**The Commercial Real Estate Lending Process**

**8/12/19**

1. IAP talks to a borrower that has a real lending need and gets the intake form/loan application.

-Stress real lending need (borrower needs to be in a purchase and sales agreement or already own the property a.k.a a refinance transaction in order for you to get the intake form).

-If a borrower needs a pre-approval letter b/c they are trying to enter into a purchase and sales agreement we can get them a direct lender quote but in order to get them a pre-approval letter we need documents from them. 1. Some type of proof of their credit, 2. Bank statement proving down money and closing costs, 3. Intake form a.k.a loan application. 4. Rehab or construction budget. 5. Proof of income and expenses on the property. The documents we need really depend on what type of CRE loan they are trying to apply for and if it will be a bank deal or not.

-For CRE deals now we are actually collecting much more in order to quote borrowers b/c we want commitment from them. Please refer to “Docs needed for pre-approval document.”

-IAP’s need to know what intake form to use

-Once you get the intake form please email it into loans@11capitalfinance.com . Please only email loan applications in as word documents b/c we will need to edit them, or use your website. Do not fax them in or send them in as pdf’s. Also never submit hand written documents.

2. The loan intake team analyzes the intake form/loan application and determines if the loan is a real deal or not. If it is a real deal we will then request documents from the client.

-Refer to “Required Docs to Quote document from 7.9.20.”

-Document list is sent to the borrower and rep copied.

3. The borrower eventually turns in the documents we need to quote them on their loan. We need documents to verify the numbers on the loan. We will follow up with clients for documents twice a week with a phone call and an email.

4. After we have all the documents on the file we need to quote a “Quoter,” from the 11 Capital Finance team will take over the file and send the deal to the appropriate lenders to obtain direct lending quotes for the borrower.

5. The Quoter then needs to properly break down all of those quotes from different lenders to the borrower.

-Example of this (check out the class in the Continued Training section of the IAP portal titled “Breaking Down Closing Costs.” **Also see attached document.**

-What is different about our quotes to borrowers and the way lenders quote borrowers?

-The quoter will negotiate the broker fee but if the IAP or RFA knows the borrower will agree to a certain fee please give our loans team a heads up.

6. The borrower picks a loan offer they want to move forward on. If the borrower says they want to move forward we send them a fee agreement via adobesign so we can represent them in terms of the financing and have them sign it.

-Example of a fee agreement is **attached.**

-We also give the borrower a hard copy of they prefer to hand sign.

-Sometimes we have to follow up the borrower to get them to sign the fee agreement (After they already agreed to move forward).

7. Once the fee agreement is signed, we push the file into our processing department.

-All of our document lists are set up as “Documents needed to get the appraisal ordered,” and then another section for “Documents needed to fully close loan.”

-We always encourage the borrower to turn in the documents needed for the appraisal first obviously. At this point we will already have a good amount of documents as well since we needed them to quote.

-We follow up for documents twice a week, but sometimes even more than that if it is an urgent file with an email and a phone call. **We always email and call when we follow up!**

8. Once the borrower gets us what is needed to get the appraisal ordered we email it to the lender urgently and put in for the appraisal request.

-We always make sure the borrows credit and background check out before the borrower pays for the appraisal. Background does not always come back actually before the appraisal is ordered but that is why on our intake form/loan application we ask if the borrower has any felonies and we rely on them answering this honestly.

-The lender contacts the appraisal management company and puts in for an appraisal order and then within 24-48 hours the borrower receives a link to pay for the appraisal.

-After the borrower pays for the appraisal it typically takes the appraiser 24-48 hours to reach out to the point of contact that will let them into the property and schedule the inspection date & time.

9. Right after the borrower pays for the appraisal we put in the title order with the title company for the borrower and also contact the property insurance agent to let them know the insurance policy type this lender requires.

-We will also contact any other 3rd party we need to. Ex. Contractors if construction job. Architect if plans are required (they are always required for ground up construction deals), Pay off lender for pay off, realtors, etc.

10. Appraisal happens!

-We continue to encourage the borrower to turn in the remaining documents if they want to close ASAP.

11. Appraisal comes back!

-Hopefully it appraised! If the property appraises we continue to move on with the file. If it does not and the new revised loan terms do not work for the borrower the only option for them is to order another appraisal and hopefully the value comes back better.

-A lot of times even the revised loan terms still work for the borrower.

-The borrower can try to dispute the appraisal but that never goes anywhere. Appraisers never change their mind on values.

12. If loan terms work after the appraisal comes back we continue to collect any remaining documents needed from the borrower and all 3rd parties. Loan terms will be confirmed.

13. All loan documents are in from all parties.

-At this point the lender will put the loan file in their final underwriting department.

-Sometimes when it goes through final underwriting the underwriters ask for a couple more things. We make borrowers aware this could possibly happen.

-Most lenders need all documents 4 days prior to closing to have their underwriters review and approve all documents.

14. The loan is approved and lender gives us the Clear to Close!

-At this point the lender reaches out to the title company to schedule a closing date.

-Usually we actually notify the title company we have been given the clear to close from the lender and see what dates they have open to handle the closing. We then of course call the borrower to see what dates and time works for them.

-About 24 hour after the clear to close the lender sends their closing instructions to the title company. Once the title company has the closing instructions they can create the final Hud-1 (for 1-4 unit investment properties) or settlement statement (for pure commercial properties).

15. Hud-1 or Settlement Statement is approved!

-Example Hud-1 **attached**

-This is a document that goes over all of the fees associated with this loan transaction.

-Once the lender approves the Hud-1 or Settlement Statement we email it to the borrower and then call them to go over it with them.

16. The borrower comes to closing!

-We always make sure we contact the title company and find out exactly what the borrower needs to bring to closing. Standard items are ID’s and a copy of a voided check if they want a wire.

-All the mortgage documents are signed on the spot at the title companies office.

-The mortgage documents are then scanned and the title company emails them to the lender. The title company is supposed to make sure everything is signed property. Some states require that an attorney actually handles the closing such as NY and IL and the attorney needs to make sure everything is signed properly.

-If everything is signed property the lender can send their wire for funding to the title company based of the scanned copies. The title company then just needs to snail mail the hard copy of the mortgage documents to the lender at a later time.

-Mobile closings (explain difference)

17. Funding!

-The title company verifies they have funds from all parties and then they can disburse all parties’ wires or checks that were involved in the transaction (Ex. seller, realtors due commissions, mortgage brokers due commissions, pay off lenders, etc).

-We continue to track down the title company to make sure we get our wire or check. Some title agents can be slow to disburse so you have to stay on them.

-Once 11 Capital Finance receives our broker fee we are then able to pay the IAP!