INVESTOR FIELD GUIDES / BOOK 09

Financing the Deal Without Breaking the Deal

Compare the payment, cash required and exit before choosing a loan

Real Estate Nate

Free Investor Academy

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All examples are hypothetical. Rates, loan programs, terms, fees and eligibility vary; lender discussions and estimates are not loan approval.

The loan is part of the investment

Two investors can buy the same house at the same price and have very different results because their financing is different. A lower down payment can preserve cash but increase the payment. A low initial payment can later change. A short-term loan can fund a renovation but create a deadline that arrives before the property is ready to refinance or sell.

When I evaluate financing, I want to know the full cash required, the actual payment, the timing of any change and what happens if the planned exit is delayed. I want the property to cash flow and to meet my expense-adjusted coverage standard. A lender's willingness to make a loan is one fact in that decision, not the entire decision.

1. Compare the complete cash requirement

For each proposed loan, list the down payment, lender points and fees, appraisal, insurance deposits, purchase closing costs, initial repairs, carrying costs and reserves. Avoid counting the same fee twice. Ask which costs the lender collects, which the title company collects and which must be paid before closing.

Suppose a $120,000 purchase requires 25% down, or $30,000. Add $5,000 in closing costs and $20,000 in initial repairs. The illustrated cash required is $55,000 before any additional expense and before the separate property reserve you intend to maintain. If $10,000 must remain available for the property, plan for at least $65,000 in accessible funds

under those assumptions. Recheck actual loan and contractor terms.

2. Compare a loan using its whole life

Ask for the loan amount, interest rate, amortization, principal and interest payment, fees, prepayment terms, maturity and whether the rate can adjust. Find out whether taxes, insurance and association dues are included in the quoted monthly payment. Distinguish the length of amortization from the date the balance becomes due. A loan amortized over 25 years may still mature or reset much earlier.

Ask how reserves and property condition affect approval. A lender may require an appraisal, lease, insurance, repairs or documentation. Get the lender's explanation of its own DSCR method; do not assume it is identical to your expense-adjusted calculation.

3. Two structures, one property

Assume two hypothetical offers both finance a $120,000 property. Loan A requires $30,000 down and has $600 monthly principal and interest. Loan B requires $18,000 down and has $720 monthly principal and interest. Fees, rates and terms are deliberately omitted here; obtain real terms before comparing offers.

Suppose the supported rent less vacancy, management, maintenance, replacements, taxes, insurance and other owner costs leaves $900 per month for principal and interest. Under A, estimated cash flow is $300 and expense-adjusted coverage is 1.50. Under B, estimated cash flow is $180 and coverage is 1.25. Both show positive cash flow, but B falls below my 1.30 target in this example.

Loan B preserves $12,000 of down-payment cash before differences in fees, but the payment and total terms matter. Loan A uses more cash, which may leave inadequate reserves for some buyers. Neither is automatically right. Compare cash remaining, the costs and the realistic downside-not just the down payment.

4. Understand the role of different financing

Conventional and portfolio loans can have different underwriting and servicing requirements. A DSCR product may emphasize a lender-defined relationship between rent and a specified payment, along with other eligibility factors. Short-term renovation or private funding can have different rates, fees, draw rules and maturity dates. Seller financing depends on negotiated documents and the seller's circumstances. The names alone do not tell you the loan's total cost or whether it fits the property.

Ask each lender for a written estimate of the terms relevant to your deal and how any draw or reimbursement is handled. If a quote is preliminary, label it preliminary. Never build the investment around proceeds or a refinance you have not verified as available.

5. Test the refinance and maturity

Imagine a renovation loan matures in 12 months, while your base plan expects a refinance in month eight. What if repairs or leasing take four months longer? Check extension terms, added interest and fees, available cash, and whether another funding source is realistic. A lender's earlier conversation about refinancing is not a guarantee of a future appraisal, rate or approval.

If you plan to refinance into a larger loan, calculate the new payment and rerun cash flow and coverage. A refinance that returns capital but leaves the home unable to support its debt does not satisfy my standard. Also calculate whether the loan proceeds cover payoff and costs; the gross new loan is not the same as cash returned to you.

