

SFG**SEATTLE
FUNDING
GROUP** LTD.

THE SOURCE

EXPRESS EDITION



Keys to SFG Underwriting A Simple Review

By John Odegard, CEO, Seattle Funding Group

At SFG we follow several disciplined underwriting strategies to ensure quality loans. Six keys are detailed here.



Location

When assessing cash value of the collateral backing up our loans, location is king. For this reason we typically stay in core locations within the metro markets we service and in markets we know well. The securing property's location is the primary component that ignites market demand, should it be offered for sale on the open market. SFG Fund managers recognize this reality and put a heavy emphasis on, not only the securing property's geographic location, but "site specific" as well.



Property Type and Fit

Property type and fit – condition and function – is our second screen. Certain property types have a larger audience of prospective buyers than others. On the highly marketable end of the scale are properties securing SFG loans, such as single family homes, buildable lots in matured neighborhoods and well-located apartments, office buildings, retail and light industrial that meet general market demand. These property types not only have the largest audience for resale, but they are also the easiest properties for incoming buyers to get financing. For this reason they are more sellable and maintain higher degrees of value stability. We consider the physical structure of a commercial property to be "fit" if it doesn't have functional inadequacies with parking, access, visibility, condition and other essential elements to maximize its use and value.

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Borrower Quality

Borrower quality must be appropriate for the property/project, including credit, character, skills and liquidity. This analysis may differ widely, for example, between a stabilized retail center with long-term national tenants to a ground-up construction project.



Exit Strategy

SFG borrowers must have an achievable financial plan for loan approval, including a transparent and sensible strategy to exit our loan prior to its maturity. SFG underwriters thoroughly vet the prospective borrower's exit strategy for practicality and probability. This analysis is then factored into the loan decision.



SFG Value Debate

At SFG we take great pride in what we call the “value debate.” After all the data is in, SFG Fund managers and underwriters grind through spirited “what if’s” to arrive at a value we can count on to protect investor capital.



Loan to Value (LTV)

Only after all elements above have been thoroughly vetted – location, property type and fit, borrower quality, exit strategy and value debate – can an appropriate Loan to Value ratio be established. The rookie mistake is to simply order an appraisal and buy into it, or believe one can avoid the disciplines of vigilant underwriting simply by lowering the LTV. Not so. That is called LTGV – Loan to Guess Value – and has no place in a prudent portfolio. Without thoroughly understanding what one is lending on and to whom, the success of the loan is uncertain at best. Then, and only then, a custom loan amount is established to fit the specific property and borrower circumstance.



\$4,400,000 Honolulu Renovation Loan Honolulu, HI

This multi-story commercial property located in the heart of Honolulu needed some freshening up and



when a long time tenant moved out, the opportunity was right for a renovation loan from Seattle Funding Group. This property is well located on the main arterial into the prime tourist area of Waikiki and across the street from the Ala Wai Golf Course. With several new tenants already signing leases for the renovated space at updated and substantially higher current market rates, the borrowers income will improve dramatically. Traditional bank take out financing should be easy once the renovations are complete and the new tenants move in.

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