
WEEK 3
Saturday
Nov 12, 2022
9:00AM-1:00 PM

8th GENERATION
CREATING
SUSTAINABLE
NEIGHBORHOOD
DEVELOPERS'
PROGRAM: *Virtual*

- 9:00 AM: **Welcome!!**
Dr. Donald Andrews- Dean, College of Business,
Southern University and A&M College
- 9:05 AM: **Course Objectives:**
Eric L. Porter
Co-Creator of CSND/ComNet LLC
- 9:10 AM: **Curriculum Direction**
Dr. Sung No,
Co-Director, SU EDA University Center.
- 9:15 AM: **“Where Are They Now?”**
Dino Brown,
Program Certified Sustainable
Neighborhood Developer
- 9:30 AM: **“Lending”**
Matt Sims,
Sr. VP Commercial Lending, Liberty Bank
- 10:25 AM: **“Community Development Banking”**
William Campbell, Jr.,
Director, b1 Bank
- 11:25 AM: **Break**
- 11:30 AM: **“Community Development Banking”**
Benjamin Townsend SVP, Commercial Banking
Brian Hasenkampf, Mortgage Loan Originator
Hancock/Whitney Bank
- 12:15 PM: **“Insurance”**
Agnes Andrews,
All State Agency
- 12:55PM: **Closing**
Dr. Sung No



Banker's Guide to Real Estate Development Lending

November 12, 2022

Matthew T. Sims
Liberty Bank and Trust Company
SVP, Commercial Lending
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**
- **Real Estate Trends**
- **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 (All in cost should be 70% or less market value)
- 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 monthly (bi-weekly at most) to limit cost (inspection will cost \$100 to \$500/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

Real Estate Trends

- Expect a temporary slow-down in housing starts
 - Higher rates
 - Material and labor shortages
- Good time for buy and hold strategy
- After a pause related to economic slow-down, expect a strong housing market to restart
- Suburbs may be a smart investment play
- House hunting goes digital
 - 3D tours
 - Drone videos
 - Virtual staging

Questions/Comment

Matthew T. Sims
Liberty Bank and Trust Company
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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% | \$1,148 | \$2,295 | \$2,295 | \$2,295 | \$2,295 |
| | 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: | <p>Property is anticipated being placed in service in July.</p> <p>a Projected annual rent is based on \$1.25/s.f. monthly for 1601 and 1603 and \$875/month for unit 1601A.</p> <p>b Revenue and expenses are recorded on a cash basis.</p> <p>c Debt service is based on \$\$205,000 at 5.75% for 20 years.</p> <p>d</p> | | | | | |
| Comments: | | | | | | |



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

1st 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

Robert Warner

Robert Warner, Guarantor Date



Breaking the Lending Code

Presented By:
Will M. Campbell, Jr., MA





BUSINESS LOAN PRODUCTS

Unsecured and Secured

Lines of Credit

Owner Occupied Real Estate

Equipment Loans

Business Automobile

Investment Property *(Non-Owner Occupied)*

Business Credit Cards



BUSINESS LOAN PRODUCTS, (cont'd)

C D Secured Loans

SBA Secured Loans



LOAN STRUCTURE

Purpose of Loan

The Use Of Funds Is The First Indicator Of When And How The Loan Should Be Used.

Repayment Terms

Length Of Loan Repayment Determines Payment Amount Which Is Essential In Evaluating Repayment Ability To Repay.



ITEMS NEEDED TO APPLY

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

Monthly Performance Income Statement for 12 months

Business Financial Statements
(Income Statement, Balance Sheets, and last 3 years of Tax Return)



ITEMS NEEDED TO APPLY

Interim Financial Statement
(Signed and dated within the last 45 days)

Business Performance Financial Statement, Balance Sheet, Cash Flow
Projections

Personal Tax Returns (most recent 3 years)

Aging of Accounts Receivables and Payable
(as of the date of the interim financial statements)

IRS Form 4506C signed for business tax returns of personal schedule C.

