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**WEEK 2**  
**Saturday**  
**Oct 23, 2021**  
**9:00AM–1:00 PM**

**6<sup>TH</sup> CREATING  
SUSTAINABLE  
NEIGHBORHOOD  
DEVELOPERS'  
PROGRAM: *Virtual***

- 9:00 am: ***Welcome!***  
Dr. Ghirmay Ghebreyesus, Director, SU EDA University Center
- 9:10 am: ***Course Objectives***  
Eric L. Porter, ComNet LLC
- 9:15 am: ***Curriculum Direction***  
Dr. Sung No, Co-Director, SU EDA University Center
- 9:20 am: ***“Where are they Now (Program Graduate)?”***  
Jewel Bakewell, Real Estate Broker at Crown Jewell Realty, N.O.
- 9:40 am: ***EBR Office of Community Development***  
Daryl Blacher, Grant Administrator
- 10:50 am: ***Break***
- 11:00 am: ***Banking - What Does Bank Expect from Developers***  
Matthew Sims, Executive Vice President, Liberty Bank.
- 12:00 am: ***Breaking the Lending Code***  
William Campbell,  
JR. Exe. VP and Director for Community Development, B1 Bank.
- 1:00 pm: Closing. Have a Great Homecoming Weekend!



ComNet, LLC

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# OFFICE OF COMMUNITY DEVELOPMENT (OCD)

## MISSION STATEMENT

To provide decent housing opportunities, improved living environments and expanded opportunities for persons of low and moderate income.



# Office of Community Development

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- I am elderly and my house needs to be repaired. Who do I contact?
- When it rains my roof leaks. Can the City-Parish help?
- I own rental property and need to have it repaired. Who can I talk to?
- How can I get financial assistance to provide a public service to low and moderate income persons?
- I am homeless, where can I go for help?



### **Public Notice**

Notice of Funding Availability (NOFA) for the 2021 East Baton Rouge Rebuilds Developer Program 2/1/2021 The Louisiana Housing Corporation (LHC), in concert with the City of Baton Rouge/East Baton Rouge Parish, is issuing a Notice of Funding Availability (NOFA) to interested parties for the renovation, construction, or reconstruction of blighted properties.

Approximately \$1,649,804.55 in federal Community Development Block Grant Declared Disaster Recovery Funding (DDRF) will be available to support this initiative, known as the 2021 Baton Rouge Rebuilds Developer Program (2021 BRRDP).

Under the 2021 BRRDP, the Louisiana Housing Corporation (LHC) on behalf of the East Baton Rouge City-Parish will accept an Application for Assistance (Application) from an Eligible Applicant who will construct new units, renovate existing, or reconstruct vacant residential rental housing units in a project that will not exceed four (4) residential housing units (Qualified Project)

The purposes of the *2021 Baton Rouge Rebuilds Developer Program* are as follows:

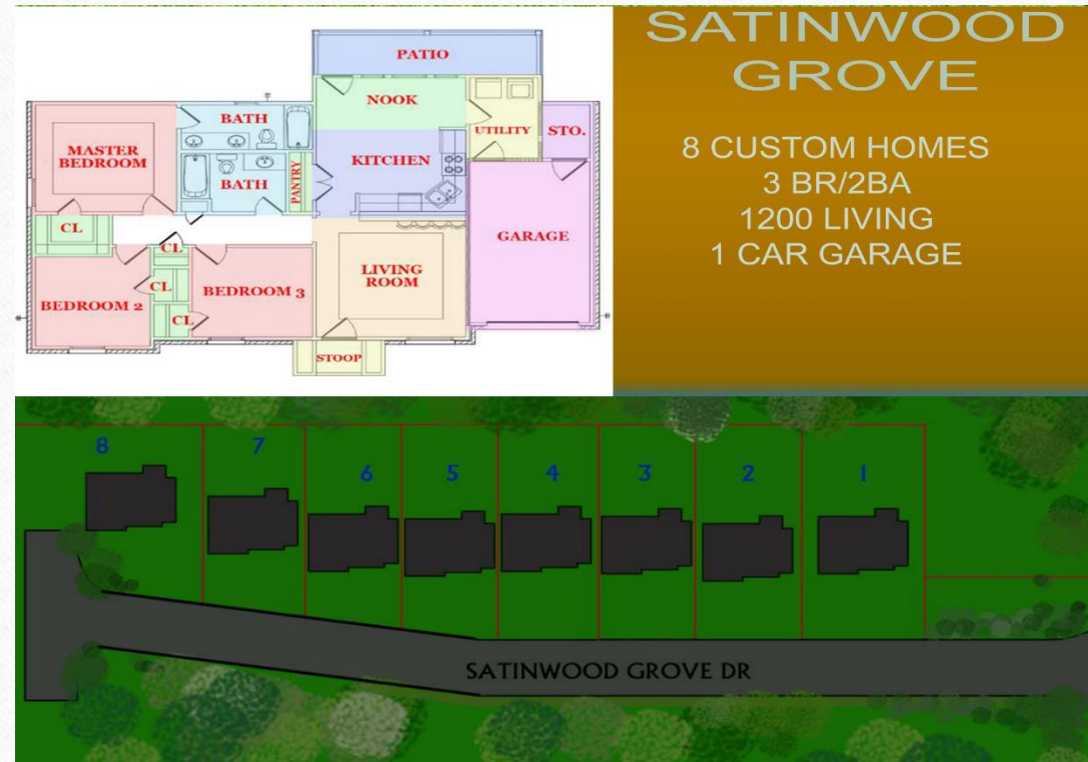
- To construct new housing units and/or repair damaged housing stock located within the City of Baton Rouge/East Baton Rouge Parish to be made available to interested parties at affordable rents for households at or below eighty percent (80%) of area median income (AMI).
- To revitalize communities by eliminating the blight of vacant, dilapidated properties in order to increase the availability of quality, affordable rental housing for households at or below eighty percent (80%) AMI (Qualified Household).
- To leverage and encourage the use of private sector funding in concert with federally funded assistance to improve conditions of existing properties and/or bring properties back into commerce.





