

***Preliminary Due Diligence Checklist***  
Commercial and Commercial Residential Loan Documentation

This ***Preliminary Due Diligence Checklist*** outlines the general requirements for a loan submission package for purchase or refinance of a mature (seasoned) commercial or commercial-residential (5+ units) property, with or without significant improvements. ***Preliminary Due Diligence Checklists*** for other transactions are available on our website or by request.

The ***Checklist*** includes only the information necessary to initiate discussions with the lender and reach a preliminary consensus on rates and terms (i.e. to get a lending commitment from the lender). Additional documentation may be required during the underwriting period and at closing. We have anticipated the most obvious of these, but many requirements are idiosyncratic to the property or your financial situation.

***Property Information***

- Location
  - Street address, including city, county, and state
  - Legal description of site (deed description and the assessor's parcel numbers)
  - Photographs of site – front, back, both sides, street in both directions, and a long shot
- Deed covenants, conditions, and restrictions (CC&R)
- Contract evidencing an option, purchase offer or ownership

***Borrower's Information***

- Legal Name and DBA
- Street address, including zone or zip code, for primary location
- Telephone number and name of primary contact
- Fax number for primary contact
- E-mail s of primary contact
- Primary Borrower's vitae or resume and/or narrative biography
- **All** other project participant(s) vitae or resumes and/or narrative biography. Include
  - All persons or entities who will own 20% or more of the interests in the project
  - Primary operating personnel or contractors, and
  - guarantors

***Loan request***

- Requested Amount
- Requested terms
- Anticipated interest rate
- Amortization period
- Anticipated participation options (if any)
- LOI (“Letter of Interest”) from Lender (if pre-approved or pre-qualified)
- Deposit for Appraisal, application fees, credit reports and processing (Or proof of funds and seasoning. – Lenders frequently request several months to a year of bank statements for this

***Financial Data***

- Full set (three years or from inception of entity if shorter) of financial statements for the property (You will need to request these from the current property owner)
- Full set (three years or from inception of entity if shorter) of income tax returns for the Primary Borrower, guarantors and participant(s) with 20% or more interest in the project
- Net Worth Statement (Personal Balance Sheet) and supporting detail for each principal who holds a 20% or greater interest in the borrower.
- Full set (three years or from inception of entity if shorter) of financial statements and income tax returns for all entities in which the Primary Borrower, guarantor, other principal(s) have an interest of 20% or more
- Pro forma operating statements for the property.
- Detail of proposed changes to tenants’ lease terms, including base rent, escalations, expense stops, renewal options, common area expense allocation, overage (retail leases), finish-out allowances, and other commitments
- Description of the Equity to be provided by developer and/or other participants (amount and type: cash and/or land); anticipated schedule of draws/repayments
- Copies of all executed lease agreements, commitments, or letters of intent from tenants detailing all terms of leases
- Estoppel certificates for all executed lease agreements, commitments, or letters of intent
- Appraisal from lender-approved appraiser, including all comparables and detached schedule of rents charged by competitors (borrower should not commission appraisal until requested and approved by lender)

***Government and Regulatory Information***

- Proof and copies of zoning status, variances, conditional use permit(s), and local business permits, as required
- Certificates of occupancy, building, fire, safety, and health inspections
- Itemization of *Ad valorem* property taxes, method of payment, date of payment, and reappraisal date

***Legal Documentation of Entity or Purchaser***

- Name and state of formation of the legal entity applying for the loan
- Evidence of incorporation, partnership agreement, certificate of limited liability company, etc. showing state seal
- Copy of by-laws, operating agreement, or similar documents
- Copy of placement memorandum or other securities related documents, if applicable
- Certificates of qualification for the state of incorporation and all states in which entity operates
- Resolution authorizing acquisition of property and debt
- Resolution or *jurat* authorizing and accepting guarantor responsibilities from all guarantors
- Subordination agreements, if applicable

***Steven Roy Management Agreements***

- Non-disclosure agreement
- Commission/Fee agreement and payment schedule
- Waiver and release to perform credit check and title search

***Contact Information***

***Generally, this information is not required at the outset of the loan negotiation, but it is useful to provide it both because you will be asked for it later and because it establishes your bona-fides as an owner-operator.***

- Accountant
- Attorney
- Appraiser
- Escrow
- Insurance company (companies)
- Realty agent
- Sellers Realty agent

***If you plan to significantly improve or repurpose the Property***

- Plans for building improvements with detailed list of proposed amenities
- Site and circulation plan, identification of any easements, availability of utilities, description of adjacent land uses, soil tests
- Renderings of building and any parking facilities, outbuildings, etc.
- Identification, supporting financial data, and past performance documentation for
  - Architect
  - General contractor
  - Principal subcontractors
  - Copies of agreements executed among parties
  - Description of construction and development procedures development strategy, and timing
  - Evidence of bonding, workers' compensation, and general liability insurance
  - Detail of *Force majeure* provisions of all bond and insurance agreements (events beyond the control of the developer, i.e., "Acts of God or Nature")
- Site Survey
- Phase I environmental report, if required
- Detailed cost breakdowns, including:
  - Any land acquisition costs
  - Any necessary land development costs
  - Any required demolition costs
  - Direct or hard costs with breakdowns for excavation, grading, foundation, masonry, steel work, drywall or plastering, HVAC, plumbing, electrical, elevator, and other mechanical items, any special finish-out or fixtures
  - Indirect or soft costs, including architects, engineering fees, legal fees, property taxes, interest-construction period, development fees, insurance and bonding fees, estimated contingency reserve, anticipated permanent loan requirements