

# Welcome.....



## **Webinar**

### **Multi-Family Investment/DCR & Cash Flow Refresher & Q&A**

**Presenter: Gina Koenen**

VP, Commercial Loan Officer

Provident Bank

[gkoenen@myprovident.com](mailto:gkoenen@myprovident.com)

Cell: 951-403-0567

- ***To allow people time to get logged in & set up, we will likely begin within 5 minutes of start time***
- ***At any time, you can use the webinar controls to ask me a question.***

## **Multi-Family Investment/DCR & Cash Flow Refresher & Q&A**

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### **Highlights on our programs:**

- Multi-Family, Mobile home parks, Mixed Use, Small Retail / Office / Industrial
- **California Only**
- Loan sizes from \$300,000 - \$6,000,000 (under \$500,000 w/rate bump)
- Up to 75% LTV on purchase and rate & term refinances / Min DCR 1.25
- Up to 65%-70% cash out refinances / Min DCR 1.35-1.40
- Multifamily - 1,3,5 & 7 year fixed – 30 year loans
- CRE – 1,3 & 5 year fixed, 10 year loan with 25 year amortization
- Full documentation loans Full recourse
- Entity types: Individual, Trust, LLC/Corp & Partnerships
- Allow seller carry up to 80%/85% CLTV / case by case
- Min FICO 680 / but down to 660 w/rate bump / No major issues in past 5 years
- Allow credit for self-management on multifamily under 10 units
- Rates: [https://www.myprovident.com/agent/rates\\_Gkoenen.pdf](https://www.myprovident.com/agent/rates_Gkoenen.pdf)
- Worksheet & submission form: [www.gmvirtual.com](http://www.gmvirtual.com)

# Income Property Types

## Provident Bank – Niche Property types

- 5+ units Multi-Family
- Mobile Home Parks / Skirted, Double wide / No park owned or RV
- Small retail
- Small Office – strong tenant type ex: Medical & long term industry
- Small Flex space/light industrial

## Quick discussion on Non Provident Bank / Difficult Properties

- Single purpose – discussion about difficulty
  - Restaurants
  - Car wash
  - Gas Stations

# Income Property Basic Information

## Preparing to review worksheet

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Banks Determine loan amounts based on two limiters:

- ❖ “LTV” on “income value” or lesser of income value or purchase price
- ❖ DCR ( debt coverage ratio) minimum.

**LTV:** Loan to Value / less relevant in higher rate environment, DCR drives supported loan amount

**DCR:** Debt coverage ratio. This is the ratio between the property’s net operating income and new annual mortgage payments.

- ❖ Example: 1.25 DCR states the property’s net operating income must be at least 25% higher than new annual mortgage payments
- ❖ With rates higher in this market, annual mortgage payments are higher.
- ❖ Average market DCR minimum on multifamily (As of Nov 2023) is 1.20-1.30.

Rental income property generates determines property value = ‘income value’

**\*\*Income value = NOI / Cap rate\*\***

- ❖ Banks determine comfort cap rate they will lend on based on risk/area/demographics etc. Appraisal cap rate often differs
- ❖ Market expenses typical 35%
- ❖ Typical standard Vacancy factor 5% for multifamily / 10% office/retail/CRE

### Note:

- When an office/retail/CRE property is owner occupied, banks often use market rents for owner’s space/unit
- When a multifamily unit is occupied by the owner, banks often use market rent for that unit

Rate sheet review & discussion

Then worksheet / located at [www.gmvirtual.com](http://www.gmvirtual.com)

Questions / Q&A time

Items needed to review & quote:

- Copy of the listing if it's a purchase
- Rents per unit
- Bedroom count per unit or tenant name, lease end date for office/retail units
- Most recent 2 year expenses on property / Schedule E/8825's if available
- Amount owed
- Target loan amount for cash out

**NOTE:** Even if the property type is one Provident Bank cannot do, often I do know who can, please feel free to reach out for referrals

# Thank you!



**Worksheet is located at:**

**[www.gmvirtual.com](http://www.gmvirtual.com)**

*(Center of page, download link for Income Property / DCR & Income Value Excel sheet)*

**Current Multi-Family & Commercial Rate Sheet:**

**[https://www.myprovident.com/agent/rates\\_Gkoenen.pdf](https://www.myprovident.com/agent/rates_Gkoenen.pdf)**

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