## BUILDING TODAY'S COMMUNITIES FOR TOMORROW

UREC transforms communities by investing in people and restoring neighborhoods







# Gulf Coast Housing Partnership – New Orleans

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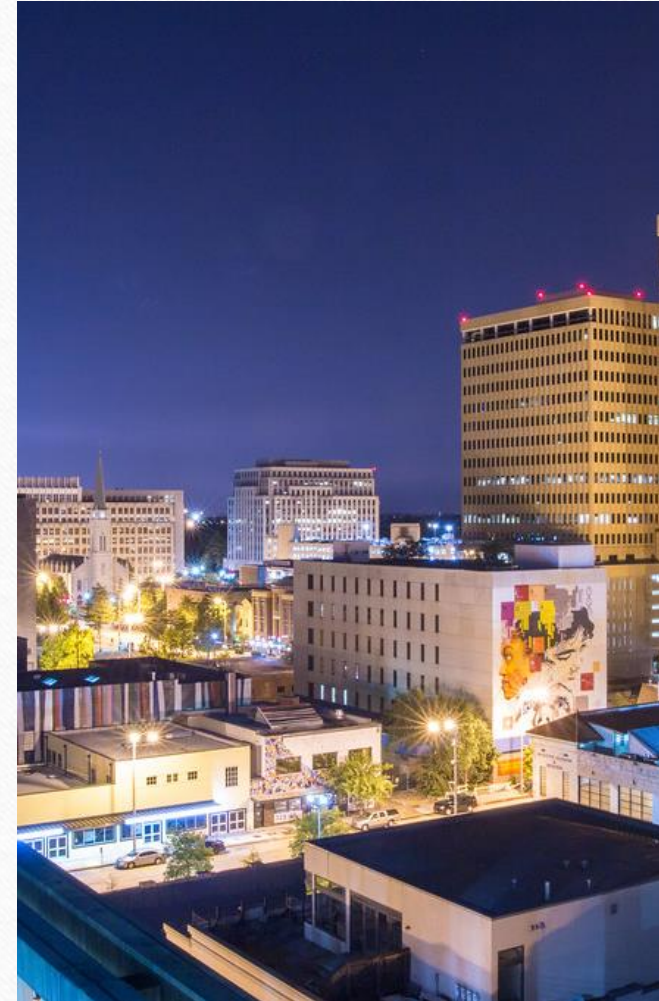
## Elysian I



## Elysian II



**Daryl E. Blacher, Grant Administrator**  
**Mayor's Office of Community Development**  
**City of Baton Rouge/East Baton Rouge Parish**  
**222 St. Louis Street, 7<sup>th</sup> Floor**  
**Baton Rouge, Louisiana 70802**  
**225-389-3039 ext. 3031**  
**Email: [dblacher@brla.gov](mailto:dblacher@brla.gov)**





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Q & A





# Banker's Guide to Real Estate Development Lending

*October 23, 2021*

**Matthew T. Sims**  
**Liberty Bank and Trust Company**  
**SVP, Commercial Lending**  
[msims@libertybank.net](mailto:msims@libertybank.net)  
**504-722-0255 Cell**  
**504-240-5105 Office**



# ***Banker's Guide to Real Estate Development Lending***

## **Purpose:**

**Provide course participants with a banker's overview of Real Estate Development Lending**

## **Agenda:**

- **Selecting your property**
- **Determine your borrowing need**
- **Know the language**
- **Loan Types**
- **Prepare your loan application package**
- **Loan approval and commitment letter**
- **Construction monitoring/funding**
- **Questions/Comments**

# Selecting your property



# Choose your property

- Find your sweet spot (location, location, location)
- Determine what type of property (Single Family or multi-family)
- Decided on buying and holding or flipping

**Determine your  
borrowing need**



# Determine your borrowing need

- Complete a detail estimate of the total cost of your project (The bank will want you to inject 20 to 30% of the project hard cost)
- If planning on holding the property, perform a cash flow analysis to forecast cash available for debt service
- If planning on flipping the property, perform market analysis (my rule of thumb is to clear \$50K or more)
- Perform personal debt to income analysis

# **Prepare Your Loan Package**

# Prepare your loan package

- Complete a full disclosure personal financial statement
- Gather 3 years of personal & business, if available, tax returns
- If you plan on holding the property, prepare a 5-year cash flow projection for property being acquired
- Provide the purchase contract along with a detailed description of property being acquired
- Provide construction contract or detailed construction/renovation budget and drawings (simultaneously, submit required documentation to city/parish for permit)



