KENDALL REALTY ADVISORS

Rates September 16 2011, 5.0% Ten Year Term

Program terms: Long Term Fixed Rate Balloon Mortgages - Excellent Rates

Loan Amount:	$750,000 - $5,000,000
Loan Term:	5, 7 or 10 year terms
Amortization:	Typically 30 years, but shorter amortization schedules are available
Loan to Value Ratios:	Up to 80% LTV
Pricing:	Risk based spreads determined by the properties LTV & DSC
Rates:	Rates are fixed for loan term, capped adjustable rates are available
Personal Recourse:	Non-recourse typically
Prepayment Premium:	Typically Yield Maintenance

The Process - These loans have a process and they require good documentation. A commitment or rate lock will not happen until all the reports are in and all of the underwriting is complete. Once the commitment is issued, a rate lock and closing can be done quickly. If a loan does not fit the program an application will not be issued.

We will review some basic information about the properties historical income and the borrower's financials situation and then issue a quote. If the borrower likes the quote they will receive and sign the application and send the application deposit. The appraisal and other reports will be ordered. Once the reports are in and the borrower has submitted all the required documentation, the commitment will be issued. The borrower documents include organizational documents, personal financial statements, copies of bank statements, real estate schedules, property income and expense statements, rent roll, copies of leases as well as other forms.

Total time from application to commitment is typically 30-60 days. After the commitment is accepted and the borrower posts a good faith/rate lock deposit (1% of the loan amount) the rate will be locked and the loan will quickly close. If you have a good attorney who is brought on board at the beginning the process goes smoother.

Rates - The rate is determined by a number of factors including the LTV and DSCR (based on the actual rate or an implied underwriting rate) on the property as well as the loan size and term.

Costs - A deposit $4,500

Underwriting - The underwriting of these loans is also a bit different than most other small multifamily loans. The income and expense analysis is straightforward. We look at the current rent roll, add in miscellaneous income and apply a vacancy rate to get an underwritten effective gross income (EGI). The estimated EGI will be compared to historical collections in some cases we will need a trailing 12 month statement to show collections for the last 3, 6, 9 or 12 months and the trend. Expenses are underwritten based on the last full year's expenses and the appraiser estimate for the property. A replacement reserve figure is underwritten based on the engineer's estimate of replacement over the life of the loan. This is typically $250-$300 per unit per year, but can be higher on older properties and is often the number most understated at preliminary underwriting. In addition to the transaction costs on these loans you will have to pay for title, possibly a current survey and your own legal.

The borrower and borrowing principals are also carefully underwritten by the lender. FNMA is looking for borrowers with FICO scores over 680 (over 700 is better). Typically they want to see borrower's with a net worth greater than the loan amount and liquidity greater than nine months of loan payments (principal and interest). Lenders will verify liquidity by requesting bank statements and will only consider liquidity they verify as legitimate. The other borrower item underwritten is their total real estate schedule. The lender will require a real estate schedule listing all properties, their current loans and current income and expense. The borrowers' cash flow should be positive with no properties with significant negative cash flow or too much ballooning debt.

Why this loan?

1. Great Historically Low Fixed Rates. Most of these loans are for 10 years with the rate fixed for the term of the loan.
2. High loan to value, typically 75 % to 80% LTV.
3. Non-recourse. Banks are almost always recourse lenders.

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