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## UW GUIDE STATED COMMERCIAL MORTGAGE BASED ON 2009 REALITY

For more details and a better understanding of Commercial Mortgages, please order the book, "Commercial Mortgage 101" by Jeff Rosner at [www.serenfunding.com](http://www.serenfunding.com)

**REALITY NOTE:** Most Commercial Stated Lenders are gone. Many Commercial Lenders are Gone. Most Banks are actually not closing Commercial Mortgages today. Our focus today is on Commercial Mortgages that have low risk of foreclosure or bankruptcy by the borrower. Our loans are held in a portfolio. There is no securitization today so UW has to be conservative.

### 1. TODAY'S MAXIMUM LTV IS 65%

This is the maximum LTV. Not every deal will be at maximum LTV because the borrower wants it. Many of our loan offers are at 55%-60%. The LTV is based on our UW Risk Assessment.

**2. PROPERTY CASH FLOW.** All income properties have to generate enough cash flow to pay expenses, the mortgage, and at least 25% extra. The basic formula is:

Total potential income minus expenses\* = Gross Income. Gross income is then divided by a ratio typically 1.25. That final number is the maximum amount available to pay the mortgage.

\* Expenses: It's not just taxes, insurance, heat. There is a deduction for: **Vacancy** (even if fully occupied), **Management** (even if self managed), **Maintenance** (even if brand new or recent refurb).

**3. STATED FOR OWNER OCCUPIED BUSINESSES.** The owner's business has to document enough cash flow to pay the expenses plus the mortgage. Many businesses show a loss on the Tax Return, that's ok if there is enough cash flow. We are OK with a loss. In cases in which the Tax Return doesn't show enough cash flow we will accept bank statements, invoices or other ways to verify cash flow.

**4. CASHOUT.** Today Cashout more than \$50,000 has to have a verifiable reason. If to pay off bills, they will be paid at closing on the Settlement sheet (HUD-1). If there are building improvements to be made, the contractor will be paid directly from escrow as the repairs are completed.

**5. RATES.** Stated Commercial is for borrowers that need money more than they need a low rate.

Small Balance Commercial has always been higher than Residential Rates.

Residential Rates are artificially lower today due to government guarantees.

Stated Commercial rates are always higher than all of the above.

The Rates are Typically less than Hard money.

Typically we are in the 9.99-12% range for 25 years.

Successful Closings are not sold on rate.

**They are sold on the Solution, They are sold on the funding, They are sold on the monthly payment.**

**6. NEED.** Our borrowers need money and don't have another source today to fund their deal. This is a last resort type of deal. The reality today is that in many cases it's the only solution as banks have curtailed lending efforts especially for small balances mortgages (under \$1,000,000).