

Commercial Notes

THE ACHTERMANN COMMERCIAL
LENDING GROUP LLC

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What does it take to get a loan approval?

Helping Your Lender Approve Your Loan

The loan approval process for a commercial real estate loan is not a simple process. There are four common criteria areas lenders will take into consideration when reviewing a loan application. Every lender has their own underwriting guidelines but all will generally require the same type of information. I will try to cover the general items the lender will request and will need to review and hopefully approve your commercial loan request.

Loan to Value

- This is a very easy figure for the lender to establish. All



lenders have an internal "loan to value" ratio they apply to real estate loans. For the purpose of purchasing real estate, the lender's mortgage amount will normally be based upon the purchase price of the property or the appraised value, whichever is less. Generally the maximum "loan to value" (LTV) ratio is 80% with the borrower generally being required to have an equity position of 20%.

Property Analysis - The lender will require that the property be appraised by a commercial real estate appraiser of their choosing. This will be a very in-depth appraisal.

The appraiser will inspect the property, compare it to simi-

lar type properties, evaluate the income generated, calculate a replacement value and



provide the lender with what he believes to be the fair market value.

Financial Analysis - A key component in the underwriting process is the debt coverage ratio (DCR). This is defined as the monthly debt compared to the net monthly operating income for the

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Rates Currently Available through
The Achtermann Commercial
Lending Group, LLC

Minimum Loan \$500,000
Max \$5,000,000
NO BALLOONS!

25 - 30 years amortization and term

80% MAX Loan-to-Value,
with Fixed period options
from 1 to 15 years

(Add 0.15% to loans over 75% LTV)

DSC ratio 1.20 times

Rate	Fixed Period	Am/Term
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6.76%	3 years	30/30
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6.76%	5 years	30/30
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6.83%	7 years	30/30
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6.88%	10 years	30/30
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Call for rates on loan amounts
greater than \$2million.

Market interest rates

Additional Rate information Page 2

Bank Prime Rate

11/01/05	7.00%
12/13/05	7.25%
01/31/06	7.50%
03/28/06	7.75%
05/10/06	8.00%
09/29/06	8.25%
06/23/07	8.25%

1 Year CMT (Treasuries)

12/29/06	4.99%
01/26/07	5.10%
02/09/07	5.07%
03/02/07	4.96%
04/27/07	4.90%
05/25/07	4.95%
06/15/07	4.98%

5 Year CMT (Treasuries)

12/29/06	4.65%
01/26/07	4.82%
02/08/07	4.76%
03/02/07	4.51%
04/27/07	4.56%
05/25/07	4.77%
06/15/07	5.13%

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property. A DCR requirement by the lender of 1 to 1.2, is saying they require \$1.20 net operating income for each \$1.00 of mortgage payment. Many lenders will take a conservative approach in looking at the net operating income by adjusting it for possible vacancies and periodic capital improvements.

The lender will require you to provide them with historical income and expense and rent roll reports for the property, normally for two or three years. In addition, the lender may require a detailed rent roll report along with copies of the lease agreements in place.

Credit Worthiness - The determination of credit worthiness is a subject fact evaluation. The borrower will be required to provide copies of the last three years tax return and a current personal financial statement. If the borrower has other rental properties, a rent roll should be included with the personal financial statement.



If the borrower has separate operating entities such as a partnership (s) or corporation (s), three years tax return for these entities may also be requested.

This information will be used to evaluate the borrower's ability to generate income not only to support existing loans but to lend support to the property being purchased.

Interest Rate Movement

With interest rate moving as quickly as they have, I thought it might be of interesting to see the rate move over a longer period of time. The rate schedule on Page 1 only covers the shorter term of approximately 6-months.

Below is the month ending rates for January and June for the last three years along with the current rate for the 5 year Constant Maturing Treasuries and the 10 year Constant Maturing Treasuries.

As can be seen over the last four years both the 5-year CMT and the 10 year CMT have increased substantially. From January 2004 to June 20th 2007 the 5 year rate has increased 64%.

This an overview for the 5 year CMT, Jan 2004 to
 June 20, 2007 in six month intervals.

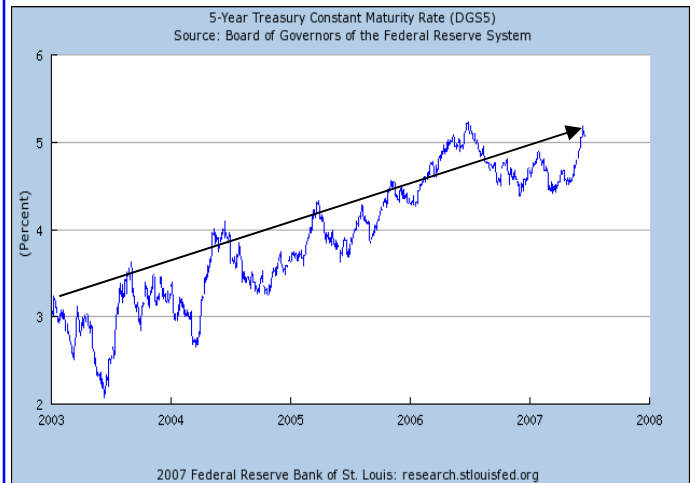
Jan 2004	3.12%	Jun 2004	3.93%
Jan 2005	3.71%	Jun 2005	3.71%
Jan 2006	4.35%	Jun 2006	5.07%

Two web sites which are available in monitoring interest rate are:

- ◆ <http://www.federalreserve.gov/releases/h15/data.htm>
- ◆ <http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/>

These two sites are government sponsored and should provide you with minimal basis

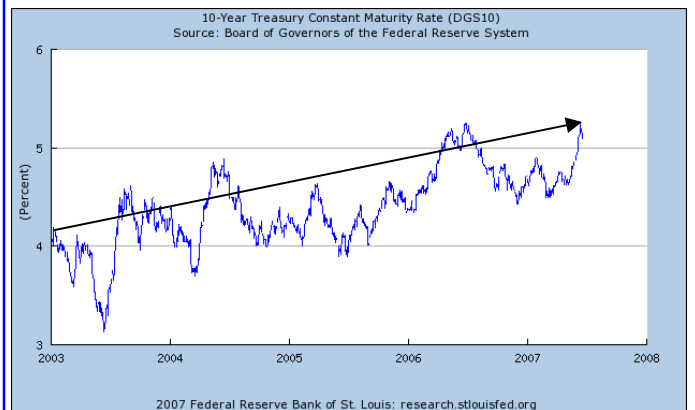
The graph below shows the five year CMT rate since 2003.



This an overview for the 10 year CMT, also from Jan 2004 to June 20, 2007 in six month intervals

Jan 2004	4.15%	Jun 2004	4.73%
Jan 2005	4.22%	Jun 2005	4.00%
Jan 2006	4.42%	Jun 2006	5.11%
Jan 2007	4.76%	Jun 2007	5.13%

The graph below shows the ten year CMT rate since 2003.



There does seem to be a trend in the direction of interest rates. Whether you are a broker, buyer or seller, this trend can have definite impact on how you will be able operate your business. Interest rate trends do warrant monitoring.

HAVE A SAFE AND PATRIOTIC JULY 4th