

# TOP TIPS

## KEY COMPONENTS OF A PRIVATE MONEY LOAN CMA

**Appraisal Principles** - The basic principles of residential appraisal can be helpful tools when working on a lender's CMA for a private money loan.

**Helpful Applications** – Anticipation, competition, conformity, and contribution are a few of the applications that can be applied to build the market value case.

**Key Components** - Borrowers' acquisition cost, loan amount request, projected rehab and ARV are key deal components in the big picture.

**End Goals** - The lender's estimated ARV, the loan to value and determination of protective equity are the end goals.

**Market Activity** – The active, pending, sold snapshot of market activity on close by and comparable properties is usually a good starting point.

**Pricing / Marketing Time** – The Sales Price History chart illustrates the original price, the current list price, and the sold price on comparables. The median CDOM or median cumulative days on the market show how long it takes a listing to sell.

**Size and Pricing** – The **SP/SQFT** or median sales price per square foot and the **SP/LP%** or list to sold price ratio, expressed as a percentage, might be helpful tools for building the CMA.

**Absorption** – The **Absorption Rate** is determined by dividing the number of homes sold by the number of available listings. This indicates how quickly the buyers are absorbing homes in the subdivision.

**Investment Metrics** – Finally, any buy and hold or buy, fix, and rent properties that are multi-unit, would have to go through a **Cash Flow Analysis** as part of the CMA.

*This document provides a look at some key CMA components from the lender's perspective.*