# **Loan Approval and Commitment Letter**

# Loan Approval and Commitment Letter

- Complete package will result in a quicker decision
- Even with a well-prepared package, the lender will likely have additional questions/requests for information
- Depending on size and complexity, approval should take 3 to 4 weeks
- After approval, the lender will issue a commitment letter
- After the deal is consummated, the appraisal will be ordered and closing attorney engaged

# **Construction monitoring/funding**



# Construction monitoring/funding

- A construction inspector will be engaged to perform progress inspection with each draw request
- Draws are recommended no often than bi-weekly to limit cost (inspection will cost \$100 to \$250/visit)
- Owners often inject own cash then reimburse themselves from draw proceeds
- After completion and receipt of occupancy certificate, the permanent loan, if applicable, is closed

# Questions/Comment

**Matthew T. Sims**  
**Liberty Bank and Trust Company**  
**SVP, Commercial Lending**  
**[msims@libertybank.net](mailto:msims@libertybank.net)**  
**504-722-0255 Cell**

# Cash Flow Projection

Prepared by Analyst:		Date:		2/21/2020		
Sims Investments, LLC						
Business Cash Flow	1601-03 S. Saratoga	CF Year1	CF Year2	CF Year3	CF Year4	CF Year5
	a Revenue					
	b Rental Unit 1601	\$7,200	\$14,400	\$14,400	\$14,400	\$14,400
	Rental Unit 1601A	\$5,250	\$10,500	\$10,500	\$10,500	\$10,500
	Rental Unit 1603	<u>\$10,500</u>	<u>\$21,000</u>	<u>\$21,000</u>	<u>\$21,000</u>	<u>\$21,000</u>
	Potential Income	\$22,950	\$45,900	\$45,900	\$45,900	\$45,900
	Vacancy at 5%	<u>\$1,148</u>	<u>\$2,295</u>	<u>\$2,295</u>	<u>\$2,295</u>	<u>\$2,295</u>
	Effective Gross Income	\$21,803	\$43,605	\$43,605	\$43,605	\$43,605
	Expenses					
	c Insurance Expense	\$2,560	\$2,688	\$2,822	\$2,964	\$3,112
	Real Estate Taxes	\$1,100	\$1,100	\$1,155	\$1,213	\$1,273
	Water & Sewer	\$350	\$350	\$350	\$350	\$350
	Entergy	\$250	\$100	\$105	\$110	\$116
	Repairs & Maintenance	\$1,550	\$1,705	\$1,876	\$2,063	\$2,269
	Lawncare	\$480	\$480	\$480	\$480	\$480
	Replacement Reserve	\$436	\$872	\$872	\$872	\$872
	Total Operating Expenses	\$6,726	\$7,295	\$7,660	\$8,052	\$8,472
	Net Income	\$15,076	\$36,310	\$35,945	\$35,553	\$35,133
	Debt Service					
	Liberty Loan	\$0	\$0	\$0	\$0	\$0
	d -Proposed Term Loan	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800
	-Proposed LOC	\$0	\$0	\$0	\$0	\$0
	Total Debt Service	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800
	DSC	0.90	2.16	2.14	2.12	2.09
	Net Cash Flows	(\$1,724)	\$19,510	\$19,145	\$18,753	\$18,333
Proforma Assumptions:	Property is anticipated being placed in service in July.					
	a	Projected annual rent is based on \$1.25/s.f. monthly for 1601 and 1603 and \$875/month for unit 1601A.				
	b	Revenue and expenses are recorded on a cash basis.				
	c	Debt service is based on \$\$205,000 at 5.75% for 20 years.				
	d					
Comments:						



# **Liberty Bank's Residential Draw Schedule**

- 20% – site cleared for development, pilings driven, piers installed, continuous footings installed, sills, floor joists, and floor decking installed or slab formed and poured
- 20% – house framed, exterior walls sheathed, roof sheeting,
- 20% – windows installed, exterior doors installed, Plumbing, Electrical, and A/C rough-ins completed, roof completed, close-wall inspection passed
- 20% -- Insulation, exterior siding/brick/stucco completed, sheetrock hung, sheetrock taped, floated and textured, base coat of paint inside, exterior paint complete, cabinets & vanities installed, countertops installed
- 20% –plumbing trim/fixtures installed, electrical trim/fixtures installed, A/C compressor & trim completed, interior painting done, driveway installed, all decks/patios completed, garage doors and lifts installed, drainage completed, trim carpentry completed, appliances installed, floor coverings installed/finished, site graded & cleaned, landscaping completed, final lien releases for all subs and certificate of occupancy issued

# SIMS CONSTRUCTION

New Orleans LA 70113  
504-722-0255

## PROPOSAL / COST EST/MATION

State Lie

Proposal Number 07262015-025

### SUBMITTED TO:

### Jobsite

Matthew Sims	Same	Expected completion Period:
601 Opelousas St		210 days
New Orleans, LA 70114		
	Cc:	

All work will comply with current NAHB (National Association of Home Builders) or State Building Code, and or local building, Electrical and Plumbing codes with inspections, permits as applicable. Price include both material and labor. All material is guaranteed to be as specified. All work to be done in a quality and workmanlike manner according to standard practices & schedules. Attached please find an itemized summary of cost.

