



**CREDIT RISK  
MANAGEMENT, L.L.C.**

## ***Income Property Lending***

***No loan type has seen more growth at community banks over the past few years than commercial-purpose real estate. Industry analysts and regulators have begun to caution that such growth needs to be supported by appropriate levels of underwriting and servicing. While regulatory attention seems to be focused on residential real estate lending, weakness in the residential market is adversely affecting the income property sector. This course focuses on the underwriting tools needed to document repayment capacity for income properties (rentals and leased space). In addition, sensitivity analysis and specific loan servicing risks will be addressed to help manage those income property loans already on the books.***

While identifying loan opportunities is important, in the current lending environment accurately assessing the risk in the loans already made may be just as important. In many markets, commercial vacancy rates have just reversed their improvements and are now slipping. This class will give you the tools to test the loan's quality by:

- Simply understanding if the project's cash flow is sufficient to meet debt service or if the guarantors are supplementing the debt service is a key risk factor.
- Understanding how existing cash flows and current CAP rates determine a property's current value which can be used to test the appraised value in changing market conditions.
- Testing how vacancy rates, amortizations periods, and rent rates can affect cash flows. This in turn helps determine how tight the cash flow really is and whether various loan modification strategies are going to help repayment or increase risk.
- Introduce the discounted cash flow analysis tool as another way to analyze rental cash flow and debt service coverage.

**When:** Class begins on Wednesday, September 17, 2008 at 9:00 a.m. and ends at 4:30 p.m.

**Where:** At our computer training facility in Raleigh, North Carolina. Credit Risk Management, L.L.C. is located at GlenLake One, 4140 Parklake Avenue, Suite 510, Raleigh, NC, 27612, just off of the I-440 Beltline, behind the Crabtree Valley Mall.

**Who Should Attend:** Any lender, underwriter, manager, credit officer or executive who wants to sharpen specific Commercial Real Estate underwriting abilities or expand their general knowledge of current Commercial Real Estate market risks and opportunities.

**Course Outline:**

- Identifying the inherent income property risk factors and addressing them
- Understanding lease terms and structures
- Underwriting cash flows based on market conditions and existing leases.
- Testing the cash flow and existing appraised values to identify where the repayment risk is and then addressing that risk.

**Course Content:**

- The examination of vacancy rates, expense factors and sensitivity testing assumptions for income properties
- Define the difference between property types such as:
  - Apartments
  - Retail Space
  - Office Buildings
  - Industrial Buildings
- Introduce the Direct CAP method and discounted cash flow methods of underwriting and the discounted cash flow underwriting methods
- Hone underwriting skills with the use of case studies

**Dress:** Business casual.

**Cost:**

1 person \$325/day	\$325 per person
2 – 4 people attending this workshop or CRM Credit Manual Client \$275/day	\$275 per person

**\*Other Credit Risk Management Training this year: (mark your calendars)**

- **Consumer Lending – August 27-28, 2008**
- **Credit Underwriting with CRM Toolbar – September 9-11, 2008**
- **Understanding Real Estate Appraisals – September 23-24, 2008**
- **Compliance Topics – October 1, 2008**
- **Loan Documentation – October 2, 2008**
- **Commercial & Industrial Lending – October 21-23, 2008**
- **Consumer Lending – November 4-5, 2008**
- **Credit Underwriting with CRM Toolbar – December 9-11, 2008**

**Registration:** To enroll, register on-line at <http://www.creditriskmgmt.com/go.php>. We will invoice you once we have received your registration form. A packet will be sent to each participant that includes directions as well as hotel and restaurant information. Please contact us with any questions.

- Email: [CRMTrainingMailbox@creditriskmgmt.com](mailto:CRMTrainingMailbox@creditriskmgmt.com)
- Fax: 919-846-5760
- Phone: 919-846-1601
- Website: [www.creditriskmgmt.com](http://www.creditriskmgmt.com)