left, then click

“Commercial / Multi-Family 5+ Units - Rate Sheet”

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