

## Circle Bank's Negative Debt Service Lending

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✓ **LOWER DOWN PAYMENTS**

✓ **MORE LIQUIDITY FOR YOUR INVESTORS**

✓ **LARGER LOAN AMOUNTS**

✓ **MORE TRANSACTIONS**

One of our niches at Circle Bank is the funding of highly leveraged purchase loans for properties with negative cash flow. This means your clients keep more cash in their pockets to buy other properties, or to finance tenant improvements, or simply to stay liquid. This creative underwriting approach consistently provides more loan dollars than when a traditional income property cash-flow analysis is used.

As a community bank, we are chartered to fund "make-sense" transactions. We do this by using an integrated underwriting approach. We look at the personal debt-to-income ratio and credit history of the borrower (as in home loan lending); then we marry that approach to the traditional cash-flow and Debt Service Coverage Ratio (DSCR) analysis of income property. This results in larger loan amounts for your clients.

In short, when the net operating income (NOI) from the subject property is less than the loan payments, we add that negative to the borrower's personal debts. We then calculate the borrower's total debt-to-income (DTI) ratio--the sum of the borrower's monthly personal housing expense, plus revolving and credit debts, plus the negative on the subject property, divided by the sum of the borrower's regular, ongoing monthly income. If the resulting total DTI ratio still makes sense--typically up to 50% of the average personal income--we can finance the transaction up to a 75% loan-to-value with a maximum negative cash flow on the subject property of just .70:1.00.

If you have a buyer who would prefer to put as little money down as possible, or if you are assisting in marketing a property that has relatively low current income and you would like to see how much we could lend on it, please call me to review the loan options. Many commercial real estate agents and investors still have not heard of this program and it provides you an excellent marketing opportunity for speaking with them.