**Underwriting Criteria Checklist (Sample)**

*For Private Lending Deals*

*(Another Student Sample)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Underwriting Criteria** | **Yes** | **No** | **Need More Info** |
| **Property Type** |  |  |  |
| * 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) |  |  |  |
| **Parameters** |  |  |  |
| * **Purchase Loan:** |  |  |  |
| 1. Must be 1st position or carefully evaluated 2nd position |  |  |  |
| 1. 65% maximum LTV |  |  |  |
| 1. 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! |  |  |  |
| 1. Borrower minimum down payment? |  |  |  |
| * **Purchase & Rehab Loan:** |  |  |  |
| * 1. Same as above, plus the three following points below |  |  |  |
| * 1. 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 |  |  |  |
| * 1. Borrower must have adequate cash reserves; e.g. ability to pay 6 months loan payments + utilities + 10% for unexpected repairs or expenses |  |  |  |
| * 1. Borrower must make at least \_\_\_\_% profit (percent of resale price) to be considered a viable deal |  |  |  |
| * **Refinance Existing Property Loan:** |  |  |  |
| * 1. Must be 1st position or carefully evaluated 2nd position |  |  |  |
| * 1. May choose to pay off existing mortgage to make ours 1st position |  |  |  |
| * 1. 65% maximum combined LTV |  |  |  |
| * 1. Borrower must have exit strategy to sell or refinance the property to pay us off in the allotted time period |  |  |  |
| * 1. We must know the borrowers planned use of funds |  |  |  |
| * 1. If borrower has bad credit, consider requesting a co-signor with good credit to help in refinancing |  |  |  |
| * 1. For “cash out” refinance for any reason – the max LTV is \_\_\_\_% |  |  |  |

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| --- | --- | --- | --- |
| **Underwriting Criteria** | **Yes** | **No** | **Need More Info** |
| **Property Valuation** |  |  |  |
| * “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? |  |  |  |
| **Loan Specifics** |  |  |  |
| * 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 2nd position loans we must know terms of 1st mortgage |  |  |  |
| * + Obtain copy of promissory note |  |  |  |
| * + Obtain 1st loan balance & verify that payments are current |  |  |  |
| **Hazard Insurance & Title Insurance** |  |  |  |
| * 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 |  |  |  |
| **Property Location** |  |  |  |
| * 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 |  |  |  |
| **Borrowers** |  |  |  |
| * Must have 2 exit strategies to cash us out within loan term: |  |  |  |
| * + Sell property   + Refinance property, using if necessary a credit partner |  |  |  |
| * 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 ?? |  |  |  |
| **Interest Rate:** |  |  |  |
| * 1st position loans: minimum of \_\_\_% interest |  |  |  |
| * 2nd position loans: minimum of \_\_\_% interest |  |  |  |
| * We get \_\_ discount points upfront when bringing borrower to the broker |  |  |  |
| * Loan Term: interest-only |  |  |  |
| * Loan Position: 1st or 2nd |  |  |  |
| * Prepay: Flexible (or must have \_\_\_ months of interest upfront)? |  |  |  |