

ASSET UNDERWRITING / BORROWER FIELD GUIDE

Owner-occupied commercial property underwriting guide

Reconcile operating-business cash flow, intercompany rent and property debt without double counting.

Owner-occupied financing depends on the operating business as well as the building. Intercompany rent can make the property statement look stronger while reducing the business statement by the same amount. Prepare both entity views and a combined cash-flow reconciliation so the proposed debt is supported by cash generated outside the ownership group.

Eliminate internal transfers once

Identify the property owner, operating company and any related service or holding entities. Reconcile actual rent paid and received, then eliminate the same transfer when evaluating combined cash generation. Do not add rent back to business income while also counting it as separate property income. Preserve external occupancy costs, taxes, insurance and other property expenses so consolidation does not remove a real cash obligation.

Distinguish earnings from cash available

Bridge reported business earnings to the proposed repayment source, including working-capital needs, equipment debt, taxes and distributions as applicable to the lender's analysis. Identify discretionary or nonrecurring adjustments with evidence. A successful operating business can still face a cash trough while inventory, receivables or a new location absorbs funds. The OCC owner-occupied and global cash-flow discussion is supervisory context, not a universal loan formula.

Fund the move and operating transition

For an expansion or relocation, schedule build-out, equipment, installation, staff training, old-site rent and the new property's debt payments. Do not assume the old location stops costing money when the new building closes. Separate the project's eligible financing costs from the complete economic budget and obtain a specific determination for any SBA or other program classification.

Use this guide with the matching Excel model. Illustrative assumptions are editable; no lender approval, market quote or universal threshold is represented.

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What the lender needs to understand

Preparation questions and evidence to resolve them. Actual requests and acceptance standards depend on the lender and transaction.

01 / Which entity generates the cash that repays the loan?

Entity-level statements and a combined bridge eliminating intercompany transfers.

02 / Is the proposed rent affordable to the operating business?

Actual business cash flow, external obligations and a documented related-party lease.

03 / What cash is tied up in working capital?

Receivables, inventory, payables and seasonal borrowing schedules.

04 / What overlaps during relocation?

Old and new occupancy obligations, shutdown schedule and operating ramp budget.

05 / Which business or property costs are eligible for the chosen execution?

Lender cost classification and program-specific review using the actual transaction.

06 / What support remains after closing?

Verified unrestricted sponsor funds net of business and property commitments.

Turn the request list into an evidence ledger

For each material question, record the document and date, the responsible owner, the unresolved fact, the party who can accept it, and the financing consequence if it remains unresolved. A file delivered to a lender is not necessarily an accepted answer.

Evidence state: requested / received / reconciled / accepted / still conditional. Preserve the lender response and avoid treating an unanswered question as approval.

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Document checklist: cash flow and collateral

Use a consistent cutoff date. Mark missing items, conflicts and explanations rather than simply counting files.

Cash flow and operations

Document / evidence request	Received / open
Business financial statements, tax returns and interim results requested by the lender.	[] _____
Property income and expenses separated from the operating company.	[] _____
Related-party lease and intercompany rent reconciliation.	[] _____
Receivables, inventory, payables and working-capital borrowing detail.	[] _____
Business, equipment and property debt schedules with payment terms.	[] _____
Adjustment log supporting owner compensation and other proposed normalization.	[] _____

Property and collateral

Document / evidence request	Received / open
Purchase contract, title, survey and current permitted-use evidence.	[] _____
Building condition and environmental reports for the actual business use.	[] _____
Build-out, relocation and equipment scope with ownership identified.	[] _____
Utility capacity, access, loading and other operational requirements.	[] _____
Evidence of approvals needed for the intended occupancy and work.	[] _____
Old-location lease obligations, restoration requirements and exit costs.	[] _____

Reconciliation note

The schedules should agree with the source documents or identify the exact reason for a difference. Keep the source amount, the adjustment and the lender-accepted amount visible as separate fields.

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Document checklist: sponsor and closing

Confirm who provides the money, when it is available and what evidence permits the transaction to fund.

