

# **Loan Review Summary**

ENSIGHT CRC GROUP, LLC

Credit Risk Consulting

Review as of: Review Purpose: Review Date: Reviewer: 03/31/18 New Loan 04/02/19 Bob Dunlap

**Borrower Identity** 

Name: RE RENTAL PORTFOLIO LLC Type: Multi-Asset RE Entity

Business: Real Estate Investments

**Loan Information** 

Information for Loan #: 6000007 Bank Risk Grade: 3.25 Pass Grade

Original Amount: \$750,000 Date Opened: 07/15/17 Original Maturity: 07/15/22

Current Balance: \$742,554 Committed Exposure: \$742,554

Original Purpose: To finance the purchase and renovation of a retail strip center in St. Augustine, FL

Purchase Amount: \$900,000 Project Costs: \$160,000 Project LTC: 70.8%

Settlement Statement: Yes

Advance Terms: Initial advance of \$550,000 at closing with draws for renovations per the Construction Loan

Agreement during the 6-month interest-only renovation period, following by P&I payments

Interest Rate: 5.50% Type: Fixed

Loan Payment Type: P & I Amount: \$5,232 Amortization: 234 Months

Frequency: Monthly

Loan Payment Status: Current Loan Officer: Mark Johns

Loan Approved: Yes Approver: Officers Loan Committee Appropriate Authority: Yes

Does the Loan Conform with Approval: Yes

**Collateral Information** 

Real Estate Collateral (P) RE Type: Multi-Tenant Retail Center

Description: FREM on a 6,000 s.f. 3-bay retail strip center on .5 acres

Location: 175 San Marco Avenue City: St. Augustine State: FL Zip: 32084

**Appraisals** 

Date: 05/25/17 Type: "as-renovated" LTV Amount: \$1,150,000

Appraiser: Collins Appraisal Service Approved Appraiser: Yes

Reviewed: Yes Accepted: Yes Orig LTV: 65.2%

Security Agreement: Yes Security Agreement Satisfactory: Yes

Flood Search: Yes Flood Zone: No

Hazard Insurance: Yes Amount: \$950,000 Exp Date: 08/15/18

Property Insurance: N/A

Flood Insurance: N/A

Liability Insurance: Yes Amount: 1MM/1MM/2MM Exp Date: 08/15/18

Mortgage/DOT Date: 07/15/17 Amount: \$750,000 Assign of Rents: Yes Eff. Recording Date: 07/16/17

Title Verification Type: Policy Date: 07/16/17 Title Insurance Amount: \$750,000

UCC-1 County Rec Date: 07/16/17

Comments: The two outside bays have been leased by 1) Verizon Wireless on a 5-yr. net lease at \$22.50/s.f. (2000

s.f) with two 5-yr. options for renewal, and 2) a successful local pizza/Italian restaurant on a 5-yr. net lease at \$25/s.f. (2500 s.f.) with one 5-yr. renewal option; both with 1% annual increases. The center

bay is still vacant at this time.

Total Appraisal Value: \$1,150,000 Total Current LTV: 64.6%

## **Borrower/Co-Borrower Financial Analysis**

EIN: \*\*-\*\*\*5888 Name: RE RENTAL PORTFOLIO LLC Type: Multi-Asset RE Entity

Type of Financial: Tax Return - S Corp/Ptrshp Year: 2016

Balance Sheet-Selected Entries('000)			
<u>Assets</u>		<u>Liabilities</u>	
Cash/MS	\$32	A/P & OCL	\$22
Fixed Assets - net	\$5,655	Mortgage Debt	\$3,760
		Due to Shareholders	\$325
Total Assets	\$6,125	Total Liabilities	\$4,107
Intangible Assets	\$15	Book Capital Equity	\$2,018
Due From Shareholder	\$0	Due To Shareholder	\$325
Net Due Shareholder	\$325	Adj Tangible Capital/Eq	\$2,328
Debt to Adj TNW Ratio	1.8 X's	Cash Distribution	\$135
	Net Cash D	istribution	\$135

