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How to win approval for your commercial mortgage loan request - by Stephen Sobin

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Commercial lenders are very busy these days and usually receive far more applications than they can possibly review and approve. What steps should applicants take to ensure that their applications stand out and receive prompt lender attention? An applicant that takes the time to prepare a professional loan submission package stands a much better chance of approval.

The applicant should start with a short executive summary detailing the overall transaction and loan request. This executive summary should alert the lender to the pros and cons of the proposed transaction. In addition, the applicant should include a thorough personal financial statement detailing assets, liabilities, net worth, and cash liquidity. The financial statement should include a list of all real estate owned, so the lender understands the borrower's level of experience. A short bio or resume is also helpful. Next, the loan package should include operating statements for the last two to three years showing rents received, expenses, and net operating income. The lender will need to understand the cash flow in order to verify that the available cash flow will cover the proposed debt. A current rent roll is necessary, listing the tenant's names, square footage used, lease start and end dates, rents payable, and all other fees payable under the lease. The rent roll will be compared to the operating statements to see how the property is performing. If the property is undergoing changes or lease-up, a pro-forma detailing expected income/expense should also be included. The lender will want to see digital photos of the property—interior, exterior, and street scene are expected. If the property requires any repairs or renovations, a budget should be prepared. The applicant should also obtain a credit report listing his credit scores from one of the online companies providing this service. Any delinquent or negative credit items should be fully explained in a written letter at the time of application.

Applicants who take the time to prepare properly are often rewarded with faster approvals, lower rates, and quicker closings!

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