

COMMERCIAL MORTGAGE TIPS

Everyone loves a good tip when trying to tackle a particular area of life. We want a tip if we are buying stocks, we want a tip when buying a car and frankly we want a tip if we are a waiter!! My goal, in this blog today, is to empower you with proactive tips, which will give you confidence when pursuing a commercial mortgage. Lets dive in....

Tip 1: Know what you are trying to accomplish: This might seem trite, but there are so many people wasting time, because they don't know exactly what they want. Knowing what you want to accomplish, specifically, will help you aim at the right lender. Questions to ask are is this a long term, or short term hold? Why am I buying, building or refinancing? Who is going to sign on the loan? How long do I need the loan for? Am I okay with prepayment penalties? Take time to really get clear on what you need to accomplish.

Tip 2: Get a "detailed" personal financial statement form filled out: So many people are very unaware of their own assets, and liabilities. They have no idea what they own, or what they owe. Call a Bank, or commercial mortgage broker, and ask for a PFS (Personal Financial Statement) and fill the whole thing out. Once you are done filling it out, sign it. For more education on this, please visit: [Personal Financial Statement Education](#).

Tip 3: Pull your own credit and write explanations: Credit, for commercial mortgage financing, is like a resume. The resume either gets you in the door, or not. You might find out there are some mistakes, or that you forgot about something. Either way, if you have credit issues, take time to write out what happens, why it happened and why it won't happen again.

Tip 4: Understand how you want to take title to the property: The lender wants to know how you will take title; why you ask? Because this tells them who the people will be that will be guarantors on the loan. This also gives them clear instructions on how they will draft loan documents for the transaction. Many times you will have a Limited Liability Company, which has multiple members with certain ownership percentages. Take time to really think about how you will take title, who will be the members and what will be their percentages.

Tip 5: If it is an investment property, have a clean rent roll filled out: This is really important to have a rent roll put together. What is a rent roll. Simply put it is a document, which describes all the details of the tenants in the property. These details include the tenants name, square footage they take, monthly rent they pay, how much they pay in CAM's (Common Area Maintenance), start and stop dates of the lease and any additional notes that are necessary. For more education on this, please visit: [Rent roll education](#).

Tip 6: If it is an investment property, have “detailed” profit and loss statements: This really matters to the lender, because it is the primary way they find out how much you can borrow. Each lender is seeking to find out what cash flow is available to pay back their monthly debt payments. The main way they do this is by understanding what income is coming in (rent) and what expenses are going out (operating expenses). If the seller, or you, doesn't have this, it will limit the amount of lenders who will want to lend on your property. For more education on this, please visit: [Profit and loss statement education](#).

Tip 7: If it is an investment property, have good color photos: Remember that pictures tell a thousand words. This is going to help the lender see the condition of the property, good or bad, upfront. The last thing you want to is spend a lot of time with a lender, only to find out they don't like the look of the property. This will also help with underwriting to know if there is money needed to make improvements. Photos are very proactive to help endear a lender to a property, or quickly cause them to say “nope.”

Tip 8: If you have a construction project, get a “detailed” budget: Working with your contractor, to get a detailed budget is very important to getting a mortgage. Knowing the particulars of your total cost, will ultimately determine value and a final loan amount. Fight really hard to, at the bare minimum, have a bonified contractor give you a “conservative” estimate of your budget. This will also start to determine your timelines for the project.

Tip 9: Obtain 3 years of your “completed” personal tax returns: Lenders are typically cash flow driven, so they want to see how much you make. Please make sure you have the full tax returns, with all the schedules and K-1's. Lenders are very picky about getting all the schedules, which paint a picture of cash flow for them. Furthermore, spend some time getting familiar with your tax returns. Being prepared to answer questions, will help create confidence in the lenders mind; hence increasing your chance of success.

Tip 10: Get a good commercial mortgage broker: The best advice found is pay for wisdom. Paying someone who is a professional, and has been doing it for a long time, will save you a lot. This choice will save you hours of headache, possibly some major financial mistakes and could make, or break, your deal. Good commercial mortgage brokers know the ropes of what to do, and what not to do. Pay them well to help you assure the success of your transaction.

For further questions, or concerns, please contact Integrity Capital, LLC at 480-219-1205 or dave.kotter@integrity-capital.com