Sign	ed: No C	Surrent: Yes
	Form 8825 -Selected Entries('000)	
Со	llateral Property	
Re	nt	\$130
Ne	Income	\$51
Inte	erest	\$41
Re	ntal Cash Flow	\$92
De	ot Service	\$63
DS	CR	1.46 X's
Ag	gregagte Propertie	S
Re	nt	\$618
Ne	Income	\$74
Inte	erest	\$208
De	oreciation	\$86
Re	ntal Cash Flow	\$368
Tot	al Mortgage Debt	\$3,760
Мо	rtgage Debt Yield	9.8%
De	ot Service	\$285
DS	CR	1.29 X's

Bank Underwriting DSCR Calc		
Cash Flow/EBITDA	\$79	
DSCR	1.25 X's	

#### Financial Performance Trend: Stable

#### Comments:

The collateral property income statement above actually represents the pro forma NOI in the appraisal that would provide for a DSCR of 1.46 X's, while the Bank pro forma NOI of \$79M would provide for a DSCR of 1.25 X's. However, with the 1,500 s.f. center bay being vacant, Reviewer-adjusted current pro forma NOI of \$72M would provide for a DSCR of 1.14 X's. Borrower 2016 TR aggregate rental cash flow of \$368M provided for a satisfactory Mortgage Debt Yield of 9.8%, with a DSCR of 1.29 X's and excess cash flow of \$83M. The adjusted pro forma aggregate rental cash flow of \$440M would provide for a combined aggregate DSCR of 1.26 X's.

## **Guarantor Financial Analysis**

SSN: \*\*\*-\*\*-8442 Name: Linwood Matthews

Guaranty Type: Specific

Amount: Full

PFS Date: 12/31/17 Signed: Yes Current: Yes PTR Year: 2016 Signed: No Current: Yes

Financial Statement-Selected Entries('000)			
<u>Assets</u>		<u>Liabilities</u>	_
Cash	\$145	Cash Collateral Loans	
Market Securities	\$261	Margin Loans	\$62
CVLI	\$33	Life Policy Loans	
Annuities/Retirement	\$420	Other Notes Payable	
Residences	\$700	Residence Mortgages	\$425
Part Int/Closely Held	\$3,800	Related Mortgages/NP	\$1,865
Total Assets	\$5,515	Stated Net Worth	\$3,045
Unencum Liquid Assets	\$377	Adjusted Net Worth	\$797

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	Tax Return-Selected Entries(	000)
	Schedule B	\$22
Schedule C \$4	Schedule C	\$45
Schedule E - K-1's \$3	Schedule E - K-1's	\$34
Depreciation Sched C & F \$	Depreciation Sched C & F	\$2
K-1 Distributions \$4	K-1 Distributions	\$42
Est Personal Cash Flow \$11	Est Personal Cash Flow	\$111
DTI 33.89	DTI	33.8%

Bank Underwriting Calculation		
Personal Cash Flow	\$105	
Total Debt Payments	\$37	
DTI	35.2%	
Global DSCR	1.28 X's	

**Credit Report - Yes** Date 06/10/17 Score 801 **Total Mo Payments** \$3,125

Loan Underwriter and Reviewer Generally Agree: Yes

Comments:

Financial Performance Trend: Stable

**Type: Individual** 

SSN: \*\*\*-\*\*-1222 **Name: James Harris** 

Guaranty Type: Specific

Amount: Full PFS Date: 12/31/17 Signed: Yes

Current: Yes

PTR Year: 2016 Signed: No

Type: Individual

Current: Yes

Financial Statement-Selected Entries('000)			
<u>Assets</u>		<u>Liabilities</u>	
Cash	\$65	Cash Collateral Loans	
Market Securities	\$155	Margin Loans	
CVLI	\$18	Life Policy Loans	
Annuities/Retirement	\$200	Other Notes Payable	\$225
Residences	\$550	Residence Mortgages	\$223
Wholly-Owned RE	\$325	Wholly-Owned Mtge	\$276
Part Int/Closely Held	\$3,800	Related Mortgages/NP	\$1,865
Total Assets	\$5,475	Stated Net Worth	\$2,674
Unencum Liquid Assets	\$238	Adjusted Net Worth	\$262

