

NICHE UNDERWRITING / BORROWER FIELD GUIDE

Commercial condominium units

What unit-level and association-level obligations affect the borrower's cash and collateral?

A commercial condominium is an ownership structure; the underlying activity may be office, retail, industrial or an owner-operated business. First select the operating analysis appropriate to that activity. Then add the association layer: shared capital, assessments, insurance, access and the approvals that can affect a lender's collateral or the borrower's business plan.

Identify the unit and common interests

Illinois' Condominium Property Act provides a concrete state-law example: it separately defines units and common elements and requires the declaration to allocate ownership interests. Other jurisdictions and documents differ. Ask local counsel to explain the actual boundaries and rights being pledged.

Reconcile obligations above the unit

Prepare a bridge from the association budget to this unit's cash burden. Identify current assessments, proposed work, reserve balances, insurance deductibles and unpaid owner accounts. A low current assessment should prompt a funding question when major common work is pending, not an automatic expense reduction.

Use the right repayment view

The OCC handbook distinguishes analysis of leased-property cash flow from an owner-occupant's repayment ability. Apply that distinction to the unit before adding association charges. Combining two ownership interests does not automatically make the business a mixed-use rental property.

Use with the dedicated Excel model for this niche. All numerical scenarios are hypothetical. Research and calculation scope are separated throughout this guide.

FIELD GUIDE / 02

What lenders want to understand

These are preparation questions. The actual lender determines required evidence, accepted cash flow and approval conditions.

01 / Can the intended use and alterations proceed?

Collect the declaration, bylaws, rules and written approvals; reconcile association restrictions with governmental use approvals and the proposed fit-out.

02 / Who pays when common work is required?

Prepare a unit-level allocation of planned projects, current reserve funding, assessment decisions and any uncertainty requiring board or counsel confirmation.

03 / What rights does a lender obtain at the unit level?

Request title and legal review of the unit description, common interests, transfer provisions, liens and insurance arrangements for this transaction.

Turn questions into an evidence ledger

For each answer, record the document date, responsible person, unresolved issue and lender response. Distinguish requested, received, reconciled and accepted. A document upload does not establish acceptance.

Hypothetical: profitable unit, unfunded roof

A leased industrial unit produces acceptable rent, while the association considers replacing the shared roof.

Retain the industrial rent case, add the unit's supported assessment exposure and identify when cash is due. Resolve the approval and allocation questions before presenting closing equity as fully available.

A healthy unit income statement does not answer whether the owner can fund shared-property obligations.

FIELD GUIDE / 03

Document checklist

Use a common financial cutoff date. Record gaps and discrepancies alongside the documents.

Document and purpose	Status / owner
Recorded declaration, plat and amendments - Identify the exact unit, common interests and applicable restrictions.	☐ Received ☐ Reconciled Owner: _____
Association financials, budget and owner aging - Explain recurring charges, collections and the cash available for shared obligations.	☐ Received ☐ Reconciled Owner: _____
Reserve study, engineering reports and project bids - Connect common-property condition to potential funding demands on the unit.	☐ Received ☐ Reconciled Owner: _____
Board minutes, assessments and approval correspondence - Surface pending decisions that are absent from the seller's operating statement.	☐ Received ☐ Reconciled Owner: _____
Master insurance and unit coverage reconciliation - Ask the insurance adviser to identify responsibility, deductibles and coverage gaps for the actual premises.	☐ Received ☐ Reconciled Owner: _____

Attach the financing and cash evidence

Include a signed sources-and-uses reconciliation, existing debt and equipment obligations, proposed term sheet, available equity evidence, and a dated explanation for every material model assumption. Separate restricted balances from spendable cash.

Keep personal and customer records private

Use aggregate operating evidence in this educational workbook. Share sensitive supporting documents only through the lender or advisor's appropriate secure process. The workbook contains no upload connection.

FIELD GUIDE / 04

Use your dedicated Excel model

Unit and Association Cash -> Operations -> Debt and Funding -> Summary

01 / Select a case

Save an untouched copy. In Assumptions D5 select 1 for Base or 2 for Downside. Both cases feed one monthly calculation; changing the selector recalculates the workbook.

02 / Populate the niche schedule

Replace blue input cells in Unit and Association Cash!D10:L21 with dated source evidence. Retain formula cells. Source columns are: Monthly unit base rent; Rent collection fraction; Association operating dues; Association reserve contribution; Special operating assessment; Special capital assessment; Tenant dues recovery cash; Direct unit operating costs; Direct unit capital cash.

03 / Replace scenario assumptions

Replace illustrative scenario drivers, property value, acquisition uses, available equity and financing terms in Assumptions. These examples are not market benchmarks or lender requirements.

04 / Reconcile cash and financing

Trace monthly Operations into Debt and Funding. The signed funding surplus deducts closing equity and additional operating cash need; a negative result is an unfunded requirement.

05 / Resolve missing inputs

Inspect the Review checks and every unavailable result. Missing or invalid selected data is n.a.; a valid zero remains zero. Do not replace missing records with zeros.

