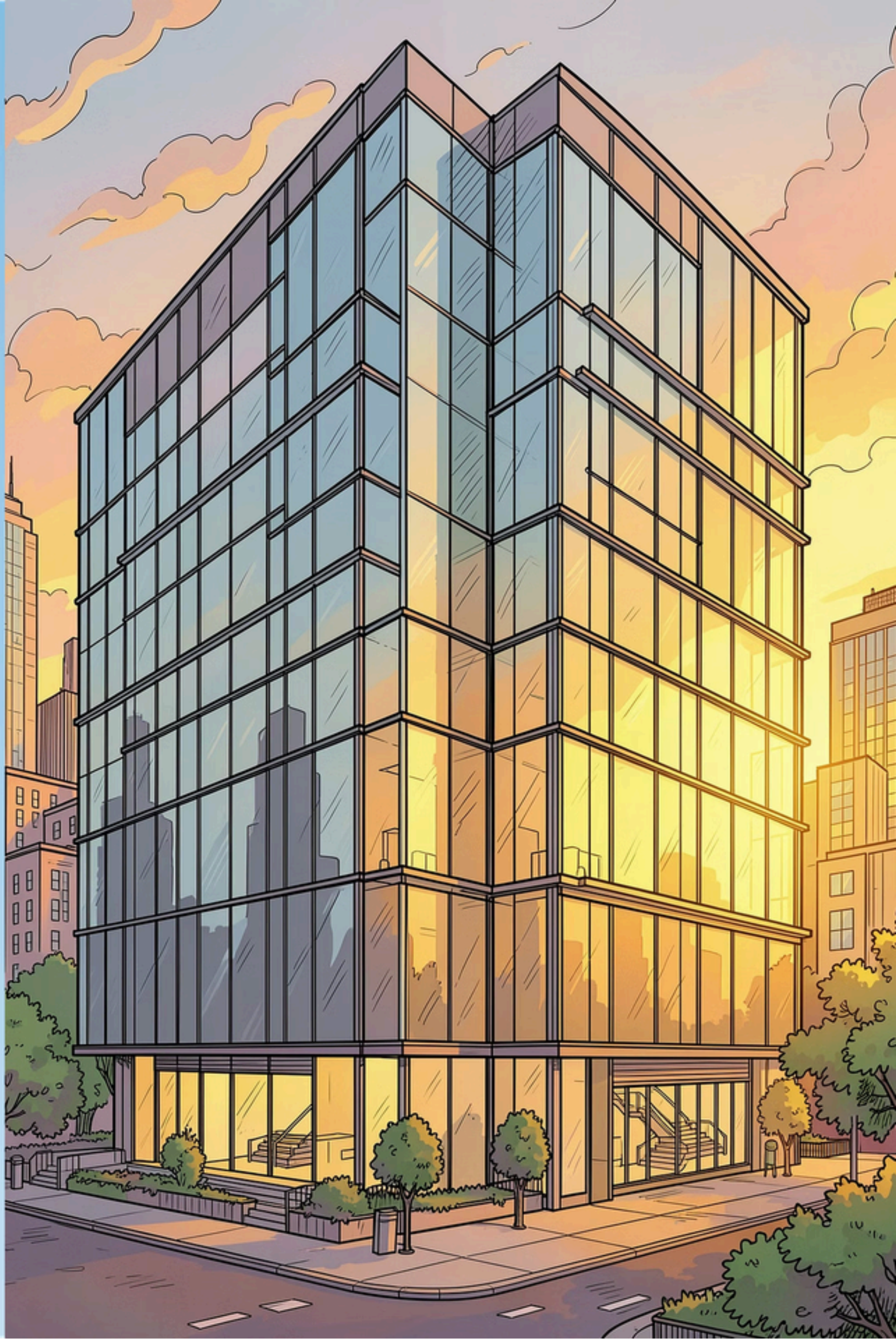
The Complete Real Estate Underwriting Checklist

Every deal. Everytime. No shortcuts.This checklist ensures consistent, defensible underwriting across all transaction types—from residential investment properties to complex commercial acquisitions.