Description	Qty	Per				Total Price
		Sheets	LF	SF	Unit	
Single Family NewConstruction				2067		\$160,800.00
Professional Contractor Service Fee/ Mobilization/ GL & Workers Comp. Ins/ Overhead etc.						
<b>JOB COST</b>						<b>\$ 160,800.00</b>

**\$160,800.00** with payment to be made as follows:

Payment terms will be posted on the Contract Agreement when proposal is \$ _____ accepted. Customarily draws are requested after each Phase of \$ _____ construction. (4 to 5 draws) <b>==-\$-----</b>
--

This proposal is subject to acceptance within 30 Days and it is void thereafter at the option of the undersigned.

It is understood and agreed by both contracting parties that any alteration or deviation from the tasks specified above which entail additional costs for labor and/or materials will be executed only upon written orders for same, and will result in additional compensation being made over and above the sum specified above.

Authorized Signature  Date: 5/30/16 - Rev. 4/5/17 Phone: 504-722-0255

### ACCEPTANCE OF PROPOSAL

The above prices, specifications and conditions are hereby accepted. You are authorized to submit a contract agreement outlining all terms which will be signed by the addressee within 5 days.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Item Name	Total
Foundation,Piers, Flatwork,	25,000.00
Rough Carpentry,Frame, sheathing,etc	35,000.00
Stairs, Hand Rails	3,500.00
Insulation	3,500.00
Exterior Finish & Trim	10,000.00
Doors	3,500.00
Windows	3,500.00
Finish Hardware	1000
Roofing, Flashing, turbine	6,000.00
Gutters	2,250.00
Finish Carpentry	5,000.00
Interior drywall Finish	6,500.00
Painting	3,500.00
Wiring	8,500.00
Lighting Fixtures	1,500.00
Flooring	10, 000.00
Carpeting	1,500.00
Bath Accessories	800.00
Shower & Tub Enclosure	3,000.00
Countertops	1,500.00
Cabinets	3,250.00
Plumbing Rough-in and Connection	9,000.00
Plumbing Fixtures	2,500.00
Heating and Cooling Systems	9,000.00
Debris removal & final Cleanup	2,000.00
<b>Direct Job Costs</b>	<b>\$160,800.00</b>

# SIMS CONSTRUCTION

New Orleans, LA 70113

## PROPOSAL/COST ESTIMATION

State Lie

Proposal Number 06162015-001

### SUBMITTED TO:

### Jobsite

Matthew T. Sims	Same	Expected completion Period:
605-607 Opelousas St		210 days
New Orleans, LA 70114		
	Cc:	

All work will comply with current NAHB (National Association of Home Builders) or State Building Code, and or local building, Electrical and Plumbing codes with inspections, permits as applicable. Price include both material and labor. All material is guaranteed to be as specified. All work to be done in a quality and workmanlike manner according to standard practices & schedules. Attached please find an itemized summary of cost.

Description	Qty	Per				Total Price
		Sheets	LF	SF	Unit	
Double Family New Construction				2452		\$180,550.00
Professional Contractor Service Fee/ Mobilization/ GL & Workers Comp. Ins/ Overhead etc.						
<b>JOB COST</b>						<b>\$ 180,550.00</b>

\$ **180,550.00** with payment to be made as follows:

Payment terms will be posted on the Contract Agreement when proposal is \$;..	
accepted. Customarily draws are requested after each Phase of	\$
construction. (4 to 5 draws)	\$

This proposal is subject to acceptance within 30 Days and it is void thereafter at the option of the undersigned.

It is understood and agreed by both contracting parties that any alteration or deviation from the tasks specified above which entail additional costs for labor and/or materials will be executed only upon written orders for same, and will result in additional compensation being made over and above the sum specified above.

Authorized Signature



5/30/16

### ACCEPTANCE OF PROPOSAL

The above prices, specifications and conditions are hereby accepted. You are authorized to submit a contract agreement outlining all terms which will be signed by the addressee within 5 days.

Date: \_ \_ \_ \_ \_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

<b>Item Name</b>	<b>Total</b>
Foundation,Piers, Flatwork,	27,000.00
Rough Carpentry,Frame,Ramp,Post etc	38,500.00
Hand Rails	2,500.00
Insulation	3,500.00
Exterior Finish & Trim	10,000.00
Doors	3,500.00
Windows	3,500.00
Finish Hardware	1000
Roofing, Flashing, turbine	7,500.00
Gutters	2,250.00
Finish Carpentry	7,500.00
Interior drywall Finish	8,500.00
Painting	4,500.00
Wiring	9,000.00
Lighting Fixtures	2,500.00
Flooring	12,000.00
Carpeting	0.00
Bath Accessories	800.00
Shower & Tub Enclosure	3,500.00
Countertops	2,000.00
Cabinets	3,500.00
Plumbing Rough-in and Connection	10,000.00
Plumbing Fixtures	3,500.00
Heating and Cooling Systems	12,000.00
Debris removal & final Cleanup	2,000 .00
<b>Direct Job Costs</b>	<b>\$ 180,550 .0 0</b>





## Commitment Letter

November 29, 2019

Robert Warner  
1155 Valley Street  
Jackson, MS 39203

Dear Mr. Warner,

On behalf of Liberty Bank and Trust Company, I am pleased to extend the following loan commitment to you subject to the basic terms and conditions set forth below:

**BORROWERS**

Warner Investments, LLC

**GUARANTOR**

Robert Warner

**TYPE**

Interim acquisition and renovation Line of Credit/Permanent take-out

**PURPOSE**

Residential investment real estate acquisition and renovation

**REQUEST**

\$401,250

**RATE**

5.75% fixed for initial 9 months; thereafter, 5.25% fixed for 5 years

**REPAYMENT**

Interest monthly during initial 9 months; thereafter, principal and interest monthly based on 20-year amortization

**AMORTIZATION**

See above

**MATURITY DATE**

5.75 years from closing

**COLLATERAL**

1<sup>st</sup> Multiple Indebtedness Mortgage on residential real estate located at 1916-18 Amelia Street, New Orleans, LA 70115

**TERMS & CONDITIONS**

All loan documents and the transaction shall be prepared, reviewed and approved by Lender's counsel and by Lender and Borrower prior to closing. In addition to the following covenants and requirements, the loan documents will contain all the customary representations, warranties, and covenants and default provisions for this type of transaction.

