

OCMBC COMMERCIAL

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Navigating Large Commercial Transactions

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Lender

WEBINAR HOSTS



Nubia Rocha, VP of Commercial Lending

Our Commercial team is dedicated to supporting Mortgage Brokers and Loan officers in growing their commercial business—no matter what your level of experience. Whether you are just starting to explore the commercial lending space or you're a seasoned professional looking to expand your reach, we offer the tools, guidance, and personalized support you need to succeed. From tailored training and deal structuring assistance to access to a wide range of commercial lending solutions, our goal is to help you build confidence, close more deals, and grow your commercial portfolio with ease. We are here to be your partner every step of the way.

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Navigating Large Commercial Transactions



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AGENDA

- **Welcome –Introduction**
- **Industry Overview: Current trends, economic factors affecting lending decisions**
- **Securing Multimillion Dollar Commercial Loans –Navigating the Space, do's and don'ts**
- **Importance of Proper loan packaging for large- scale approvals**
- **Client relationship management/ Expectation Management**

From the start, we want to determine:

- Can we have a basic discussion to determine feasibility:
- Who are your borrowers: A Corporation, LLC or an Individual (Rarely).
- Does a Trust own the Corporation? Do you know who the trustees are, and do they have borrowing power? How many trustees.
- What is the collateral and who will occupy it, who occupies it now, is it an expansion of an existing business. Is it a takeout loan?
- What does the leadership look like? (covenant related).
- Discussion about proper packaging of the financials.

What we look for!

Take a moment to think about this before presenting to the request:

- Strength of the Borrowers and Guarantor's (we can help)
- Collateral and Loan To Value ratios (LTV)
- Cashflow and how will the Borrower service the debt.
- Industry Risk and Borrowers experience.
- Business plan and use of funds. What does it look like after we fund?
- Do they already have a license to operate this business?

What we will ask for:

Financial Information:

- **Business and personal Financial Statements:** Balance sheet, Income Statement, or combined P & L . Last year and YTD.
- **Tax Returns**– Business & Personal – with all schedules.
- **Debt Schedules for all entities owned**
- **Project Detail**– What do you know about the project
- **Breakdown of the use of funds.**
- **Packaging Matters**– Complete Submissions build confidence.

What will we analyze?

- **Full Financial review and Analysis:**
- Leverage, Liquidity, we will look at the industry trends and create projections when required.
- **Appraisals:** Depending on the size of the loan 2 might be required.
- **Collateral-** is it up to standard.
- **Borrower's experience-** Credit History. Recourse/ Non-Recourse.
- **Market and Industry Risk**

Loan Structuring?

- Proposed terms are usually based on the data analysis.
- Loan amount, rate amortization, term , covenants, guaranties.
- This involves negotiating a structure which works for both parties.
- Let's go over 2 live examples: 1 which works and 1 which does not.
- Upfront costs- Appraisal, environmental reports, Property inspection. Refundable and Non-refundable.
- SBA 504 has no dollar loan limits
- We don't need to cross collateralize if not needed



Approved Gas Station– Expansion – adding a Car Wash and Store.

1.1. Project Costs

Item	Amount	%
Building Renovation	\$4,600,000.00	42.23
Contingency (<10%), Interim Interest, Business Expenses ¹	\$1,361,000.00	12.49
Debt Refinance With Expansion ²	\$2,321,976.00	21.32
Equipment	\$1,200,000.00	11.02
Professional Fees ³	\$442,000.00	4.06
Purchase Land & Building ⁴	\$968,024.00	8.89
Total Project Costs	\$10,893,000.00	100.00

2nd example decline

- ✓ Cash out existing building \$3 Million
- ✓ After the cash out – demolish the building
- ✓ Use the funds as down payment to break ground for a construction project
- ✓ This is a decline because we will be losing our collateral
- ✓ This would be a violation of the agreement
- ✓ Our recourse will be gone.



Pre-Approval and Approval

You will receive :

- A Letter of Interest with terms
- After approval- commitment letter with terms
- Borrower signs the commitment letter, and we gather conditions.
- We will review the appraisal
- Environmental reports- Phase I and Phase II
- Legal Documentation

Examples....