Tax Return-Selected Entries('000)		
W2	\$65	
Schedule B	\$12	
Schedule C	\$60	
Schedule E Net Rental Y	(\$12)	
Schedule E - K-1's	\$34	
Depreciation Sched C & F	\$7	
K-1 Distributions	\$42	
Est Personal Cash Flow	\$144	
DTI	42.9%	

Bank Underwriting Calculation		
Personal Cash Flow	\$156	
Total Debt Payments	\$60	
DTI	38.5%	
Global DSCR	1.28 X's	

Schedule E - Rental	
Gross Rent	\$42
Interest	\$15
Depreciation	\$20
Net Income	(\$12)
Cash Flow	\$23

Credit Report - Yes	
Date	06/10/17
Score	745
Total Mo Payments	\$5,150

Loan Underwriter and Reviewer Generally Agree: Yes

Comments:

Financial Performance Trend: Stable

Reviewer Calculation of Global Debt Service Coverage Ratio (in '000)

Borrower Cash Flow \$440 Borrower Debt Service \$348 Ind. Guarantor(s) Discretionary Income\* \$166 Ind. Guarantor(s) Debt Service\*\* \$100

\* Adjusted for estimated income tax and cost of living \*\* Credit Bureau debt service

Global Available Cash Flow \$606 Global Debt Service \$448

Reviewer Estimated Global Debt Service Ratio 1.35 X's
Bank Global Debt Service Ratio 1.28 X's

Loan Underwriter & Reviewer Generally Agree Ye

### **Summary Analysis of Risks to Repayment**

<u>Repayment</u>

Priority	Source	Description	Metric	Value
Primary	Rental Cash Flow	2016 BTR & Reviewer-Adjusted Pro Forma	DSCR	1.26 X's
Secondary	Guarantor Support	2016 PTR's	Global DSCR	1.28 X's
Tertiary	Collateral Liquidation	May 2017 "as-renovated" MV	LTV	65.2%

Reg O Loan: No

**Document Exceptions** 

No Document Exceptions

Financial Exceptions

No Financial Exceptions

Loan Policy/Underwriting Exceptions

No Policy/UW Exceptions

**Financial Covenants** 

Description: Minimum Borrower DSCR of 1.25 X's, commencing with the Tested: N/A In Compliance: N/A

**FYE 2019 TR** 

Adequacy: Appropriate

Comments: The financial loan covenant would have been improved with a specified requirement to cure in the

event of default.

Loan Weaknesses: With the center bay still vacant, the Collateral Property reviewer-adjusted pro forma DSCR is

1.14 X's.

Loan Strengths: Borrower 2016 BTR DSCR of 1.29 X's, with excess cash flow of \$86M, and a pro forma overall

DSCR of 1.26 X's. Global DSCR of 1.28 X's. LTV of 65%.

Loan Underwriting presentation: Complete

and the Financial Analysis of the source of Repayment: Acceptable

Loan Underwriting structural support: Moderate

Comments on Loan Underwriting: The marginally adequate Reviewer-adjusted collateral property DSCR is

mitigated by the historically satisfactory Borrower financial performance, and the structural support is further supported by an appropriate Financial

Covenant.

Global Cash Flow Calc: Yes Stress Testing: Yes Level: Multiple-Level Is Adequate: Yes

Bank Risk Grade: 3.25 CRC Rec Grade: 3.5 Credit Grade Outlook: Insufficient Credit Risk Comments: Due to the pro forma DSCR for the collateral property of 1.14 X's based on current

leases, Reviewer recommends a risk grade 3.5 until the center bay is leased.

Significant Credit or Loan Structure Issues: No