Other



FUNDING SOURCES

- 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



FIVE C'S OF CREDIT

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



CREDIT HISTORY

- **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%**



QUALITATIVE DECISION FACTORS

- **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=** Gross Cash Flow/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
- **Total Debt Service/Gross Income (Before Taxes);** Preferably No More Than 50%



PROFIT AND LOSS STATEMENT FOR BUSINESS

Page 3

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 (IRS) ▶ Go to 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. <input type="checkbox"/> | 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 | 18 Office expense (see instructions) | 18 |
| 9 Car and truck expenses (see instructions) | 9 | 19 Pension and profit-sharing plans | 19 |
| 10 Commissions and fees | 10 | 20 Rent or lease (see instructions): | |
| 11 Contract labor (see instructions) | 11 | a Vehicles, machinery, and equipment | 20a |
| 12 Depreciation | 12 | b Other business property | 20b |
| 13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | 21 Repairs and maintenance | 21 |
| 14 Employee benefit programs (other than on line 19) | 14 | 22 Supplies (not included in Part III) | 22 |
| 15 Insurance (other than health) | 15 | 23 Taxes and licenses | 23 |
| 16 Interest (see instructions): | | 24 Travel and meals: | |
| a Mortgage (paid to banks, etc.) | 16a | a Travel | 24a |
| b Other | 16b | b Deductible meals (see instructions) | 24b |
| 17 Legal and professional services | 17 | 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 | 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. | 31 | | |
| 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 <input type="checkbox"/> All investment is at risk. 32b <input type="checkbox"/> 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

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SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040, 1040-SR, or 1040-NR.

▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2020
Attachment
Sequence No. 01

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Additional Income

| | | | |
|----|---|----|--|
| 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 | |

Part II Adjustments to Income

| | | | |
|-----|---|-----|--|
| 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 adjustments to income. 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 **2020** U.S. Individual Income Tax Return

Filing Status: Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)

Your first name and middle initial: _____ Last name: _____ Your social security number: _____

Home address (number and street): _____ Apt. no.: _____

City, town, or post office: _____ State: _____ ZIP code: _____

Foreign country name: _____ Foreign province/state/country: _____ Foreign postal code: _____

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 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

| (1) First name | Last name | (2) Social security number | (3) Relationship to you | (4) <input checked="" type="checkbox"/> If qualifies for Child tax credit | (5) Credit for other dependents |
|----------------|-----------|----------------------------|-------------------------|---|---------------------------------|
| | | | | | |
| | | | | | |
| | | | | | |

| | |
|--|------------|
| 1 Wages, salaries, tips, etc. Attach Form(s) W-2 | 1 |
| 2a Tax-exempt interest | 2a |
| 3a Qualified dividends | 3a |
| 4a IRA distributions | 4a |
| 5a Pensions and annuities | 5a |
| 6a Social security benefits | 6a |
| 7 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> | 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 |

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113208 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 total tax | 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 |
| 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 total other payments and refundable credits | 32 |
| 33 Add lines 25d, 26, and 32. These are your total payments | 33 |
| Refund 34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid | 34 |
| 35a Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/> | 35a |
| Direct deposit? <input type="checkbox"/> b Routing number _____ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings | |
| d Account number _____ | |
| 36 Amount of line 34 you want applied to your 2021 estimated tax | 36 |
| Amount You Owe 37 Subtract line 33 from line 24. This is the amount you owe now | 37 |
| Note: 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. | |
| 38 Estimated tax penalty (see instructions) | 38 |

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: <input type="checkbox"/> Self-employed |
| | | | | |
| Firm's name | Firm's EIN | | | Phone no. |
| | | | | |

Go to 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



HIGHER RISK INDUSTRIES - REQUIRE STRICTER UW, (cont'd)

- 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



LOWER RISK INDUSTRIES

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



Commercial Lending Process



ORIGINATE

- Engage The Client
- Gather Application, Personal Financial Statement, And Tax Returns.
- Price The Deal
- Structure The Deal
- Pre-screen Deal
- Issue Term Sheet



UNDERWRITING

- Review Financials – Personal And Business Tax Returns
- Access Personal And Business Credit
- Calculate The Debt Service Coverage Ratio
- Access The Internal And External Risk Factors (Industry, Supply Chain, Economic Cycle, Management Capacity, Accounting And Etc.
- Prepare The Loan Package
- Send To Credit Committee For Loan Approval



