

Welcome.....



Multi-Family Cash Flow Refresher & Q&A

Presenter: Gina Koenen

VP, Commercial Loan Officer

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- worksheet & pre-recorded session
- Located at:
- www.gmvirtual.com

• **Multi-Family Cash Flow Refresher & Q&A**

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• **Highlights on our program:**

- Multi-Family, small retail* and office / California Only
- Loan sizes from \$300,000 - \$6,000,000 (under \$500,000 w/rate bump)
- Up to 70%LTV on purchase and rate & term refinances
- Up to 65% cash out refinances
- Min FICO 680 / lower w/ exception & rate bump
- Allow credit for self-management
- Rates: https://www.myprovident.com/agent/rates_Gkoenen.pdf

*small retail excluding restaurants/bars & similar.

Income Property Types

Properties Provident Bank:

- 5+ units Multi-Family &
- Mobile Home Parks – skirted, double wide and no RV
- Small retail / non anchored / no restaurants/fast food etc.
- Self Storage
- Office

Difficult Properties/ Other lender sources

Single purpose - typically one type of tenant, will need specialized lender for these

- Restaurants
- Car wash
- Gas Stations
- Auto repair/Smog

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

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 maximum & DCR minimum 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 multifamily & retail /1.25 office
 - DCR = Ratio between net operating income & new annual mortgage payments
 - Example: 1.25 DCR states that Net operating income MUST be at least 25% 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 through its net operating income
- 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 12 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

worksheet & pre-recorded session

Located at:

www.gmvirtual.com

Current Multi-Family & Commercial Rate Sheet:

<https://www.myprovident.com/Gkoenen.asp>

Click – “Commercial Loan Rates” in center

Password: prov4ugina

***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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