

Robert T. Gibney & Associates

Commercial Real Estate Financing from \$200,000

"Selecting the lender is as important as choosing the loan program"

LENDING UPDATE 2/29/07



Deal Summary

Blue Haven Apartments

20-Unit Apartment
Downtown Tempe

Purchase Price: \$1,800,000	\$90,000/Unit
Loan Amount: \$1,170,000	65% LTV
Seller Carryback: \$100,000	Approved by Lender
Rent Achievement Holdback:	\$100,000

Underwriting Issues

Historical Operating Statement – 2006 Net Operating Income reported less than the Stabilized Cash Flow based on market rents.

Below-Market Rents – The rent roll indicates that many of the units are leased at below-market rents.

Annual Debt Service – The current rental income supports a lower loan amount than \$1,170,000.

Planned Rent Increases – Buyer intends to increase rents over the 1st 6 months of ownership.

Close of Escrow – Contract required a 45-day close of escrow.

Financing Solution

We structured a loan designed for this situation using the following underwriting criteria:

- \$1,070,000 funded at close of escrow
- The lender approved the use of the \$100,000 Seller Carryback. The Lender's Rent Achievement Hold-Back will be funded as the property reaches the stated Net Operating Income. The Seller Carryback will be paid off with these funds.
- 10-Year Fixed Rate - 6.125% years 1-3 and 6.625% years 4-10

Broker Testimonial

"Robert T. Gibney & Associates played a key role in this recent closing. Bob Gibney became involved during contract negotiations by underwriting the property and structuring a loan to fit the requirements of the buyer and seller. He arranged for a new first mortgage with a lender that allowed a seller carryback in 2nd position. This transaction required a mortgage broker who was able to communicate well with all parties to the transaction. With Bob's help we were able to close the escrow in 40 days." Jackie Allen

Similar loans are available that may help you to negotiate your next real estate transaction.

I invite you to call or email me to discuss your client's financing needs.

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