CHAPTER FIVE

The Loan Package Checklist

Confirm the lender's requirements and assign each missing item to someone. The periods below are common requests, not universal rules.

Business financial records

[ ] Business tax returns with all schedules, typically the most recent 3 years

[ ] Year-to-date profit and loss statement and balance sheet, current within 60–90 days

[ ] Prior 2–3 years of year-end profit and loss statements and balance sheets

[ ] Accounts receivable and accounts payable aging reports

[ ] Debt schedule: loans, leases and credit lines, with balances, payments and maturities

[ ] 12 months of business bank statements for all accounts

[ ] Accountant-prepared add-back / adjusted EBITDA schedule, if applicable

Property records

[ ] Purchase contract for an acquisition, or current mortgage statement for a refinance

[ ] Current rent roll: tenants, lease terms, rents and expiration dates

[ ] All commercial leases and trailing 12-month property income and expenses

[ ] Current property tax bills and insurance declarations

[ ] Recent survey and title report, if available; interior and exterior photos

[ ] Environmental history and any previously completed Phase I report

Entity and legal records

[ ] Articles of incorporation / organization and amendments; operating agreement or bylaws

[ ] State certificate of good standing and EIN confirmation

[ ] Ownership chart identifying owners with 20% or more; disclose others if required

[ ] Resolutions authorizing the loan, as required by governing documents

Owners and guarantors

[ ] Personal tax returns, most recent 3 years, with all schedules

[ ] Personal financial statement on the lender's required form

[ ] Personal bank and investment statements, most recent 2–3 months

[ ] Government-issued photo ID and resume / bio showing relevant experience

[ ] Schedule of real estate owned, including mortgage balances and payments

Request and explanations

[ ] Executive summary / loan request letter (Chapter 6) and itemized use of funds

[ ] Written explanation of credit issues, income declines or unusual financial items

[ ] Business or growth plan for a newer business or significant expansion

Explain unusual items. Give the dates, cause and supporting records. Distinguish a resolved issue from one that still affects repayment.

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A CLOSER LOOK

Two Properties, Two Outcomes

An illustrative comparison of inspection scope, lease evidence and the cash left to complete repairs.

These hypothetical scenarios show how inspection and lease findings can affect a buyer's budget and negotiations. The figures are examples, not documented client results.

Buyer A: The Compressed Timeline

Facing a competitive offer situation, a buyer waives most contingencies to make their offer more attractive, relying on the listing broker's marketing package and a quick walkthrough. The property closes in three weeks. Eight months later, the roof — nearing the end of its life at purchase, though not disclosed or investigated — begins leaking, requiring a $140,000 replacement the buyer hadn't budgeted for. Separately, a tenant's actual lease terms turn out to differ from the rent roll used to underwrite the purchase, reducing effective income by 8% versus what was assumed at close.

Buyer B: The Disciplined Process

A buyer evaluating a comparable property orders a PCA and Phase I, reconciles leases with the rent roll and requests tenant estoppels. The PCA identifies the aging roof. The buyer negotiates a $95,000 closing credit, subject to lender acceptance, and budgets the remaining replacement cost. The credit reduces cash due at closing; the contract price changes only if the parties amend it.

APPLY THE FINDINGS

Record the repair scope, price or credit agreement, and cash still needed after closing. Reconcile the revised budget with financing and reserves before releasing contingencies.

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STEP 5 / PRICE SCREEN

Work Backward to a Supportable Price

Test price against financing, available equity, annual cash return and supported value. This example holds the loan at 70% of price and upfront costs fixed. Recheck those assumptions against actual lender terms for every proposed price.

Screen at example terms	Price ceiling
1.25x DSCR	$1,906,190
9% debt yield	$1,904,762
$750,000 available equity	$2,166,667
5% year 1 cash-on-cash return	$1,606,432
$120,000 NOI / 6% supported cap rate	$2,000,000
Lowest first-year screen	$1,606,432

See the cash-return price formula

Let N = year 1 NOI; C = year 1 capital/leasing costs; U = upfront costs and reserves; L = loan / price; a = annual debt service / loan amount; q = target cash-on-cash return.

Cash-return price ceiling = (N - C - q x U) / [a x L + q x (1 - L)]

The first-year ceiling is a screening result, not an automatic offer. Re-enter the price and check whole-deal returns, lender value limits and the rest of the transaction.

Price against the required overall return

Try a candidate price. Recalculate the loan, initial equity, payments, yearly cash flows and sale payoff. Calculate NPV at your target return using page 20. Compare prices and retain those that also satisfy financing and cash limits; NPV alone does not set an offer.

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CHAPTER EIGHT

How to Strengthen an Offer Without Raising the Price



The strongest negotiation tool is often not another dollar. It is reducing uncertainty where you can safely do so.