✓ **Example 3: \$12M Construction Loan for a Mixed-Use Development**

Situation:

A seasoned developer was seeking \$12 million for a mixed-use project (retail + residential) in a growing urban market.

Best Practices Applied:

- Comprehensive Loan Package:** The borrower provided a full set of financials, a detailed pro forma, a third-party market feasibility study, and construction cost breakdowns.
- Experienced Team Presentation:** They introduced the GC, architect, and project manager in the loan request and included bios and track records.
- Clear Exit Strategy:** They outlined a phased lease-up plan and had signed letters of intent from commercial tenants, plus demonstrated the option to refinance with a perm lender after stabilization.
- Proactive Risk Mitigation:** The borrower acknowledged market risks (e.g., interest rates, lease-up pace) and addressed them by showing strong pre-leasing activity and contingency funding built into the budget.

Outcome:

Loan was approved with favorable terms. Lender commented that the package was “underwriter-ready” and helped push the deal through committee faster.

Examples....

✓ **Example 4: \$2.5M Owner-Occupied Manufacturing Facility Acquisition**

Situation:

A mid-size manufacturing firm wanted to purchase a large facility to consolidate operations, requiring \$2.5 million in financing including acquisition and equipment upgrades.

Best Practices Applied:

- Strong DSCR & Global Cash Flow Analysis:** The company showed robust historical cash flows and included personal financials of the owners to demonstrate overall financial strength.
- Engaged an SBA 504 Partner Early:** By coordinating with a CDC and their bank, they structured the deal using a 504 loan to reduce equity injection and get better rates.
- Prepared for Appraisal & Environmental Reviews:** Knowing these are critical for industrial assets, they pre-ordered phase I and II reports and secured a reliable appraisal in advance.
- Transparent Communication:** The CFO held a pre-submission call with the lender's credit officer to walk them through projections and assumptions, establishing credibility and clarity.

Outcome:

Loan approved with minimal back-and-forth, and the business secured funding with 10% down and favorable blended rates through the SBA 504 structure.

The Do's of Seeking Approval

✓ **Prepare Thorough Financial Documentation**

- Audited financials, tax returns, interim statements
- Personal financial statements and global cash flow analysis

✓ **Build a Strong Narrative- Know your deal**

- Business background, loan purpose, strategy
- Demonstrate borrower's experience and capacity

✓ **Engage Early with Lenders**

- Pre-qualification conversations

✓ **Support Your Request with Data**

- Market analysis, appraisals, projections
- Show historical performance and forward-looking assumptions

✓ **Anticipate and Address Risk Concerns**

• **Be upfront about potential risks**

- Offer mitigants (e.g. additional collateral, guarantees)
- **Let's have a pre-flight call and let's include the borrower.**

The Don'ts of Seeking Approval

✗ **Don't Submit Incomplete or Inaccurate Info**

- Missing documents = delays or declines
- Inflated projections or “creative accounting” erode trust

✗ **Don't Over-Leverage**

- Avoid appearing overly aggressive with debt
- We scrutinize global leverage and liquidity

✗ **Don't Underestimate Timing**

- Large deals often take weeks/months to process
- Poor planning can kill deals near closing- Often

✗ **Don't Be Vague on Repayment Strategy**

- Ambiguity = risk
- We want clear repayment sources and contingency plans

✗ **Don't Ignore Covenants or Terms**

- Understand and negotiate, don't gloss over them-don't argue without mitigants
- Covenant breaches can trigger defaults

C Corporations (Form 1120) – Schedules

Used by: Regular corporations (C-corps)

Main Tax Form:

- **Form 1120** – U.S. Corporation Income Tax Return

Common Schedules:

- **Schedule C** – Dividends, inclusions, and special deductions
- **Schedule J** – Tax computation and payments
- **Schedule K** – Other information (accounting methods, ownership, etc.)
- **Schedule L** – Balance sheet per books
- **Schedule M-1** – Reconciliation of income (book vs. tax)
- **Schedule M-2** – Analysis of unappropriated retained earnings

S Corporations (Form 1120-S)

Used by: S corporations (pass-through tax structure)

Main Tax Form:

- **Form 1120-S** – U.S. Income Tax Return for an S Corporation

Common Schedules:

- **Schedule B** – Other information (ownership, foreign transactions, etc.)
- **Schedule K** – Shareholders' share of income, deductions, credits, etc.
- **Schedule L** – Balance sheet per books
- **Schedule M-1** – Reconciliation of income
- **Schedule M-2** – Analysis of accumulated adjustments account (AAA)
- **Schedule K-1 (Form 1120-S)** – Issued to each shareholder to report their share of income

Partnerships & Multi-Member LLCs (Form 1065)

Used by: General partnerships, LPs, LLPs, and multi-member LLCs

Main Tax Form:

- **Form 1065** – U.S. Return of Partnership Income

Common Schedules:

- **Schedule B** – Other information (partnership type, foreign activity, etc.)
- **Schedule K** – Summary of partner shares of income, credits, etc.
- **Schedule L** – Balance sheet per books
- **Schedule M-1** – Book-to-tax reconciliation
- **Schedule M-2** – Analysis of partners' capital accounts
- **Schedule K-1 (Form 1065)** – Provided to each partner/member to report income share

PROPERTY TYPES



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Multifamily

Multifamily

- Apartment buildings- 5+ or more- occupied and not occupied
- Mixed Used Properties
 - Analysis of location and rental demand- Market Conditions
 - Evaluation of tenant quality and stability
 - Assessment of property condition and potential for rent growth
- **Multiple Units:** Commercial multifamily properties consist of multiple residential units within a single building or complex. These units can range from a few units in a small building to hundreds of units in a large apartment complex.

WHAT IS CONSIDERED RETAIL COMMERCIAL?

Retail commercial properties encompass a variety of property types that are used for retail businesses to sell products and services to consumers. Some common types of retail commercial properties include:

- 1. **Strip Malls:** Strip malls are typically long, narrow retail buildings that house multiple stores or businesses in a row, each with its own entrance facing the parking lot. They are often anchored by a larger retail tenant, such as a grocery store or pharmacy.
- 2. **Shopping Centers:** Shopping centers are larger retail developments that consist of multiple stores, restaurants, and other businesses, often grouped around a central courtyard or common area. They may include anchor tenants, such as department stores or big-box retailers.
- 3. **Lifestyle Centers:** Lifestyle centers are upscale retail developments that combine shopping, dining, entertainment, and services in an outdoor setting. They often feature high-end retailers, boutique shops, and restaurants, as well as amenities like outdoor seating areas and landscaping.
- 4. **Power Centers:** Power centers are retail developments that are anchored by large, national retailers, such as home improvement stores, electronics retailers, or discount stores. They typically feature a mix of national and regional tenants, often with separate storefronts and ample parking.
- 5. **Malls:** Malls are large, indoor retail complexes that house a variety of stores, restaurants, entertainment venues, and services. They may include department stores, specialty retailers, food courts, and movie theaters, all connected by indoor walkways.

INDUSTRIAL PROPERTIES

Industrial properties encompass a variety of real estate assets that are used for industrial purposes. Some of the different types of industrial properties include:

- 1. Manufacturing Facilities:** These properties are used for the production of goods, such as automobiles, electronics, or machinery. Manufacturing facilities may include assembly lines, warehouses for storing raw materials and finished products, and office space for administrative functions.
- 2. Warehouses and Distribution Centers:** Warehouses are used for the storage and distribution of goods. They may vary in size and layout, with features such as loading docks, high ceilings, and ample storage space. Distribution centers are larger facilities that serve as hubs for transporting goods to retailers or consumers.
- 3. Research and Development (R&D) Facilities:** R&D facilities are used for scientific research, experimentation, and product development. These properties may include laboratories, testing facilities, and office space for researchers and engineers.
- 4. Flex Industrial Buildings:** Flex industrial buildings are versatile properties that can be used for a combination of purposes, such as manufacturing, storage, and office space. These buildings offer flexibility for tenants with varying industrial needs.

