

LOS ANGELES “SOFT BUILDING” RETRO FIT LENDING PROGRAM



General Guidelines for Retrofit Lending Program

- Up to 100% of 'soft-story' upgrades that meet City of Los Angeles requirements.
- Loans will be structured with an interest-only bridge/construction portion and a fully amortizing term portion.
- Bridge portion shall not exceed 12 months.
- Term portion shall not exceed 15 years.
- Loans shall be full recourse.
- Such liens shall be in no less than 2nd position
- A property evaluation will be required on all loans up to \$250,000.
- For all loans in excess of \$250,000 an appraisal report will be required.
- One third of the loan funds shall be available upon funding for the borrower's use to pay for plans, engineering services and to obtain building permits.
- Upon obtaining approved permits the second third of the funds shall be available to the borrower.
- Upon completion of the project the final third of the funds shall be available to the borrower.
- Until the loan is converted to term, inspections during the course of construction maybe required.
- Costs shall include a direct pass-through of actual inspection cost, which will be dependent upon the location of the property in question and the complexity of the construction activity, plus a per-disbursement fee. Inspection fees typically range from a cost of \$150-\$300 each, with a disbursement fee of \$200 per advance.
- Up-front loan fees shall be limited to 2.00% - 3.00% (on the funded loan amount) plus a pass-through of third party closing costs: actual title insurance and recording, evaluation/appraisal costs, etc.
- Underwritten cash flow of the MFR property must support a debt coverage ratio for the subject plus any senior debt of no less than 1.25:1.
- DCR shall be calculated for both the bridge portion (full loan amount, IO debt service including a 2.0% stress of the interest rate) and the term portion (term loan amount, amortizing debt service including a 2.0% stress of the interest rate for fixed rate periods of 3 years or less.)
- Principals must be credit worthy. This includes a satisfactory credit history and current credit scores of no less than 640.
- Pricing: During the bridge portion, the loan shall incur interest at a rate based on a margin of 2.0% above Prime.

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