Welcome to:

BEYOND THE APPLICATION:

What Every Broker Should Know About Getting Their Commercial Loan Closed

Presented by
APEX Mortgage Corp.
OVERVIEW

4 Things that Must Go Smoothly in Order to Close Your Deal

1. Appraisals
2. Title Work
3. Lender Stips
4. Insurance/Environmental Issues
• Types of Appraisals
• What a lender is looking for
• How your deal can get tripped up
• How you can help
Residential vs. Commercial

3 Major Differences:

1. Cost
2. Size
3. Timeframe
TIP:

Let your Lender order the appraisal!
• Sales/ Market Approach
• Income Approach
• Cost Approach
APPRAISALS

Sales Approach
APPRAISALS
Sales Approach
## INCOME CAPITALIZATION APPROACH

### Actual Gross Income

- **First floor:** $5,000 per month = $60,000/annum
- **Second floor front:** $2,000 per month = $24,000/annum
- **Second floor rear:** $2,500 per month = $30,000/annum
- **Total:** $114,000/annum

### Less Vacancy and Collection Losses (3%) and (5%)

- **First floor:** $1,800
- **Second floor:** $2,700

### Effective Gross Income

**Effective Gross Income:** $109,500

### Expenses

- **Management (5%):** $5,475
- **Real Estate Taxes:** $15,006
- **Water and Sewer:** $1,200
- **Heating and Common Utilities:** paid by tenant
- **Repairs & Maintenance:** $1,632
- **Insurance:** $1,935
- **Reserve for Replacement:** $850
- **Miscellaneous:** $2,000

### Total Expenses

**Total Expenses:** $28,098

### Net Operating Income

**Net Operating Income:** $81,402
Cost of Land + Cost to Build
• **Why:** Why does the Borrower need title insurance?
• **When:** When is title ordered?
• **Who:** Who orders title?
• **What:** Owner’s insurance vs. Lender’s insurance
• **Where:** Sources of Insurance... Underwriters and Agents
What does the title report tell you?

- Schedule A
- Schedule B, Section I
- Schedule B, Section II
- Schedule C, a/k/a Exhibit A
Common Title Issues:

- Old mortgages remaining of record
- Undisclosed judgments/liens
- Additional parties on title
- Real Estate Taxes
  - Past due
  - Sold
STIPS

Work with the Processing Team on items such as:

• Property Insurance: Fire, Flood, Wind
• Mortgage Pay offs (can be most time consuming)
• IRS Pay offs often require the agent’s direct contact information
• Borrowers’ Financials e.g. tax returns
• Credit Card Statements
• Buy Out Agreements
It is best to know in advance:

• The Lender’s policies on Power of Attorney
• Your client’s availability for closing (any vacations/business trips)
The depth of environmental underwriting required by a Lender may be determined by:

- Property Type: Warehouse vs. office condo
- Loan Amount: More $ = More risk = More due diligence
- Location of Collateral: Proximity to high risk uses, e.g. gas stations
Webinar
Web-based seminar
live online educational presentation
viewers can submit questions
to see slides while the speaker discusses interactive elements - the advantages of this format.