06 / Confirm the transaction scope

Reconcile the chosen case to lender definitions and actual documents. The model covers twelve operating months and a contractual principal calculation at maturity; it does not forecast future refinancing approval.

FIELD GUIDE / 05

Calculation scope and conventions

Read these alongside the visible formulas. The source schedule is dedicated to this niche; contractual and eligibility decisions remain outside the model.

This is a leased-unit cash model for a condominium ownership structure. Support the unit rent from its actual industrial, office, retail or medical use. It does not forecast an owner-occupant business or imply a mixed-use building.

Split the actual association charge between operating dues and reserve contributions once. Do not enter full dues as operating expense and add the same reserve portion again. Special assessments are separately classified operating or capital.

Association reserve and capital contributions are cash uses below NCF, alongside direct unit capital. The common replacement-reserve input starts at zero to avoid duplicating the association reserve. Add a separate unit reserve only for a distinct supported need.

Fixed costs cover only obligations outside association and direct-unit inputs. Recoveries are gross cash; do not also net them against dues. Governing documents, voting, use restrictions, insurance, liens and assessment enforceability require jurisdiction-specific review.

Sizing cash equals modeled annual cash NCF plus the entered lender adjustment. The adjustment does not create spendable cash.

Coverage size uses amortizing annual service. The loan is the minimum of coverage, LTV, debt yield and the requested ceiling.

The three sizing thresholds are illustrative editable inputs. Negative NCF produces zero income-supported capacity, never a negative loan.

Monthly payments use annual rate/12; IO principal is unchanged. After IO the original principal amortizes over the entered period.

Closing cash and later operating shortfalls are reconciled without counting the same cash reserve twice.

All numerical values are illustrative; no market facts or lender approval are asserted.

The twelve-month operating model omits taxes on investor returns and future refinancing costs except expressly entered items.

Author verification uses Artifact Tool recalculation, saved-XLSX reimport and separate JS arithmetic; independent application verification is recorded separately.

Legal, licensing, environmental, engineering and lender-specific recognition require actual diligence.

FIELD GUIDE / 06

A reconciled hypothetical example

Base and Downside are separate recalculations of the same model. Displayed dollars are rounded; Excel retains unrounded values.

Illustrative result	Base	Downside
Modeled revenue / contribution	\$226,080	\$195,386
NCF after reserve	\$147,080	\$106,086
NCF used for sizing	\$147,080	\$81,086
Modeled loan	\$1,450,000	\$673,456
Binding sizing constraint	Requested ceiling	DSCR
First-year debt service	\$105,868	\$58,125
Required closing equity	\$790,000	\$1,566,544
Equity left / (closing gap)	\$210,000	-\$566,544
Additional operating cash need	\$0	\$0
Equity left / (combined gap)	\$210,000	-\$566,544
Principal at modeled maturity	\$1,328,917	\$627,610

Base NCF used for sizing is \$147,080. The modeled loan is \$1,450,000, with Requested ceiling binding. Closing uses of \$2,240,000 less that loan require \$790,000 of equity. Available equity is \$1,000,000; the signed combined surplus/gap is \$210,000 after any additional operating cash need. Downside changes the loan to \$673,456 and the combined result to -\$566,544.

Illustrative Base / Downside inputs: Property value \$2,300,000 / \$2,000,000; 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.

Change the case and trace the result

Compare the binding sizing constraint, closing equity, monthly cash low point and maturity principal. A smaller modeled loan can increase the sponsor funding need even if the property remains cash-positive. The lender may use different income adjustments, payment conventions or collateral limits.

FIELD GUIDE / 07

Sources, limits and next steps

Sources below support identified research claims. They do not validate the fictional numerical inputs or represent a financing commitment.

Illinois - Condominium Property Act

765 ILCS 605/2(d)-(e), 4(e); official current compiled text

Illustrative state-law structure only; not national law or a determination of this property's rights.

<https://www.ilga.gov/legislation/ILCS/details?ActID=2200&Chapter=PROPERTY&MajorTopic=RIGHTS+AND+REMEDIES>

Source checked: 2026-10-21

OCC - Commercial Real Estate Lending, version 2.0

Loan Portfolio Management examination procedures, printed page 80; March 2022 booklet with March 20, 2025 reputation-risk edits

Supports distinguishing leased-property cash flow from owner-occupant repayment analysis.

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

Source checked: 2026-10-21

About this educational model

Prepared with AI assistance and independently checked against the published example. Artifact Tool recalculation and saved-file checks are recorded in the release evidence. Native Microsoft Excel recalculation has not been independently verified. Verify your edited scenario in your spreadsheet application before using its results.

Discuss your financing with Jaken Finance Group

833-264-7776 | info@jakenfinancegroup.com

Start a commercial financing request

Online niche guide, matching downloads and related research

Published by Jaken Finance Group. Version 1.0.0. Preparation date: October 21, 2026. Correct errors through the publication's [corrections page](#).