Holland & Knight

Underwriting Criteria for Qualifying Commercial Loans

- The originator has verified and documented the financial condition of the borrower for the last two most recently completed fiscal years and for any period thereafter.
- The originator has analyzed the borrower's ability to service its overall debt obligations during the next two years, based on reasonable projections.
- The originator has determined that, based on the previous two years' actual performance and the two years of projections, the borrower had, and after giving effect to the new loan, will have a total liabilities ratio of 50 percent or less, a leverage ratio of 3.0 or less and a debt service coverage ratio of 1.5 or greater.
- If the loan is a secured loan, the originator has obtained a perfected security interest or recorded lien, as applicable, on all property securing the loan, with a first lien required for any purchase money loan or refinancing thereof.
- The borrower is required to provide quarterly financial statements.
- The borrower cannot have or enter into a debt arrangement that permits payments-in-kind.
- Liens or other transfers of loan collateral and changes to name, location or organizational structure of the borrower and any other pledgor are restricted.
- Casualty insurance must be maintained against the collateral in an amount at least equal to the loan, naming the originator and any subsequent holder of the loan as an additional insured or loss payee.
- The borrower must pay taxes, charges, fees and claims to avoid a lien on collateral.
- The borrower must perfect or protect the security interest and any first lien in loan collateral, and defend any collateral against claims adverse to the lender.
- The lender and servicer must have inspection rights of any collateral and the books and records of the borrower.
- The borrower is required to maintain the physical condition of any collateral.
- The primary source of loan repayment is business operation revenue.
- The loan is fully amortized on a straight line basis over a term not exceeding five years, with payments made at least quarterly.
- The loan was originated within six months prior to the closing of the securitization transaction and all payments are contractually current.