6. Know when the financing makes the deal a pass

If supported operating income before principal and interest is $900, my 1.30 target supports approximately $692 per month for principal and interest: $900 divided by 1.30. That payment is a test, not a lender quote. Use the actual rate and amortization to find the corresponding loan amount, then check whether the purchase price, down payment and reserves work together.

If the necessary down payment consumes funds needed for repairs or reserves, a technically acceptable payment does not solve the whole problem. I would reconsider the price or structure and pass if the numbers cannot be made safe without unsupported assumptions.

Loan comparison checklist

1. What is the cash required through closing and stabilization, and what reserve remains?

2. What does the quoted payment include?

3. What are the rate, fees, amortization, adjustment dates, maturity and prepayment terms?

4. What principal and interest does the property support at my coverage target?

5. Does the property still have positive cash flow after realistic operating costs?

6. What happens if the rate, insurance, appraisal or refinance timing changes?

7. Which terms are written, which are estimates and which require final approval?

Work through the financing course, DSCR course and deal worksheet. Consult your lender and qualified advisors about your own transaction.

Compare the loan at the date you expect to leave it

Suppose loan A costs $4,800 upfront and loan B costs $2,000. Loan A saves $85 a month in this simplified payment comparison. The $2,800 difference takes roughly 33 months to recover before other costs or time value. A planned eighteen-month exit changes the appeal of that offer. Compare outstanding balances, prepayment charges and any fees due at exit before you pick. If the exit date is uncertain, run a short hold and a long hold separately. A lower payment alone cannot tell you which loan fits the deal.

Field exercise: What the draw schedule costs you

The facts you have

A renovation loan quotes $40,000 in available construction proceeds but reimburses verified completed work. The contractor requests $16,000 before the first eligible draw. You have $11,000 accessible beyond reserves, and another closing bill of $2,000 arrives before the draw.

How I would work it

The timing gap is $7,000, even though the total proceeds might eventually cover the scope. Confirm eligible costs, inspection turnaround, minimum draw amounts, required documentation and fees. Compare revised milestones, a documented alternative funding source and another loan structure. If the contractor and lender schedules cannot fit without depleting reserves, change the financing before you close.

Work the next decision

Suppose a revised milestone reduces the pre-draw contractor outlay to $9,000. The immediate outlays now equal your $11,000, leaving no extra cushion beyond your reserved money. Name two delays or costs that you would model before accepting the change.

The four dates I put on the first page

A loan term sheet can look tidy because it contains a lot of information in a small space. I make mine useful by copying out four dates: when funds are expected to be available, when the first payment is due, when any payment term can change, and when the remaining balance becomes due. Sometimes one date has not been set. I leave it open rather than guessing. If a lender says a quote is good through Friday, that is another date to record; it does not tell me when I can close.

A five-year term with a 25-year amortization is an example of why this matters. The payment is calculated as though the balance is being reduced over 25 years, but the note may call for the unpaid balance at five years. I want the amount remaining at that point and a realistic path to paying it. A lender that might extend the loan is a conversation. An extension provision with clear conditions and costs is something I can model. Neither makes an extension

automatic. Ask what the note actually says and have your advisor review any rights and obligations you are counting on.

Now imagine buying a property in April, planning to finish in August, signing a tenant in September and refinancing in November. If work slips by two months, September rent may not exist and November may be too early for a lender to approve a refinance. If the loan matures in December, a two-month construction delay can consume more than two months of room because leasing, appraisal and underwriting happen afterward. Ask for estimated times for each step, including how long it takes to collect and deliver documents. Put the proposed exit date beside the actual maturity date and decide when you need to act if the two get too close.

I would make that trigger specific. For example, if I cannot show a realistic path to a funded refinance by the beginning of month eight on a 12-month loan, I contact the existing lender about written options while I still have time to evaluate them. That is a planning example, not a rule about every deal. The right trigger depends on the current loan, the strength of the alternative and the time it takes to execute it. A problem is easier to manage when you recognize it early enough to have choices.

