# Underwriting Basics: Harness Your Inner Real Estate Investor

Striving to become a savvier real estate investor? Then understanding underwriting basics is a building block you can’t afford to skip. Every Trust Deed investment at Ignite Funding starts with the underwriting of the loan and the subject property. Our process follows the framework of many of the same questions you may already be asking, such as, what regions do we originate in and why, how do we find and vet borrowers, and how do we qualify a property? So, let’s begin!

**Where do we lend and why?**

We tend to originate, and service loans located in the Southwest Unite States. These are specific regions that continue to show positive market drivers and are title theory states. Market drivers include current employment growth and long-term projected employment growth, the affordability and desirability of the region, as well as supply and demand. Title theory states allow for quicker default resolution by being able to by-pass an often more costly and slower judicial process.

**How do we find borrowers?**

It’s actually the other way around, borrowers find us. We fill the gap for developers that are too big for traditional financing from small local banks and are too small for national banks. Most borrowers have worked with us in the past or have heard of us through other borrowers. Originating and servicing loans in the same region for over ten years has fostered strong borrower relations and a reputable reputation in the lending industry.

We work with borrowers in various market niches, such as multi-family, luxury homes, masterplan communities, land banking, distressed retail, healthcare facilities, apartment conversion, and much more. This is because we strive to think like a developer and do not diminish our ability to lend with a “one-size” fits all approach. This access to diversification across different borrowers and asset type is an important component to a strong, long-term underwriting strategy and risk mitigation.

**How do we vet borrowers and qualify the property for consideration?**

We qualify all borrowers and the subject property with the three C’s of lending: Credit Score, Capacity and Collateral. Their Credit Score reveals the borrowers current and past experiences, if it includes any foreclosures, bankruptcies, liens, or judgements against them personally and as a company. Capacity is where we gauge the borrower’s ability to repay the debt by analyzing how much they have in debt vs equity. We make sure that taking on more debt would not jeopardize their ability to continue to pay their bills.

The Collateral is the most important piece of any loan, which is why we scrutinize 4 main components of the project.

* **Is it legally permissible?** We work with the local municipalities to see if the zoning the borrower wants for the project will be acceptable to the planning commission. If there is going to be difficulty, that increases the risk of the project and we will choose not to fund the loan.
* **Is it physically possible?** We look at the dimensions of the project and the asset in relation to the way the land is configured to make sure it is physically feasible to execute.
* **Is it financially feasible?** Here we are looking to see how much projected income the project will generate for the borrower. Profit will significantly decrease the likelihoodof a borrower walking away from a project and not continue to pay their bills.
* **Is it maximally productive?** We check to make sure that the project and the intended asset is the best fit for the site.

Interested in learning more about real estate investments at Ignite Funding? Give us a call at 702-761-0000 or text the word “Investments” to 844-552-7022 to schedule a 15 minute no obligation consultation today!

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