UNDERWRITING STANDARDS

LENDER REFERENCE GUIDE



Five Pillars of Sound Underwriting

Thorough underwriting spans five interconnected disciplines. Skipping anyone creates blind spots that can turn a good deal bad.

Borrower Review

Capacity, character, and capital

Property Review

Physical and legal due diligence

Market Review

Location dynamics and competition

Financial Analysis

Returns, ratios, and risk modeling

Loan Structure

Terms, covenants, and protections

CHAPTER 1

Borrower Review

Assess the borrower's financial strength, track record, and legal standing before evaluating the asset.

Credit & Identity

Pull all three bureau reports (residential) or all guarantor reports (commercial). Confirm scores meet minimums. Complete background checks and identify legal disputes.

Financial Documentation

Review 2+ years of financial statements, 2–3 years of tax returns, and 3–6 months of bank statements. Verify liquidity and post-closing reserves. Assess net worth.

Track Record & Entity

Confirm experience through reference checks and prior project history. Review operating agreements, articles of organization, and entity formation documents.

CHAPTER 2

Property Review

Valuation & Income

Order andreview the appraisal. Analyze the rent roll for lease expirations, tenant credit quality, and rent-to-market ratios. Verify operating expenses against T-12 statements and market benchmarks.

Physical & Legal Due Diligence

Complete aphysicalinspection and property condition report. Order a Phase I ESA minimum. Conduct title search (no clouds, liens, or disputes). Order an ALTA survey for commercial. Confirm zoning, entitlements, permits, and certificates of occupancy. Review insurance requirements and obtain quotes.

CHAPTER 3

Market Review

Understand the competitive landscape and economic drivers before underwriting a deal.

Vacancy & Absorption

Analyze current vacancy rates and 3-year trends. Calculate absorption rates to gauge demand velocity.

Rent Growth

Identify historical rent growth trends and evaluate forward-looking projections against supply dynamics.

Supply Pipeline

Review competitive properties under construction. Assess how new supply will impact occupancy and rents.

Demographics & Economics

Check employment data, population trends, and economic cycle positioning. Analyze comparable sales and cap rate trends.

CHAPTER 4

Financial Analysis

Core Metrics

- **NOI** — Verified against T-12 actuals
- **DSCR** — Target 1.25+ for commercial
- **LTV** — Target below 75% for commercial
- **Debt Yield** — Target 8–12%
- **Cap Rate** — Compared to market comps

Advanced Modeling

- **Cash-on-Cash** — Annual return on equity
- **IRR** — Modeled over 5-year hold minimum
- **Stress Testing** — 5 scenarios required
- **Sensitivity Analysis** — Key assumption testing
- **Exit Cap Rate** — Justified with market data

All financial assumptions must be documented and defensible. Stress tests should include vacancy, rate, and expense scenarios.

CHAPTER 5

Loan Structure

Structure terms that reflect risk while protecting the lender throughout the loan lifecycle.

1

Loan Terms

Amount, rate, term, and amortization must align with the project timeline and risk profile. LTV and LTC must stay within policy limits.

2

Covenants & Reserves

Establish DSCR covenants. Structure reserve accounts for operating, tax, insurance, and replacement capital. Define financial reporting requirements.

3

Protections

Define recourse vs. non-recourse guarantees. Set appropriate prepayment provisions. Establish default remedies and cure periods.

Key Commercial Benchmarks at a Glance

These thresholds serve as guardrails — deviations require documented justification and senior approval.

<75%

Maximum LTV

Loan-to-Value for commercial transactions

1.25+

Minimum DSCR

Debt Service Coverage Ratio for commercial loans

8–12%

Debt Yield Target

NOI divided by total loan amount

5

Stress Scenarios

Required scenario tests before approval

The Underwriting Workflow

Each phase builds on the last. A weakness discovered early — in borrower credit or property condition — should inform financial assumptions and loan structure downstream.

Use This Checklist on Every Deal

Consistency is the foundation of sound lending. Apply this framework without exception —it protects the borrower,the lender, and the asset.

Don't Skip Steps

Every item exists because a deal went wrong without it.

Document Everything

Assumptions, exceptions, and approvals must be in writing.

Escalate When Needed

Deviations from benchmarks require senior underwriter sign-off.

OHI

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