



The Loan Company e-Brief

Direct Portfolio Lender Since 1974

October 2010

Thank you for the opportunity to share general information relating to the commercial real estate finance industry and letting you know what's new at The Loan Company of San Diego. We value your relationship and believe better communication is another way we can serve you.

The Loan Company of San Diego is a private direct lender serving San Diego for over 30 years, making smaller commercial real estate loans fast and easy. **THE MOST COMPETITIVELY PRICED PRIVATE MONEY IN SAN DIEGO COUNTY.**



VALUE ADDED

How much money can I borrow?

One of the most important calculations a lender makes in underwriting an income property loan is determining the maximum loan amount the property can support. While rates and fees are always important, the key issue in negotiating any income property loan is usually the loan size.

While the Loan to Value ratio is important and can be an overriding factor, as a general rule the Debt Service Coverage Ratio (DSCR) will usually dictate the maximum loan amount on an income property.

$$\text{DSCR} = \frac{\text{Annual Net Operating Income (NOI)}}{\text{Annual Debt Service (ADS)}}$$

Example: $\frac{100,000 \text{ (NOI)}}{\$80,000 \text{ (ADS)}} = 1.25 \text{ (DSCR)}$

The Net Operating Income (NOI) is the gross annual property income less a vacancy factor and operating expenses (excluding interest expense and depreciation). The total Annual Debt Service (ADS) includes the principal & Interest payments on all the mortgages that will remain on the property after the new loan is arranged.

In the case of a 1.25:1 DSCR, it means the property generates 25% more net cash flow than total annual debt service giving a comfortable margin of error for the lender when determining how much of a loan payment the property can support.

If you know the lender's DSCR criteria, for example a 1.25:1 DSCR; you would then divide the NOI by the DSCR to determine the maximum annual debt service (ADS) allowed which can then be converted into a maximum loan amount when the interest rate and amortization term are known.

Example: $\$100,000 \text{ (NOI)} = \$80,000 \text{ (ADS)}$ (using an 8% rate and

In This Issue

[Interest Rates](#)

[Recent Deals](#)

[Quote of the Month](#)

[Investment Opportunity](#)



Interest Rates



As of 09/28/2010

11th Dist. = 1.75%

Prime Rate = 3.25%

USD 6 mo.LIBOR = 0.46%

Click above for specific details on individual rates including graphs & charts

[Click for detail on all interest rates, including historical charts and graphs](#)



Recent Deals

\$165,000

Purchase/Rehab.
SFR Investment
Prop.
El Cajon, CA

\$271,500

Purchase/Rehab
SFR Investment
Property
San Diego, CA

1.25 (DSCR) 30 yr. Amort.= **Max. Loan of \$909,000**

While the loan amount still has to fit the Lender's Loan to Value and Loan to Cost Ratio criteria, the DSCR is usually the driving factor in determining the size of the loan especially in a moderate to higher interest rate environment.

In summary, when estimating your maximum loan on an income property, first find out the lender's minimum DSCR along with the interest rate and the amortization term for the loan. Then work backwards using the property's specific annual NOI to determine the estimated maximum loan amount as referenced in the example above.

Call us now to see how we can help you determine the maximum loan amount your income property can support.

[The Loan Company web site](#)



INDUSTRY NEWS

Report: Apartment market growing stronger

By THOR KAMBAN BIBERMAN, *The San Diego Daily Transcript*
Friday, September 24, 2010

Apartment rental rates are settling in a narrow range, vacancy rates are declining and well-located apartments once more appear to be investors' darlings.

MarketPointe Realty Advisors reported the average rental rate in its September audit was \$1,318, compared to \$1,315 in March and \$1,322 in September 2009.

Geographically, the rents ranged from a low of \$1,113 in the East County to \$1,638 in the North County Coastal area.

The rental rates are not only stable, but vacancy rates are in very comfortable ranges, as well.

[Click here to read the rest of this article](#)



BIZ TIPS

Increase Your Self-Discipline

Source: *Supervision, Vol. 59 and ABC Time Tips, Merrill Douglass, McGraw-Hill*

Successful people typically show more self-discipline than others. They have formed good habits like punctuality, organization and persistence.

The good news is that you can learn better work habits within three to four weeks, says time-management authority Merrill Douglass. "A habit is simply behavior done so often that it becomes automatic," he says.

"Force yourself to keep good records, and you will see the day when you keep them as inevitably and efficiently as you bathe," agrees management expert Ted Pollack in *Supervision*.

"Drive yourself to be punctual, and you will soon keep your appointments on time as naturally as you eat three times a day. Make yourself plan your days and weeks in advance, and planning will become second nature," he adds.

**Click to see Loans
Funded by The
Loan Company**

"The best executive is the one who has sense enough to pick good men to do what he wants done, and self-restraint enough to keep from meddling with them while they do it."

Theodore Roosevelt

For More Info Click:

[Visit The Loan Company Website](#)

[See The Loan Company Marketing Brochure](#) or you can [email us](#).

INVESTMENT OPPORTUNITY
[Investors Interested in a Fixed Income Investment See attached information](#)



Deliberately training yourself into good habits requires you to exercise stern self-discipline at first, says Pollock. But once those habits become second nature, the payoff is considerable: "Good habits save effort, ease routine, increase efficiency and release power."

Integrity is the Cornerstone of Our Business

As a private direct lender, The Loan Company has built its business and reputation on integrity and steady, solid growth. Since its beginning over 30 years ago, The Loan Company has established quality in every dimension of the business. Treating clients the way we want to be treated is at the core of every transaction.



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[Resumé](#)

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Add Jlloyd@theloancompany.com to your contact list so you can continue receiving our newsletter.