Apartment Perm Loan without Loan-To-Cost Constraint

Transaction Summary

Date: July 2014

Property Description: A 60 unit, newly constructed two-story garden style apartment. The property has recently achieved stabilized occupancy.

Location: Property located in a secondary market.

Buyer: Borrower is financially strong with excellent real estate experience.

Appraised value: $5,060,000

Requested Loan Amount: $4,080,000 (80.0% LTV)

Financing Issue: For new apartments almost all lenders limit the loan amount based on the lower of:

- 75% or 80% of appraised value
- 80% or 85% of construction cost, or
- 1.20 or 1.25 debt service coverage ratio

These days, in almost all circumstances, the permanent loan will be limited by the loan-to-cost ratio. The borrower specifically requested an 80% LTV loan, which meant the borrower did not want the loan size limited by an 85% LTC ratio.

Several lenders were contacted. Only two lenders were willing to eliminate the 85% loan-to-cost factor when sizing the permanent loan. Both lenders provided two different lending alternatives.

Shown on the following pages are these four loan alternatives.

APT PERMANENT LOAN W/O LOAN-TO-COST CONSTRAINT
LOAN QUOTE COMPARISON

JULY 2014	Lender #1A	Lender #1B	Lender #2A	Lender #2B
Loan Amount:	**$4,010,000**	**$4,000,000**	**$4,048,000**	**$4,048,000**
Appraised Value:	$5,060,000	$5,060,000	$5,060,000	$5,060,000
Loan To Value:	**79.2%**	**79.1%**	**80.0%**	**80.0%**
Loan to Cost:	**92.0%**	**91.8%**	**92.9%**	**92.9%**
Index Used:	N/A	N/A	10 Yr. Treasury	10 Yr. Treasury
Interest Rate Spread	N/A	N/A	1.67%	1.90%
Index Rate	N/A	N/A	2.53%	2.53%
Indicated Interest Rate	**3.96%**	**4.00%**	**4.20%**	**4.43%**
Interest Rate Calculation:	30/360	30/360	Actual/360	Actual/360
Underwriting Criteria:				
Maximum LTV:	80%	80%	80%	80%
Minimum DSCR:	1.20	1.20	1.25	1.25
Loan Term:	**5 Yr Term**	**5/1 10 Yr Term**	**7 Yr Term**	**10 Yr Term**
Amortization Period:	30	30	30	30
Rate Lock:	Yes	Yes	Yes	Yes
Length of rate lock:	60 Days	60 Days	90 Days	90 Days
When:	Appraisal Review	Appraisal Review	At Application	At Application
Deposit:	0.125%	0.125%	2.0%	2.0%
Monthly Loan Constant:	0.4751%	0.4774%	0.4890%	0.5025%
Total Loan Fees (Lender/Mtg Broker):	0.75%	0.75%	0.75%	0.75%
Application Deposit	$3,500	$3,500	$12,500	$12,500
Are costs capped?	No	No	No	No
To be used for:	Processing Fee + Legal, Etc	Processing Fee + Legal, Etc	3rd Party Reports, Legal, Etc	3rd Party Reports, Legal, Etc
Third Party Reports Required				
Accept Existing Appriasal	Yes	Yes	No	No
Environmental	Yes	Yes	Yes	Yes
Property Condition Report	No	No	Yes	Yes
Survey	No	No	No	No
Other Costs				
Processing Fee/Site Visit	$0	$0	No	No
Lender's Legal Cost Estimate	$0	$0	$6,000	$6,000
Escrow Impounds				
Property Taxes	Yes	Yes	Yes	Yes
Insurance	Yes	Yes	Yes	Yes
Replacement Reserves	No	No	Yes	Yes
Prepayment Penalty				
Lock-Out Period	None	None	None	None
Method of Prepayment	**Breakage Fee**	**2-2-2-1-1**	**6.5 Yrs YM**	**9.5 Yrs YM**
Open Period	**Open Last 3 mo.**	**Last 5 years**	**Open last 6 mo.**	**Open last 6 mo.**
Recourse/Non-Recourse	**Recourse**	**Recourse**	**Non-Recourse**	**Non-Recourse**

For a no obligation loan quote for your property contact Doug Marshall at (503) 614-1808 or doug@marshallcf.com

APT PERMANENT LOAN W/O LOAN-TO-COST CONSTRAINT
ESTIMATED SOURCES AND USES STATEMENT

	Lender #1A	Lender #1B	Lender #2A	Lender #2B
SOURCES				
Loan Amount	4,010,000	4,000,000	4,048,000	4,048,000
Cash From Borrower	0	0	0	0
Total Sources	**$4,010,000**	**$4,000,000**	**$4,048,000**	**$4,048,000**
USES				
Cash To Borrower	**68,475**	**58,550**	**88,940**	**88,940**
Pay off existing mortgage	3,900,000	3,900,000	3,900,000	3,900,000
Prorated Property Taxes	0	0	0	0
Financing Charges				
Financing Fee	30,075	30,000	30,360	30,360
Appraisal	0	0	5,500	5,500
Environmental Report	0	0	3,000	3,000
Property Condition Report	0	0	3,000	3,000
Processing Fee	0	0	0	0
Lender's Legal Fees	250	250	6,000	6,000
Lender's Miscellaneous Costs	0	0	0	0
Title Policy Insurance	8,700	8,700	8,700	8,700
Escrow	2,000	2,000	2,000	2,000
Miscellaneous Closing Costs	500	500	500	500
Total Financing Charges	**41,525**	**41,450**	**59,060**	**59,060**
Total Uses	**$4,010,000**	**$4,000,000**	**$4,048,000**	**$4,048,000**