CLOSING

- Obtain Approval From Credit Committee
- Create Closing Documents
- Satisfy The Underwriting Conditions
- Order Appraisal
- Review Appraisal After Received To The Bank
- Close Loan
- Quality Assurance
- Book Loan
- Fund Loan
- Post Closing Check List



MANAGING COLLATERAL

- Pledge Assessment
- Store Documents
- Retrieve Documents
- Record Collateral
- Secure Collateral
- Release Collateral



Post Closing of the Loan



SERVICING THE LOAN

- Do Not Make Your Lender Chase You For A Payment.
- Do Not Make Your Lender Chase You For Yearly Updated Financials Statements.
- Make Sure The Business Still Cash Flow At 1.25X Or Greater.
- Keep All Insurances In Place
- Maintain Client Files
- Process Payments
- Issue Advances
- Record Payoff's



Thank You!

For more information reach out to:

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Insurance Presentation Creating Sustainable Neighborhood Developers Program November 12, 2022

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History of Insurance: How Did We End Up Shipwrecked on the Bottom of the Sea Do we have insurance?



History of Insurance

The main principle of insurance — trading the burden of risk for money — was slowly developing into a global phenomenon as commerce was expanding.

China, 3000 BC: that's the date on insurance's birth certificate. The proud parents were Chinese merchants who, tired of losing valuable goods in shipwrecks, proposed what is now recognized as the oldest predecessor to modern insurance. Merchants divided their goods evenly among the ships, meaning that each boat carried a mix of cargo, not just one merchant's.

Thus, a shipwreck meant a slight loss for all instead of a crippling loss for one — safety in numbers, a time-tested principle that your insurer practices to this day.

Source: esurance History of Insurance

Reasons for Insurance

Why is it important to have insurance? **Risk Management Strategy for Loss Recovery**

- Life and Health
- Property
- Liability Exposure
- Legal and regulatory requirements
- Business continuity – recovery from disasters, systems continuations, maintains cash flow
- Protection from errors



Assuming Risk is Part of Doing Business

Going outside is a risk, but so is staying inside.

Going out may require boots, coat, or an umbrella for protection, but staying in can result in missed opportunities.

Business insurance eases the burden of risks, so owners can “go out” to...

focus on business
development and growth.



Insurance for a Small Business

Review examples of work-specific insurance which are required by certain licenses.

1. Here are a few to begin:
 - **Construction company – general contractor's liability**
 - Auto repair shop – business general liability
 - Restaurant – foodbusiness insurance



Insurance Your Business May Require

State and Local Requirements

- Always check with federal, state, county and local governments
- Workers Compensation with specific coverage may be required for employees
- Automotive insurance coverage for vehicles used in connection with the business



Worker's Compensation Insurance

Protects against illnesses, injuries at work.

- Pays for rehabilitation, retraining
- Addresses payments to beneficiaries and medical payout limits
- Required by most states, check state laws
- Private or state administered



Unemployment Insurance

Benefits those who are unemployed through no fault of their own.

- Willing and able to work and actively searching work to be consider unemployed
- Federally regulated, state administered
- Check with state and Federal Dept. of Labor
- Always make payments, avoid penalties and actions (lien, misdemeanor, felony)

A piece of light brown cardboard with the words "Hire me!" written in black marker. The cardboard is tilted slightly to the right and has some creases and texture visible.

General Liability Insurance

- ▶ General liability covers common risks
- ▶ From carpenters to general contractors, construction and contracting professionals face high risks. General liability insurance helps pay expenses related to **third-party injuries and property damage**.
- ▶ Example If a visitor is injured at your jobsite or property damage occurs during a renovation, for instance, general liability insurance can cover medical bills or the cost of repairs.
- ▶ This policy provides liability coverage related to:
 - ▶ Customer injury
 - ▶ Customer property damage
 - ▶ Libel and slander
- ▶ Source: <https://www.insureon.com/construction-contracting-business-insurance/general-liability>

General Liability Insurance

- ▶ If you run a small construction or contracting business, you may be able to bundle general liability insurance with commercial property insurance in a business owner's policy (BOP).
- ▶ A **BOP** offers more complete coverage at a lower cost than purchasing each policy separately. Businesses that are eligible for a **BOP** typically:
 - ▶ Have fewer than 100 employees
 - ▶ Have a small office or workplace
 - ▶ Make less than \$1 million in annual revenue
 - ▶ Operate in a low-risk industry
- ▶ Need less than 12 months of business interruption insurance
- ▶ Talk to a licensed Insureon agent to find out if your construction business is eligible.
- ▶

