

TOP TIPS

DUE DILIGENCE ON PROPERTY

Property Criteria - Create your property guidelines and criteria up front. Consider the location, size, price points and LTV's that you are comfortable lending on.

Complete Property Profile – Obtain a complete property profile from the borrower. This will detail all property info as well as loan request numbers.

Market Analysis - Do a detailed CMA, based on the exit strategy. Including available, pending, and sold homes in the neighborhood or nearby area. Always check activity levels and DOM's. Check for past flooding and flood plain issues early on.

Verify Numbers - Know what you are lending on. Verify the sales price, the assignment fee, and the rehab cost. Make sure all the above does not exceed 70% of the LTV.

Review Loan Metrics – Analyze the deal based on your pre-determined loan metrics to verify the projected values, cost ratios and protective equity.

Inspection - Complete a property walk through with the borrower prior to lending. Include a drive by of the surrounding area. View photos and or a video if a walk through is not possible. Determine if the property is occupied or vacant.

Rehab Budget - Ask for a detailed line-item rehab budget and some general info on the contractor. Review the project timeline and budget strategy. The scope and depth of this budget will help determine the ARV.

Rehab Escrow Account - Formulate a construction draw schedule with plans for releasing the rehab escrow money.

This document provides some general guidelines on how to conduct property due diligence from the lender's perspective.