APT PERMANENT LOAN W/O LOAN-TO-COST CONSTRAINT
MONTHLY CASH FLOW AFTER DEBT SERVICE

No. of Units: 54	Lender #1A	Lender #1B	Lender #2A	Lender #2B
INCOME				
1. Rental Income	$537,960	$537,960	$537,960	$537,960
2. Vacancy & Credit Loss	($26,898)	($26,898)	($26,898)	($26,898)
3. Net Rental Income	511,062	511,062	511,062	511,062
4. Parking Income	0	0	0	0
5. Other Income	5,400	5,400	5,400	5,400
6. EFFECTIVE GROSS INCOME	**$516,462**	**$516,462**	**$516,462**	**$516,462**
EXPENSES				
7. Property Taxes	46,710	46,710	46,710	46,710
8. Insurance	8,100	8,100	8,100	8,100
9. Repairs & Maintenance	21,600	21,600	21,600	21,600
10. Turnover Expenses	10,800	10,800	10,800	10,800
11. Payroll	30,988	30,988	30,988	30,988
12. Water/Sewer	27,600	27,600	27,600	27,600
13. Electric & Gas	2,400	2,400	2,400	2,400
14. Trash Removal	6,000	6,000	6,000	6,000
15. Landscape Maintenance	13,500	13,500	13,500	13,500
16. General & Administrative	10,800	10,800	10,800	10,800
17. Management Fee	20,658	20,658	20,658	20,658
18. Fire Alarm Monitoring	1,440	1,440	1,440	1,440
19. Replacement Reserves	13,500	13,500	13,500	13,500
20. TOTAL OPERATING EXPENSES	**$214,096**	**$214,096**	**$214,096**	**$214,096**
21. % Expense/Effective Gross Income	41.5%	41.5%	41.5%	41.5%
22. Expense Per Unit or Square Feet	$3,965	$3,965	$3,965	$3,965
23. CASH FLOW BEFORE DEBT SERVICE	**$302,366**	**$302,366**	**$302,366**	**$302,366**
24. Monthly Net Income	$25,197	$25,197	$25,197	$25,197
25. Loan Amount	$4,010,000	$4,000,000	$4,048,000	$4,048,000
26. Index Used	n/a	n/a	10 Yr. Treasury	10 Yr. Treasury
27. Spread	n/a	n/a	1.67%	1.90%
28. Index Rate	n/a	n/a	2.53%	2.53%
29. Interest Rate	3.96%	4.00%	4.20%	4.43%
30. Amortization	30	30	30	30
31. Less: Mortgage Payment	**$19,052**	**$19,097**	**$19,795**	**$20,343**
32. CASH FLOW AFTER DEBT SERVICE	**$6,145**	**$6,101**	**$5,402**	**$4,855**

APT PERMANENT LOAN W/O LOAN-TO-COST CONSTRAINT
BEFORE & AFTER TAX RETURN ON EQUITY

	Lender #1A	Lender #1B	Lender #2A	Lender #2B
PROJECTED TAXABLE INCOME				
NET CASH FLOW BEFORE DEBT SERVICE	$302,366	$302,366	$302,366	$302,366
Annual Interest Expense	158,355	159,556	169,544	178,828
Cost Recovery (Depreciation)	147,185	147,185	147,185	147,185
TAXABLE INCOME	($3,174)	($4,375)	($14,363)	($23,648)
CASH FLOW BEFORE & AFTER TAXES				
Net Operating Income	$302,366	$302,366	$302,366	$302,366
Annual Debt Debt Service	228,624	229,159	237,545	244,111
CASH FLOW BEFORE TAXES	**$73,742**	**$73,206**	**$64,821**	**$58,255**
Tax Liability @ 30%	(952)	(1,313)	(4,309)	(7,094)
CASH FLOW AFTER TAXES	$74,694	$74,519	$69,130	$65,349
RETURN ON EQUITY				
BEFORE TAX	**7.0%**	**6.9%**	**6.4%**	**5.8%**
AFTER TAX	7.1%	7.0%	6.8%	6.5%

DEPRECIATION AND TAX ASSUMPTIONS	
Estimated Value	$5,060,000
Building Value as % of Total Value	80%
Depreciation Schedule	
Apartments	3.636%
Commercial Buildings	2.564%
Ordinary Income Tax Rate:	30%