**CLOSING**

Lender shall not be required to close the Loan or make any advances on the Loan until all of the conditions and requirements of this commitment Letter have been fulfilled or completed to the satisfaction of Lender, and upon receipt of satisfactory credit and public reports. Unless extended in writing by Lender, closing of the loan shall occur no later than the following date:

**December 15, 2019**

**NO MATERIAL ADVERSE CHANGE**

It is a condition to closing the Loan that there shall not have occurred in the opinion of Lender any material adverse change in Borrower's financial condition, or any facts, circumstances or conditions upon which Lender has relied or utilized in making its decision to make the Loan. Furthermore, as of the date of closing there shall exist no event of default (or event with which notice or lapse of time or both could constitute an event of default) under the Loan Documents.

**FEES & EXPENSES**

A non-refundable commitment fee will be charged in connection with signing the commitment. The commitment fee will be considered earned and non-refundable upon acceptance of this commitment.

The Borrower shall pay all fees of Lender's Counsel and all other fees and expenses incurred by Lender or Borrower in connection with this commitment or the Loan, whether or not the Loan closes, including without limitation, legal fees, construction inspection fees and appraisal fees

**REQUIREMENTS & CONDITIONS**

- ☐ Monthly payment to be debited automatically from a Liberty Bank & Trust deposit account maintained by Borrower.
- ☐ Borrower to maintain a \$20,000 interest reserve account with Liberty Bank for automatic debit of month interest payments during construction.

- ☐ A title insurance policy on the subject property by a title insurance company acceptable to Lender must be provided. The title policy must be issued for the full amount of the loan and indicate that the Lender's mortgage is a valid first lien with no exceptions other than those that Lender approves.
- ☐ Receipt of signed IRS tax form 4506-T
- ☐ Borrower to provide annual evidence of paid property taxes and insurance prior to closing.
- ☐ Borrower to maintain sufficient builder's risk insurance during life of loan to cover potential loss due to insurable hazard. Bank to be listed as loss payee.
- ☐ Borrower to maintain sufficient flood insurance, if required, during life of loan. Bank to be listed as loss payee.
- ☐ Borrower to escrow property taxes and insurance as part of monthly payment when the loan is converted to a permanent term loan.
- ☐ The borrower must provide to lender an updated financial statements and tax returns, if available, within 120 days of each fiscal year end.
- ☐ An acceptable survey of the property to be mortgaged must be provided to Liberty Bank and Trust Company prior to closing evidencing that there are no encroachments on the property to be mortgaged and the mortgaged property improvements do not encroach upon other property. Such survey must be certified to Lender.
- ☐ Loan to Value Not to exceed 80% of the appraised value.
- ☐ Appraisal to be conducted by bank-approved appraiser prior to funding.
- ☐ Bank to hire construction inspector at borrower's expense to determine percentage of completion prior to releases construction draws.

### **CONFIDENTIALITY**

All correspondence from Lender to Borrower, Lender's written communication and comments, and this Commitment Letter are to be held in strict confidence. Violation of this provision by borrower will cause this commitment to be cancelled.

### **REPRESENTATIONS AND WARRANTIES**

Lender shall not be required to close the Loan or make any advance until all of the conditions and requirements of this Commitment Letter have been fulfilled. This includes receipt by Lender of all necessary documents in satisfactory form to Lender and Lender's attorney.

Borrower represents and warrants that all of the documents borrower provides in connection with borrower's loan request constitute a complete and accurate presentation of all facts material to Lender's issuance of this Commitment Letter.

**TIME**

Time is of the essence with respect to the Commitment Letter, Termination Date, and all other terms and conditions set forth, and in the event that any respective term or condition is not fully complied with by the designated date, Lender may declare this commitment null and void.

**ASSIGNMENT**

This Commitment Letter is not assignable.

**UNENFORCEABILITY:**

If any part of this Commitment Letter is held to be unenforceable or invalid then the remaining terms and conditions remain in full force and effect.

**MODIFICATION:**

The modification or waiver of any provision of this Commitment Letter shall not be effective unless set forth in writing and signed by the parties hereto.

**SCOPE:**

The foregoing is intended to provide a substantive outline of terms and conditions rather than a complete statement of all terms, conditions, and documents which would be required in connection with the Loan described above.

It is possible that substantive terms or conditions may be changed in order to account for or reflect, among other things, changes in statutory or regulatory authorities governing the subject matter of the transaction or subsequent negotiations.

**GOVERNING LAW:**

Louisiana Law will govern all matters relating to this Commitment Letter and the loan transaction.