Sponsor and execution

Document / evidence request	Received / open
Ownership chart connecting property, operating company and guarantors.	☐ _____
Management experience and succession or key-person dependencies.	☐ _____
Personal and entity liquidity evidence with restricted amounts identified.	☐ _____
Other guaranties, business commitments and contingent obligations.	☐ _____
Equity source and authority for both real-estate and business spending.	☐ _____
Operating transition responsibilities and contingency staffing plan.	☐ _____

Closing and funding

Document / evidence request	Received / open
Lender-approved sources and uses covering both eligible and excluded costs.	☐ _____
Written property and business occupancy/program determinations where applicable.	☐ _____
Equipment lien, collateral and intercreditor requirements identified by counsel.	☐ _____
Draw, reimbursement and interim-funding conditions for improvements.	☐ _____
Insurance, payoff and closing-cost documentation.	☐ _____
Post-closing working-capital floor and monitoring responsibility.	☐ _____

Before committing the next dollar

- ☐ Reconcile entity-level and combined cash flow before choosing a rent assumption.
- ☐ Fund working capital independently of the real-estate closing wire.
- ☐ Verify actual program eligibility and collateral treatment before committing excluded costs.

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Use the model and reconcile the result

owner-occupied-underwriting-model.xlsx | Summary, Assumptions, Entity Cash, Operations, Debt and Funding, Review

- 1. Use Assumptions!D5 for Base (1) or Downside (2), and the labeled scenario input rows. Enter source data in Entity Cash!D10:K21; preserve formula cells and an untouched workbook copy.
- 2. Combined cash starts with business cash before rent, eliminates related rent and deducts property operating costs; it is not gross business revenue. Global cash then deducts listed business debt service and maintenance capital. Do not deduct them again or add the same business cash to separate property income.
- 3. Reconcile Operations to Summary. Apply the entered lender adjustment separately to the modeled cash flow. Sizing uses amortizing debt service, while first-year payments reflect the entered interest-only period.
- 4. In Assumptions, replace illustrative value, LTV, DSCR, debt yield, rate, amortization and requested ceiling with the intended scenario. Review capacities in Debt and Funding. The smallest modeled capacity does not establish eligibility or approval.
- 5. Closing equity includes the entered opening cash and restricted reserves. Additional operating cash need is measured after that opening cash, so do not add it twice. Inspect monthly cash and remaining principal at maturity.
- 6. Read Review for model conventions and limitations. Save each scenario with its supporting evidence and date; actual lender definitions, legal rights and professional findings control the transaction.

Worked example: editable teaching assumptions

Illustrative Base / Downside inputs: Property value \$6,000,000 / \$5,200,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

Illustrative result	Base	Downside
Combined cash before other obligations	\$1,008,500	\$841,688
Global cash after obligations	\$594,500	\$427,688
Global cash used for sizing	\$594,500	\$402,688
Modeled loan	\$3,900,000	\$3,120,000
Binding sizing constraint	LTV	LTV
First-year debt service	\$284,748	\$269,284
Required closing equity	\$2,000,000	\$2,780,000
Equity left / (closing gap)	\$500,000	-\$280,000
Additional operating cash need	\$0	\$0
Equity left / (combined gap)	\$500,000	-\$280,000
Principal at modeled maturity	\$3,574,328	\$2,907,601

Base operating cash used for sizing is \$594,500. The modeled loan is \$3,900,000, with LTV binding. Closing uses of \$5,900,000 less that loan require \$2,000,000 of equity. Available equity is \$2,500,000; the signed combined surplus/gap is \$500,000 after any additional operating cash need. Downside changes the loan to \$3,120,000 and the combined result to -\$280,000.

Dollar results rounded to the nearest dollar; the workbook retains precision. Signed funding surplus is negative for a shortage. A positive funding surplus remains subject to actual source availability.

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Review the risks and the evidence

- A higher intercompany rent does not create additional consolidated cash.
- Working-capital funding and a real-estate down payment compete for the same unrestricted dollars.
- A business-purpose loan does not automatically make every property or cost eligible under a government program.
- A successful relocation budget must include the period of double occupancy and delayed revenue.

Sources and applicability

These references support the stated asset and risk context. The questions and document lists are preparation tools, not a statement that every lender requires or accepts the same package. Actual contracts, applicable rules and the chosen lender determine the transaction requirements.

1. OCC Commercial Real Estate Lending | Appendix D, Loans Secured by Owner-Occupied Properties, printed page 131; global cash-flow discussion printed page 30 | Checked 2026-10-21

Source-specific context; numerical examples and decision workflow are original hypothetical analysis.

<https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/commercial-real-estate-lending/pub-ch-commercial-real-estate.pdf>

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Owner-occupied debt: when no intercompany rent satisfies both entities

Owner-user expansion: fund the operating ramp as well as the building

Owner-user industrial relocation and double-occupancy costs

Discuss a financing scenario with Jaken Finance Group

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Education and analysis do not establish a financing offer, appraisal, legal opinion or program eligibility. Confirm the current source, actual contract terms and professional advice relevant to the transaction.