March Tips & Tricks

Check out this month’s Tips & Tricks document for a “cheat sheet” on HomeShare/Airbnb units, screening litigation, rush underwriting requests and more.

Anticipated Increase in Underwriting Package Submissions

We anticipate an increase in underwriting package submissions throughout the month of April. As you prepare for full underwriting package submission, please be mindful of the following items:

Rent Rolls:

- The Rent Roll Template or a comparable form should be used on all rent rolls submitted
  - In addition, please be sure the rent roll provided includes the following:
    - Dated within seven days of package submission
    - Includes a delinquent rents column
      - Only applicable if a delinquency schedule is not being provided separately
    - Rents collected month to date by unit versus rental charges

Collections:
• Aged Receivables Schedule at submission should include a 30+, 60+, and 90+ aged receivables
  • See our Collections Guidance

**Refinance Analysis:**

• A cash-out transaction after a short-term hold period is subject to additional underwriting measures to ensure that the increased underwritten NOI and value are sustainable and well supported. Our Refinance Analysis should be used as guidance on any refinance with a short-term hold.

You can find the guidance and templates referenced above on the Originate & Underwrite webpage.

**Small Talk**

Each week we’re welcoming any questions from you in the Small Talk series. Please continue to submit questions to the Small Talk mailbox to hear from a select member of our team in the following week’s SBL Update.

This week we’re featuring Andrea Shook. Andrea is a senior underwriter in the Southeast region.

**How can we adequately show value growth?**

Some regions have been getting deals in lately where the value growth is not adequately supported on cash-out refinances.
We initially rolled out this guidance in August 2019 on page two of the SBL Refinance Analysis, but it was revised on September 29, 2020.

The increases in value can be tied to property improvements but are typically tied to rent. Be sure that the rent growth is sustainable as we have seen some deals go through a renovation and lease up quickly afterward. Once a unit becomes vacant, they have a hard time leasing at the increased price when the renovations were fresh. What you don’t want to rely on primarily is cap rate compression. We have seen some cases where the value growth is achieved through alleged cap rate compression.

**Anything new and exciting in SBL lately?**

I’m excited to be a member of two brand new groups within SBL: 1) External infrastructure that will include all things Optigo® lender training, including 2021 lender workshops (similar to the old Loan Labs), micro-learnings, one-off trainings as needed and Optigo Academy, and 2) SBL Diversity, Equity and Inclusion (DEI). Stay tuned for communications about these initiatives and if you have topics, suggestions, ideas or just want to chat – let me know!

**Sometimes being a parent teaches us important life lessons!**

My daughter is a sophomore in high school and has played golf since she was five. She wanted an activity to do in the fall since the golf program through her school is a spring sport. So, before her freshman year, she tried out to be a cheerleader and she made it!

**Here’s why I am bringing it up:** She had no experience doing cheer at all. To be on Varsity Sideline Cheer next fall, she is required to do a standing tuck and a back handspring. With no tumbling experience, and at 5 foot 6 inches tall, it’s rather un-nerving to flip yourself backward from a standing position on a dead floor. She has taken a few private lessons and is about to try out next week – all of the other girls on the squad have had a lifetime of lessons.

Point is, I am proud of her for trying something new and I think this is a good reminder for all of us, even as adults. We can dare to try new things and if you
want it bad enough, you can achieve it. Go find something you are interested in learning and don't be afraid to try new, scary things! YOLO!