We hope this commitment meets with your approval. This Commitment will be deemed null and void if not accepted by the following date:

**December 4, 2019**

Thank you for giving Liberty Bank and Trust Company this opportunity to assist you with your financial needs.

To indicate acceptance, please sign below in acceptance of the terms and conditions of this Commitment Letter and acknowledgment of the commitment fee in the amount of:


**\$4,102**

Sincerely,

---

**Rhonda McMillan**  
**Senior Vice President**

Sincerely,



---

**Matthew T. Sims**  
**Senior Vice President**

**Acceptance of Terms of Commitment**

**To**

**Warner Investments, LLC**

Accepted this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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**Robert Warner**

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**Robert Warner, Guarantor Date**





**Entrepreneur and Small Business Institute**

# Breaking the Lending Code

- Unsecured and Secured
- Lines of Credit
- Owner Occupied Real Estate
- Equipment Loans
- Business Automobile
- Investment Property (Non Owner Occupied)
- Business Credit Cards
- C D Secured Loans
- SBA Secured Loans
- LED Secured Loans

- **Purpose of Loan-** the use of funds is the first indicator of when and how the loan should be
- **Repayment Terms-** length of loan repayment determines payment amount which is essential in evaluating Repayment Ability to Repay.



- Business Loan Application
- Personal Financial Statement  
(All owners, principals, and officers signed and dated within last 45 days)
- Management Resume
- History of the Business
- Business Debt Schedule

## Items Needed To Apply

- Monthly Performance Income Statement for 12 months
- Business Financial Statements  
(Income Statement, Balance Sheets, and last 3 years of Tax Return)
- Interim Financial Statement  
(Signed and dated within the last 45 days)
- Business Performance Financial Statement, Balance Sheet, Cash Flow Projections

## Items Needed To Apply

- Personal Tax Returns  
(most recent 3 years)
- Aging of Accounts Receivables and Payable  
(as of the date of the interim financial statements)
- IRS Form 4506 signed for business tax returns of personal schedule C.
- Other

- Personal Investment
- Family and Friends
- Credit Union / Banks
- Micro Lenders
- Venture Capital
- Angel Investors
- Factoring
- SBA Secured Loans
- LED Secured Loans
- Leasing Companies
- Commercial Brokers



# Thinking Like a Lender: Requirements for a Business Loan

- ✓ **Character**- determination to pay; tested by hard times
- ✓ **Capacity**- The ability to pay the debt obligations
- ✓ **Capital**- enough funds in business so it can operate; Liquidity
- ✓ **Conditions**- state of the economy and environment
- ✓ **Collateral**- assets that can be pledged to secure loan

Beacon Score- evaluates Late Payment History, Sources of Credit, Residential Types, Outstanding vs limits, Inquiries, etc.

Scores less than 650 get closer scrutiny. Score above 650 are routinely approved subject to loan terms.

Recent payment history- any past dues within the last 12 months.

Public Records- Tax liens, Judgements, Collection Items and Bankruptcies

# Principal Protection

Loan-to-Value-Ratio- Loan-to-Value ratio compares the amount of a loan you're hoping to borrow against the appraised value of the property you want to buy.

LTV's vary depending on type of collateral:

Residential R/E- no more than 90%

Commercial R/E- no more than 80%

Equipment- no more than 70%

- Loan Structure: Purpose and Repayment Terms
- Repayment Ability: Debt Service Coverage
- Principal Protection Ratio: Loan to Value Ratio
- Credit History: Beacon Score  
(Minimum Score 640)



## Repayment Ability

- Gross Cash Flow: Determines total cash available to repay loan on a monthly or annual basis, For businesses, this is calculated as follows:
- Total Debt Services: Total amount of loan payment for new and existing loans
- $DSCR = \text{Gross Cash Flow} / \text{Total Debt Service}$ .
- This ratio should be no less than 1.00; preferably more than 1.25 times (1.00 times=breakeven).
- Personal Debt to Income: is similar to DSCR; but reversed  
 $\text{Total Debt Service} / \text{Gross Income (before taxes)}$ ; preferably no more than 50%

# Profit and Loss Statement for Business



*Page 13*

**SCHEDULE C**  
**(Form 1040)**

**Profit or Loss From Business**  
(Sole Proprietorship)

OMB No. 1545-0074  
**2020**  
Attachment  
Sequence No. **09**

Department of the Treasury  
Internal Revenue Service (99) ▶ **Go to [www.irs.gov/ScheduleC](https://www.irs.gov/ScheduleC) for instructions and the latest information.**  
▶ **Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.**

Name of proprietor \_\_\_\_\_ Social security number (SSN) \_\_\_\_\_

**A** Principal business or profession, including product or service (see instructions) \_\_\_\_\_ **B** Enter code from instructions \_\_\_\_\_

**C** Business name. If no separate business name, leave blank. \_\_\_\_\_ **D** Employer ID number (EIN) (see instr.) \_\_\_\_\_

**E** Business address (including suite or room no.) ▶ \_\_\_\_\_  
City, town or post office, state, and ZIP code \_\_\_\_\_