General Liability Insurance

- ▶ What coverage can general liability provide for construction companies?
- ▶ **Customer injury**
- ▶ If a customer trips over a toolbox or a ladder while you're doing electrical or carpentry work, you could be blamed for the injury. If the person sues, you could end up paying for medical and legal expenses. General liability insurance covers:
 - ▶ Attorney fees
 - ▶ Court-ordered judgments
 - ▶ Settlements
 - ▶ Medical bills
 - ▶ Funeral expenses in fatal incidents
- ▶ **This policy does not cover employee injuries.** For that, you'll need to purchase workers' compensation insurance.
- ▶

General Liability Insurance

▶ **Customer property damage**

- ▶ Accidents can be costly for construction professionals and contractors. General liability insurance safeguards small businesses when client property is damaged. For example, if a client's furniture is damaged during remodeling, your general liability policy could help pay for the cost of repair or replacement. This policy can also cover the cost of a lawsuit if a client decides to take you to court over damaged property.

▶ **Libel and slander**

- ▶ While advertising your company and its construction services, it's possible to inadvertently copy a competitor's slogan or mimic another advertising campaign. Accidental advertising injuries are covered by general liability insurance, including:
 - ▶ Copyright infringement
 - ▶ Defamation, both libel (written) and slander (spoken)
 - ▶ Other policies for construction and contracting businesses to consider

General Liability Insurance

Covers basic construction and contracting risks, it does not offer absolute protection. Other policies to consider include:

- ▶ **Workers' compensation insurance**: Required in almost every state for construction businesses with employees, workers' comp can cover medical fees for work-related injuries.
- ▶ **Commercial auto insurance**: This policy covers vehicles owned by your construction or contracting business. It typically pays for accidents and damages related to theft, weather, and vandalism.
- ▶ **Contractor's tools and equipment insurance**: This policy helps pay for repair or replacement of a contractor's tools and equipment if they are lost, stolen, or damaged.
- ▶ **Builder's risk insurance**: Builder's risk insurance can pay for damage done to a structure still under construction, such as fire or vandalism at a construction site.
- ▶ **Professional liability insurance**: This policy covers professional mistakes and oversights, such as a contractor missing a deadline for a project.

Other Liability Insurance

- Professional Liability Insurance
 - May be required for
 - Certain professional licenses
 - Certificates of business or professional business registrations
- Directors & officers

Liability laws change –

Stay Informed



Other Types of Insurance to Consider

- Loss of income
- Life
- Disability
- Medical
- **Flood**



Lender or Investor-Required Insurance

When financing, a lender or investor may require you show insurance protecting:

- ← Business assets (building, property)
- ← Cash flow – provision for interruption of business (e.g., reconstruction, repairs)
- ← In the event of owner's disability or death



“Key Person” Policy

Think about and respond to these discussion points.



1. Do you have a list the names who could run your business or that you would trust to do so, if you were ill for an extended period of time?
2. List who would take over your business in the event of your death.
3. Do you have a plan for your business in the event of your death?
4. Is there a family member or trustee named to liquidate the assets?

Surety Bonds

A surety bond is issued by a third party, known as a surety, as a guarantee the second party will fulfill its obligations or meet certain laws. If the second party fails to do this, the bond covers the damages.

- Required for some licenses or permits (e.g., car dealer, construction contractor)
- Protection for consumers and for government
- “Bid bond” may be required to submit a bid to the government



Location-Related Considerations

Business location affects type of policy

- Home-based – Add-on to homeowner's or separate

Warning: Your traditional homeowner's insurance may NOT cover damage caused by your home-based small business!

- Retail – one or more locations, inventory theft, credit card theft, personal vehicle for deliveries
- Flood Insurance

What Is Title Insurance?

Do I Have to Buy It? Do I Want to Buy It?

- ▶ When you buy property (land or land with a building such as a home), the seller transfers the title to the property to you.
- ▶ **Title** to property means legal ownership of the property. Some problems with the title could prevent the seller from transferring the property title to a buyer or prevent a lender from issuing a mortgage loan.
- ▶ **Title insurance** helps to make sure the seller can transfer the title to you. It also may help protect you if a problem with the title comes up after you buy or refinance property.
- ▶ Source: Google Search https://www.naic.org/documents/committees_c_cst_wg_related_la_spec...