WAREHOUSES

There are several different types of warehouse properties that underwriters may encounter when underwriting commercial warehouses. Some common types of warehouse properties include:

- **Distribution warehouses:** These warehouses are used primarily for storing and distributing goods to retailers or consumers. Distribution warehouses are typically located near major transportation hubs, such as ports or airports, and may have high ceilings and large loading docks to accommodate the movement of goods.
- **Cold storage warehouses:** These warehouses are designed to store perishable goods at low temperatures. Cold storage warehouses are equipped with refrigeration systems and may have special insulation to maintain a constant temperature.
- **Flex warehouses:** These warehouses are versatile spaces that can be used for a variety of purposes, such as storage, manufacturing, or office space. Flex warehouses may have a combination of office space, storage space, and loading docks.
- **Bulk warehouses:** These warehouses are used for storing large quantities of goods, such as raw materials or finished products. Bulk warehouses may have high ceilings and wide aisles to accommodate the storage of large items.

HOSPITALITY-HOTELS

Flagship hotels and non-flagship hotels differ significantly in various aspects. Here's a breakdown of their typical characteristics:

Flagship Hotels

1. Brand Recognition

1. Often associated with well-known brands (e.g., luxury chains like Four Seasons, Ritz-Carlton).
2. High visibility and reputation in the market.

2. Location

1. Usually situated in prime locations (e.g., major cities, tourist attractions).
2. Designed to attract high-end clientele.

3. Amenities and Services

1. Extensive amenities, including fine dining, spas, concierge services, and event spaces.
2. Higher staff-to-guest ratio, providing personalized service.

4. Design and Quality

1. High-quality architecture and interior design.
2. Often features unique or luxurious design elements

NEW CONSTRUCTION PROJECTS

- Description of the project
- Have permits been issued
- Construction Budget
- Horizontal Budget- Months to build Horizontal
- Vertical Budget- Months to build Vertical
- Property Value upon completion
- Borrower Experience- # units built in the last 18 and 36 months
- Who is doing the construction-Self or contractor
- What is the Borrower's Exit Strategy

YOUR SUBMISSION, BEST TO INCLUDE...

- Rent Roll or T-12.
- Expenses for the property.
- Percentage of occupancy– it's very important.
- Personal Financial Statement if possible.
- Schedule of Real State Debt

MANAGING THE BORROWER RELATIONSHIP

- Building Trust
- Better Understanding of the borrower and the scenario
- Increased pull through
- Risk Management
- **Enhanced communication- Set expectations**
- Reputation Building
- Long term partnership



SAMPLE MATRIX

Typical Maximum LTV and Capitalization Rates

Matrix	Multifamily	Retail	Industrial	Hopitality	Construction
LTV's Purchase	70%-80%	65%-75	70%-100%	65%-75%	90% LTC
LTV's Ref CO	70%-75%	65%-70%	65%- 70%	Varies/ Flagship	N/A
Owner Use	Not Applicable	65%-100%	70%-100%	Yes/No	Yes/No
Investment	Yes	Applicable	Yes	Yes/No	Yes/No
Cap Rate	4%-6%	5%-8%	5%-7%	4%-8%	Varies
Debt Yield	5% min	Varies	Varies	Varies	VARIES
Reserves	6-9 months	6-9 months	6-9 months	Varies	Project Based

QUALITY OF THE ASSET AND WHAT IT MEANS

Asset Category	Class A	Class B	Class C	Class D
Age (Years)	0-15	15-30	30-40	40+
Quality	High	Moderate	Low	Very Low
Risk Level	Low	Moderate	High	Very High
Typical Uses	Prime locations, high demand	Good condition, decent areas	Older, may need upgrades	Distressed, poor condition

KEY TAKE AWAYS



- ✓ Understand your deal
- ✓ Understand your borrower
- ✓ Make us part of your team- schedule a call to go over the deal. Pre- Flight your loan if it's a million and over.
- ✓ Create an account at:
- ✓ Login - OCMBC or ocmbc.nexys.com
- ✓ Click on Register
- ✓ No need for social – please input zeros

Procedure recap

- 1st Loan Scenario Worksheet or email. Property address, credit score, loan amount, type of loan, borrowers. CMLO gets back to you asap. (improved from 24 hours) unless you are looking to finance the impossible.
- We will provide you a quote if we have enough information.
- If your borrower likes the quote, we will send you a broker agreement.
- After the broker agreement is signed, the LOI is released.
- We open escrow.

QUESTIONS

Intended for Mortgage/Real Estate Professionals



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THANK YOU

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