**F** Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ \_\_\_\_\_

**G** Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses ☐ Yes ☐ No

**H** If you started or acquired this business during 2020, check here ☐ Yes ☐ No

**I** Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions ☐ Yes ☐ No

**J** If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

**Part I Income**

**1** Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ☐ **1** \_\_\_\_\_

**2** Returns and allowances \_\_\_\_\_ **2** \_\_\_\_\_

**3** Subtract line 2 from line 1 \_\_\_\_\_ **3** \_\_\_\_\_

**4** Cost of goods sold (from line 42) \_\_\_\_\_ **4** \_\_\_\_\_

**5** Gross profit. Subtract line 4 from line 3 \_\_\_\_\_ **5** \_\_\_\_\_

**6** Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) \_\_\_\_\_ **6** \_\_\_\_\_

**7** Gross income. Add lines 5 and 6 \_\_\_\_\_ **7** \_\_\_\_\_

**Part II Expenses. Enter expenses for business use of your home only on line 30.**

**8** Advertising \_\_\_\_\_ **8** \_\_\_\_\_

**9** Car and truck expenses (see instructions) \_\_\_\_\_ **9** \_\_\_\_\_

**10** Commissions and fees \_\_\_\_\_ **10** \_\_\_\_\_

**11** Contract labor (see instructions) \_\_\_\_\_ **11** \_\_\_\_\_

**12** Depletion \_\_\_\_\_ **12** \_\_\_\_\_

**13** Depreciation and section 179 expense deduction (not included in Part III) (see instructions) \_\_\_\_\_ **13** \_\_\_\_\_

**14** Employee benefit programs (other than on line 19) \_\_\_\_\_ **14** \_\_\_\_\_

**15** Insurance (other than health) \_\_\_\_\_ **15** \_\_\_\_\_

**16** Interest (see instructions):  
**a** Mortgage (paid to banks, etc.) \_\_\_\_\_ **16a** \_\_\_\_\_  
**b** Other \_\_\_\_\_ **16b** \_\_\_\_\_

**17** Legal and professional services \_\_\_\_\_ **17** \_\_\_\_\_

**18** Office expense (see instructions) \_\_\_\_\_ **18** \_\_\_\_\_

**19** Pension and profit-sharing plans \_\_\_\_\_ **19** \_\_\_\_\_

**20** Rent or lease (see instructions):  
**a** Vehicles, machinery, and equipment \_\_\_\_\_ **20a** \_\_\_\_\_  
**b** Other business property \_\_\_\_\_ **20b** \_\_\_\_\_

**21** Repairs and maintenance \_\_\_\_\_ **21** \_\_\_\_\_

**22** Supplies (not included in Part III) \_\_\_\_\_ **22** \_\_\_\_\_

**23** Taxes and licenses \_\_\_\_\_ **23** \_\_\_\_\_

**24** Travel and meals:  
**a** Travel \_\_\_\_\_ **24a** \_\_\_\_\_  
**b** Deductible meals (see instructions) \_\_\_\_\_ **24b** \_\_\_\_\_

**25** Utilities \_\_\_\_\_ **25** \_\_\_\_\_

**26** Wages (less employment credits) \_\_\_\_\_ **26** \_\_\_\_\_

**27a** Other expenses (from line 48) \_\_\_\_\_ **27a** \_\_\_\_\_  
**b** Reserved for future use \_\_\_\_\_ **27b** \_\_\_\_\_

**28** Total expenses before expenses for business use of home. Add lines 8 through 27a \_\_\_\_\_ **28** \_\_\_\_\_

**29** Tentative profit or (loss). Subtract line 28 from line 7 \_\_\_\_\_ **29** \_\_\_\_\_

**30** Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.  
Simplified method filers only: Enter the total square footage of (a) your home: \_\_\_\_\_  
and (b) the part of your home used for business: \_\_\_\_\_ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 \_\_\_\_\_

**31** Net profit or (loss). Subtract line 30 from line 29.  
• If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.  
• If a loss, you must go to line 32.

**32** If you have a loss, check the box that describes your investment in this activity. See instructions.  
• If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3.  
• If you checked 32b, you must attach Form 6198. Your loss may be limited.

**32a** ☐ All investment is at risk.  
**32b** ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2020

# Schedule 1

Page 4

<b>SCHEDULE 1</b> (Form 1040) <small>Department of the Treasury Internal Revenue Service</small>	<b>Additional Income and Adjustments to Income</b> <small>► Attach to Form 1040, 1040-SR, or 1040-NR. ► Go to <a href="https://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.</small>	<small>OMB No. 1545-0074</small> <b>2020</b> <small>Attachment Sequence No. 01</small>
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number

<b>Part I Additional Income</b>	
1 Taxable refunds, credits, or offsets of state and local income taxes . . . . .	1
2a Alimony received . . . . .	2a
b Date of original divorce or separation agreement (see instructions) ►	
3 Business income or (loss). Attach Schedule C . . . . .	3
4 Other gains or (losses). Attach Form 4797 . . . . .	4
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5
6 Farm income or (loss). Attach Schedule F . . . . .	6
7 Unemployment compensation . . . . .	7
8 Other income. List type and amount ►	8
9 Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 . . . . .	9

<b>Part II Adjustments to Income</b>	
10 Educator expenses . . . . .	10
11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	11
12 Health savings account deduction. Attach Form 8889 . . . . .	12
13 Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	13
14 Deductible part of self-employment tax. Attach Schedule SE . . . . .	14
15 Self-employed SEP, SIMPLE, and qualified plans . . . . .	15
16 Self-employed health insurance deduction . . . . .	16
17 Penalty on early withdrawal of savings . . . . .	17
18a Alimony paid . . . . .	18a
b Recipient's SSN . . . . .	
c Date of original divorce or separation agreement (see instructions) ►	
19 IRA deduction . . . . .	19
20 Student loan interest deduction . . . . .	20
21 Tuition and fees deduction. Attach Form 8917 . . . . .	21
22 Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a . . . . .	22

