COMMERCIAL + MULTIFAMILY | SECOND-LOAN REQUESTS OF $500,000+

Prepare the second-lien underwriting file

Request additional debt behind an existing first mortgage. **$500,000+ refers to the requested second-loan amount**, not property value or total combined debt. Asset, structure, leverage, pricing and terms require review.

> **For an operating multifamily property with 5 or more units:** start with exactly the five documents below. Deeper underwriting follows on page 2. Other commercial assets need an asset-specific intake review.

Initial five-document packet

- ☐ **1. T12 broken out monthly in Excel**

  Show the trailing 12 months of property income and expenses, with one column per month. Label the period and explain unusual items. An annual total or scanned PDF does not replace monthly Excel detail.

- ☐ **2. Current, dated rent roll**

  Identify units, contractual rents and occupancy. Flag vacant units, concessions and collection issues so scheduled rent can be reconciled with actual collections.

- ☐ **3. Mortgage statement - if there is debt**

  Provide a current statement showing the existing balance and payment. Identify escrow amounts when available. If there is no debt, mark this item not applicable.

- ☐ **4. Mortgage note - if there is debt**

  Provide the executed note for existing property debt. The payment, rate, amortization and maturity help frame the review. If there is no debt, mark this item not applicable.

- ☐ **5. SREO: Schedule of Real Estate Owned**

  Provide the sponsor's current property schedule with ownership and existing obligations. Keep balances, payments and property information consistent with the submitted records.

Accompanying scenario summary: identify the property, unit count, requested second amount, use of proceeds and existing first. Label files with the property and reporting date. A debt-free property needs a structure review because there is no first lien to retain.

Submit and model the request

Second-lien review - jakenfinancegroup.com/commercial-second-lien-review/

Calculator - jakenfinancegroup.com/commercial-second-mortgage-calculator/

Brokers - brokers.jakenfinancegroup.com

DEEPER DILIGENCE | AFTER THE INITIAL PACKET

Review the whole debt structure

These review areas are additional diligence, not extra documents in the initial five-item packet. Permission to add debt and the property's ability to support it must be evaluated together.

- ☐ **Senior documents, restrictions and consent**
  Review the first note, loan agreement, security documents and amendments. Identify restrictions on junior debt or liens. Obtain required senior-lender consent and any approved intercreditor or subordination documents; do not assume permission.

- ☐ **Title, lien priority and supported value**
  Identify all recorded liens, existing collateral and any cross-collateralization. Coordinate title and legal review of priority and recording. Support current value through the lender's required appraisal process; a value estimate is not loan capacity.

- ☐ **Combined NOI/NCF coverage**
  Use the selected lender's defined NOI or NCF and total first-plus-second debt service for the same period. Include all required debt payments. Count property taxes, insurance and other operating expenses once; do not deduct them again if already in NOI.

> **Illustration, not a quote:** $200,000 annual NOI / ($120,000 first debt service + $36,000 second debt service) = **1.28x combined coverage**. The $44,000 difference is before separately budgeted capital reserves and other excluded costs. No approval threshold is implied.

- ☐ **Maturities, usable proceeds and reserves**
  Compare both maturities, balloons, payment resets and prepayment provisions. Reconcile gross second proceeds with fees, costs and required payoffs. Document borrower cash, its source, required contributions and liquidity left after closing.

- ☐ **Vacancy, expense and refinance stress**
  Test lower collections, higher vacancy, rising taxes/insurance, repairs and lower value. Model repayment of both balances and future refinance costs without assuming appreciation. Identify the cash source if a balloon arrives before a sale or refinance.

Separate offering: DSCR first mortgages allowing disclosed, permitted junior debt at 85%-90% CLTV use a different review. That combined limit is not a published leverage cap for this commercial second-loan request.

Keep the analysis: First-and-second underwriting workbook. Public checklist: no email required. Terms and further diligence are determined for the specific file.

Reference: OCC, Commercial Real Estate Lending handbook (commercial cash flow and sensitivity analysis). Initial packet follows Jaken's published Junior Debt checklist.