What Is Title Insurance?

- ▶ Title insurance doesn't guarantee there are no problems with a title. But it does guarantee that there are no problems with the title that would prevent a sale or refinance of the property.
- ▶ If you borrow money to buy a property or if you refinance your mortgage, you have to buy a loan title policy because the lender requires it.
- ▶ You pay the premium once for each new loan title policy (also known as a lender's title policy). This loan policy protects the lender. The loan policy stays in force as long as the mortgage loan exists.
- ▶ You don't have to buy an owner's title policy when you buy a property, but this policy gives you protection above the protection of the loan title policy. You buy (and pay for) an owner's policy once each time you buy a property, and it stays in force—keeps protecting you—for as long as you own the property.

What Is Title Insurance?

- ▶ Premium discounts may be available to lower your premium. The most common discount is a refinance or reissue discount. Ask your title agent or title insurer about discounts.
- ▶ In Louisiana title insurers may charge different premium rates. Shop to find the lowest premium.
- ▶ The premium you pay for title insurance in Louisiana does not cover title search or examination. You will be charged a separate fee for these services in addition to the premium charged for the title insurance.
- ▶ While your lender may require you to buy a loan title policy, you always have the right to choose the title agent and title insurance company. If your real estate agent, attorney, lender, home builder or other real estate professional tells you that you're required to use a particular title agent or title insurer, that's not true, and you should report this to Louisiana Department of Insurance and the U.S. Consumer Financial Protection Bureau.

What Is Title Insurance?

- ▶ The [Louisiana Department of Insurance](#) and the [U.S. Consumer Financial Protection Bureau](#) have more information about title insurance. They also will take your complaint if you feel you haven't been treated fairly.
- ▶ With title insurance, you get a title search, a title commitment and a title insurance policy. In a [title search](#), the title agent or title insurance company searches public records for any problems with the title, such as someone other than the seller having a legal right to the property.
- ▶ The [title commitment](#) is the insurance company's promise to issue a title insurance policy under certain conditions.
- ▶ The [title insurance policy](#) is the title insurance company's promise to try to fix some problems missed during the title search or to promise to pay your lender or you if the title problems can't be fixed. **Remember, a title insurance policy doesn't guarantee there are no problems with a title but the policy serves as a tool to resolve problems with the title that would prevent a sale or refinance of the property.**

Selecting a Policy

Weigh the costs to insure the risk

- Does it make sense? Could you cover it without insurance?
- Consider policy costs with deductibles and coverage limits
- Is the coverage sufficient?
- Does the policy provide for growth?
- Are there time constraints on modifying coverage?



A Life Well Planned:

Being prepared can get you and your family through life's most difficult moments: Keeping Records Organized and up to Date is Important

- ▶ Documentation (Contacts, Legal Documents, Loans and Liabilities)
- ▶ Assets
 - ▶ Financial Records
 - ▶ Records of Property
- ▶ Online Access
 - ▶ Personal Account Information
 - ▶ Financial and Insurance Accounts
 - ▶ Credit Card Accounts
 - ▶ Automatic Payment Accounts
 - ▶ Business and Job-Related Accounts
- ▶ For Your Survivors
 - ▶ Final Arrangements
 - ▶ Importance of a Will

Selecting a Company and an Agent



Compare quotes, coverage,
deductibles and other details

- **Stable and accessible?**
Check consumer and
business reviews,
network with others

Know what's **not** covered!

What to Do After the Purchase

- Keep policies easily accessible
- Keep phone numbers readily available
- Maintain insurance-related procedures in business continuity plan
- Review policies periodically
- Meet with agent from time-to-time



Continued ...

Key Points to Remember

- Insurance
 - Minimizes the impact risks can have on your ability to continue operations
 - Impacts continued financing
 - Helps retain employees
 - Provides protection from liabilities
- Your location, facilities, autos and type of business operations determines your insurance needs

Don't End Up Shipwrecked without the Right Insurance Recovery Plan



Insurance Presentation

Creating Neighborhood Developers Program

Thank You

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