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2020

# 1040 Tax Return

Page 1

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

**Filing Status** ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)  
Check only one box.  
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number  
If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign  
City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
Foreign country name Foreign province/state/country Foreign postal code ☐ You ☐ Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

**Standard Deduction** **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** You: ☐ Were born before January 2, 1956 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1956 ☐ Is blind

**Dependents** (see instructions):  
If more than four dependents, see instructions and check here ▶ ☐

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> If qualifies for (see instructions): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2 1  
2a Tax-exempt interest 2a 2b Taxable interest 2b  
3a Qualified dividends 3a 3b Ordinary dividends 3b  
4a IRA distributions 4a 4b Taxable amount 4b  
5a Pensions and annuities 5a 5b Taxable amount 5b  
6a Social security benefits 6a 6b Taxable amount 6b  
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 7  
8 Other income from Schedule 1, line 9 8  
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** 9  
10 Adjustments to income:  
a From Schedule 1, line 22 10a  
b Charitable contributions if you take the standard deduction. See instructions 10b  
c Add lines 10a and 10b. These are your **total adjustments to income** 10c  
11 Subtract line 10c from line 9. This is your **adjusted gross income** 11  
12 **Standard deduction or itemized deductions** (from Schedule A) 12  
13 Qualified business income deduction. Attach Form 8995 or Form 8995-A 13  
14 Add lines 12 and 13 14  
15 **Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0- 15

Attach Sch. B if required.  
Standard Deduction for—  
• Single or Married filing separately: \$12,400  
• Married filing jointly or Qualifying widow(er): \$24,800  
• Head of household: \$18,650  
• If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2020)

Page 2

Form 1040 (2020) Page 2

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17	Amount from Schedule 2, line 3	17
18	Add lines 16 and 17	18
19	Child tax credit or credit for other dependents	19
20	Amount from Schedule 3, line 7	20
21	Add lines 19 and 20	21
22	Subtract line 21 from line 18. If zero or less, enter -0-	22
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23
24	Add lines 22 and 23. This is your <b>total tax</b> ▶	24
25	Federal income tax withheld from: a Form(s) W-2 25a b Form(s) 1099 25b c Other forms (see instructions) 25c d Add lines 25a through 25c 25d	25
26	2020 estimated tax payments and amount applied from 2019 return	26
27	Earned income credit (EIC)	27
28	Additional child tax credit. Attach Schedule 8812	28
29	American opportunity credit from Form 8863, line 8	29
30	Recovery rebate credit. See instructions	30
31	Amount from Schedule 3, line 13	31
32	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b> ▶	32
33	Add lines 25d, 26, and 32. These are your <b>total payments</b> ▶	33
34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b> ▶	34
35a	Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/> <b>c Type:</b> <input type="checkbox"/> Checking <input type="checkbox"/> Savings	35a
35b	Routing number ▶	35b
36	Amount of line 34 you want <b>applied to your 2021 estimated tax</b> ▶	36
37	Subtract line 33 from line 24. This is the <b>amount you owe now</b> ▶ <b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.	37
38	Estimated tax penalty (see instructions) ▶	38

**Refund**  
Direct deposit? ☐ See instructions.  
▶ d Account number ▶

**Amount You Owe**  
For details on how to pay, see instructions.

**Third Party Designee**  
Do you want to allow another person to discuss this return with the IRS? See instructions ☐ Yes. Complete below. ☐ No  
Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

**Sign Here**  
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.  
Your signature ▶ Date ▶ Your occupation ▶  
If the IRS sent you an Identity Protection PIN, enter it here (see inst.) ▶  
Spouse's signature. If a joint return, **both** must sign. Date ▶ Spouse's occupation ▶  
If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) ▶  
Phone no. ▶ Email address ▶

**Paid Preparer Use Only**  
Preparer's name ▶ Preparer's signature ▶ Date ▶ PTIN ▶ Check if:  
☐ Self-employed  
Firm's name ▶ Phone no. ▶  
Firm's address ▶ Firm's EIN ▶

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information. Form **1040** (2020)



# Higher Risk Industries - Require Stricter UW



- Restaurants/Bars
- Contractors
- Auto, RV, Boat Dealers
- Agriculture/Forest
- Religious Institutions
- Auto Mechanics
- Mobile Home or RV Parks
- Retail
- Taxi Services
- Real Estate Professionals
- Real Estate Developers
- Software Companies
- Hotels
- Pawn Brokers
- Gas Stations
- Convenience Stores
- Trucking Companies
- Dry Cleaners
- Entertainment

# Restricted Industries and/or Loan Types

- Start –up Businesses
- Medical Marijuana
- Adult Entertainment
- Ammunition or Weapons Manufacturing
- Bail Bond Co's
- Loan Brokers
- Companies Involved in Gaming or Gambling Activities
- Money Services
- Loans to Businesses that Promote Discrimination or Have Significant Negative Public Reputation



- Health Organizations
- Small Manufacturing Companies
- Service Companies  
(Plumbing, Air Conditioning, etc)
- Professional
- Doctors
- Dentists
- Chiropractors
- Attorneys
- Veterinarians

# Questions?



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