

## Underwriting Criteria Checklist (Sample)

### *For Private Lending Deals (Another Student Sample)*

Underwriting Criteria	Yes	No	Need More Info
<b>Property Type</b>			
▪ Property is Residential 1-4 units			
▪ Property is non-owner occupied (no primary residences)			
▪ Property is not in flood plain			
▪ Property is not a new construction			
▪ Property is not a condominium conversion			
▪ Property is not a condo (if condos don't sell well in that market)			
▪ Property is not a "luxury" property (priced above 2 times the median price)			
<b>Parameters</b>			
▪ <b><u>Purchase Loan:</u></b>			
1. Must be 1 <sup>st</sup> position or carefully evaluated 2 <sup>nd</sup> position			
2. 65% maximum LTV			
3. LTV calculated from purchase price or actual value of property as determined by appraisal and/or Broker's Price Opinion (BPO) ordered by us and paid for by the borrower at point of service. NOT the borrowers appraisal!			
4. Borrower minimum down payment?			
▪ <b><u>Purchase &amp; Rehab Loan:</u></b>			
1. Same as above, plus the three following points below			
2. Must determine both current value (as-is) and After Repair Value (ARV). May lend 65% of ARV but only release 65% of as-is value at closing. Balance of loan to be placed into a rehab escrow account to be distributed in draws as rehab work is completed			
3. Borrower must have adequate cash reserves; e.g. ability to pay 6 months loan payments + utilities + 10% for unexpected repairs or expenses			
4. Borrower must make at least ____% profit (percent of resale price) to be considered a viable deal			
▪ <b><u>Refinance Existing Property Loan:</u></b>			
1. Must be 1 <sup>st</sup> position or carefully evaluated 2 <sup>nd</sup> position			
2. May choose to pay off existing mortgage to make ours 1 <sup>st</sup> position			
3. 65% maximum combined LTV			
4. Borrower must have exit strategy to sell or refinance the property to pay us off in the allotted time period			
5. We must know the borrowers planned use of funds			
6. If borrower has bad credit, consider requesting a co-signor with good credit to help in refinancing			
7. For "cash out" refinance for any reason – the max LTV is ____%			

Underwriting Criteria	Yes	No	Need More Info
<b>Property Valuation</b>			
▪ "As Is" value of property			
▪ "Subject To Repairs" Value (ARV, aka "future value")			
▪ Purchase Price (if this is a purchase)			
▪ Method of valuation (licensed appraiser, BPO)			
▪ What is the 30-45 day quick-sale value?			
<b>Loan Specifics</b>			
▪ Maximum loan amount of \$			
▪ Minimum loan amount of \$			
▪ 12 month max term or require property value check each 12 months and borrower provide more cash if property value has dropped and LTV too high			
▪ For 2 <sup>nd</sup> position loans we must know terms of 1 <sup>st</sup> mortgage <ul style="list-style-type: none"> <li>○ Obtain copy of promissory note</li> <li>○ Obtain 1<sup>st</sup> loan balance &amp; verify that payments are current</li> </ul>			
<b>Hazard Insurance &amp; Title Insurance</b>			
▪ Property must have hazard, fire (earthquake) or other typical insurance for at least the amount of the loan			
▪ Require Lender's Title Policy for at least the amount of the loan			
▪ We will be named as loss payee on borrower insurance policy			
<b>Property Location</b>			
▪ Within driving distance of us OR trusted broker in area they are familiar with			
▪ No high crime zones or other areas where resale will be difficult			
▪ Will we be happy taking over this property if the deal goes sideways? If not this is probably not the right deal or the right terms			
<b>Borrowers</b>			
▪ Must have 2 exit strategies to cash us out within loan term: <ul style="list-style-type: none"> <li>○ Sell property</li> <li>○ Refinance property, using if necessary a credit partner</li> </ul>			
▪ Borrower must have successfully completed at least 5 prior deals (HUD-1 required, tax returns, and county recorders office search OR title company search on previous deals)			
▪ Borrower credit report and background check must be ok or have valid reasons for blemishes			
▪ If the project is a major rehab borrower must have proof they have successfully completed such a project before			
▪ Must have minimum ___% down payment? (This is optional and you may not choose to require a down payment if the deal looks good)			
▪ Individuals, Corporations, Trusts, LLC's, Partnerships, etc.?			
▪ Credit impaired?			
▪ No income verification ??			
▪ Foreclosure ok ?? Bankruptcy ok ??			
<b>Interest Rate:</b>			
▪ 1 <sup>st</sup> position loans: minimum of ___% interest			
▪ 2 <sup>nd</sup> position loans: minimum of ___% interest			
▪ We get ___ discount points upfront when bringing borrower to the broker			
▪ Loan Term: interest-only			
▪ Loan Position: 1 <sup>st</sup> or 2 <sup>nd</sup>			
▪ Prepay: Flexible (or must have ___ months of interest upfront)?			