Show Financial Capability

Provide appropriate proof of funds or credible financing documentation when requested or strategically useful.

Be Organized

A complete, accurate offer package is easier for the listing side to evaluate and signals that the buyer is prepared.

Use a Realistic Timeline

A credible closing schedule is stronger than an aggressive schedule that will require repeated extensions.

Offer Flexibility Where It Costs You Little

Before offering a later closing, price rate-lock extensions, extra reports and lost operating time. Before offering a faster close, confirm the lender and specialists can meet it.

Complete Preliminary Research

Use the pre-offer findings to identify what remains unresolved and how much time the necessary review will take.

THE BALANCE

Offer only the concessions you have evaluated and can perform. Retain the protections needed to investigate material property and financing risks.

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Chapter 9 — How the Appraised Value Shapes Your Loan Terms

The lender considers collateral value and income coverage in sizing the loan. LTV uses an accepted value basis; DSCR uses accepted cash flow and debt payments.

Loan-to-Value (LTV)

LTV compares the loan with the lender's accepted property value. For an acquisition, the lender may use the lower of price or appraised value. Confirm the policy and calculate the equity required if the accepted value is below the contract price.

Debt Service Coverage Ratio (DSCR)

Use the coverage calculation in CRE Deal Decoder™, page 12 with the lender's accepted income and payment basis.

The income basis used in the appraisal may differ from the lender's DSCR calculation. Ask the lender to reconcile vacancy, expenses, reserves and other adjustments, then use its accepted figures to test coverage.

Worked Example

Item	Value
Contract Price	$3,000,000
Appraised Value	$2,850,000
Maximum LTV per Lender Policy	75%
Maximum Loan Amount (based on lower of the two)	$2,137,500
Total Purchase-Price Equity Required	$862,500

Planned equity at 75% of the $3,000,000 price was $750,000. The lower appraisal increases total purchase-price equity to $862,500: an additional $112,500. Closing costs and reserves are separate. Confirm the lender's actual loan-sizing policy.

Interest Rate and Pricing Implications

Ask for revised loan terms after the lender accepts the value. Compare the full structure on the next page.

When the Appraisal Comes in Low

Review: Ask the lender to check documented errors or missing information.
Renegotiate: Have the broker seek a price adjustment with the seller.
Recalculate: Confirm approved financing, extra equity, returns and reserves.
Decide: Have the broker and attorney check contract rights and notice deadlines.

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WORKSHEET - COMPARE BUDGET TO FINAL FIGURES

Cash-to-Close Reconciliation

Complete from the current settlement statement with the closing agent. Show a positive amount on each line, then add or subtract as indicated. Use gross lender funding if its charges are included in buyer charges; if using net funding, remove those same charges to avoid duplication.

Property, statement version / date, reviewer and confirmation date

A. Purchase price + buyer charges / prepaids = total buyer debits

B. Plus net buyer proration debits, if any (list the items)

C. Less lender funds + deposit already held + approved other funding

D. Less seller credits + net buyer proration / deposit credits

E. Remaining cash to close = A + B - C - D

Budgeted amount / final amount / difference / reason

Separate cash: repairs, operating reserves and bills paid outside closing

Available funds after closing / minimum reserve / shortfall action

Closing agent confirms final figure; verified payment method / date

Do not enter bank account numbers here. Confirm wire instructions using an independently verified phone number. Verify any change directly with the known recipient; do not rely on a number supplied in the change email. Source: FBI, Business Email Compromise.

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CHAPTER 5

The Two Clocks

Replacement property generally must be identified within 45 days after the first relinquished-property transfer in the exchange. Receipt must occur by the earlier of 180 days after that transfer or the due date, including extensions, of the federal return for the transfer year. [2, 4]

Illustrative transfer	September 10, 2026
45-day date	October 25, 2026
180-day date	March 9, 2027
Actual receipt deadline	Earlier of March 9 or applicable return due date, including extensions

This calendar example assumes a standard delayed exchange and no applicable special relief. October 25, 2026 is a Sunday. Do not assume a weekend, holiday, financing delay, or seller delay creates more time. Have the QI and CPA confirm the operative dates in writing. [4]

Build an earlier working deadline

- Set an internal identification review several days before the legal deadline.
- Reserve time for corrections, signatures, delivery, and acknowledgment.
- Ask the CPA whether a timely return extension is needed for the exchange period.
- Confirm whether a specifically applicable IRS relief notice changes any deadline.

If you sell late in the year, do not wait until tax-filing season to discuss the return due date. A filing extension is a separate action; it is not automatic simply because the exchange remains open.

Sources: 2,4 | Links and editions on page 21

Record exact dates. Internal target dates should leave time to fix mistakes.

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