Working backward from the payment

A percentage-of-value rule tells me one thing. It doesn't tell me how much monthly debt the property can handle. I start with verified rent where available and a reasonable collection forecast where it is not. Then I subtract realistic owner costs, including vacancy, management, maintenance, replacement allowances, taxes and insurance. The remaining amount in this guide is the owner’s expense-adjusted income before principal and interest. That convention differs from some lender ratios. Keep the columns separate so the same taxes and insurance don't get subtracted twice.

Suppose I can support $1,500 in monthly rent. For this exercise, allow $75 for vacancy, $120 for management, $125 for maintenance, $100 for replacements and $230 for taxes and insurance. The amount left for principal and interest is $850. At 1.30 coverage, the maximum principal-and-interest payment is approximately $654. With a hypothetical 30-year fixed amortization and a 7.5% annual rate, that payment would support about $93,500 of principal. At 8.25%, it would support about $87,000. These rates are just inputs. They are not offers or forecasts, and the actual payment may be affected by loan terms or costs not represented here.

Suppose a lender says it would lend up to $98,000 under its collateral and other underwriting limits. I would not make that my loan target just because it's the larger number. Under the higher-rate case, my property supports roughly $87,000. At a $125,000 purchase, that means about $38,000 down before closing costs. If closing costs are $5,000, initial repairs $18,000 and carrying costs before rent $3,000, that is $64,000 of planned cash use. If I want $12,000 left after stabilization, I need $76,000 available before taking on those obligations. A deal that supports the payment can still ask for more cash than I can responsibly tie up.

Run the estimate again after the insurance quote arrives. If the quote is $50 higher each month and nothing else changes, the $850 becomes $800. The supported payment falls from roughly $654 to roughly $615. The result may lead me to negotiate price, change the loan structure or pass. I would not change the reserve requirement simply because the numbers are close. Find the fact that moved and price its impact.

A worksheet you can take to the lender

1. Write down your supported rent, source and the date you checked it.

2. Calculate income before principal and interest using an itemized expense list.

3. Divide that income by your minimum coverage ratio, then check whether the result also leaves enough cash flow in dollars.

4. Ask what loan amount, term, amortization and rate would produce that payment. Keep fees that are financed in the principal amount.

5. Compare that result with the lender's limits and your cash available after repairs, closing, carry and reserves.

6. Record which assumption changes the decision first if it is wrong.

Exercise and answer: Assume the owner-adjusted income before principal and interest is $1,040 and you want at least $260 monthly cash flow. The 1.30 coverage screen supports an $800 payment; the cash-flow goal allows only $780. Use $780 as the initial ceiling if both goals must hold. That would leave coverage of about 1.33. On another property the coverage requirement could be the stricter limit. Always do both calculations.

Compare cash required with cash available on the day

A purchase rarely asks for every dollar at the same time. Earnest money may leave first, a lender deposit or inspection may come next, and the down payment and closing funds leave later. Construction bills may be due before a draw arrives. To understand how much cash I really need, I mark the day each outlay is due and the day any outside funding is expected to clear. I pay particular attention to the point when the balance is lowest, not just the amount I expect to have invested after everything settles.

Here is an illustrative cash schedule. The investor starts with $72,000 and wants at least $12,000 still available. Before closing, $3,000 of earnest money and $1,000 of inspections leave the account. On closing day, a settlement estimate calls for $31,000 from the investor after the credit for earnest money. The investor has $37,000 left. A $17,000 first construction bill drops the balance to $20,000. A subsequent $9,000 bill is due on Monday, but the first draw for $12,000 may arrive Friday. The account could be at $11,000 before the money arrives, below the reserve target, even though the forecast ends at $23,000 after that draw.

I would ask the contractor and lender whether their written milestones can line up differently. I want to know when the draw is eligible, how much of the cost is eligible, whether there is a holdback, how long it takes to schedule an inspection and how quickly funds are released once approved. Ask who pays for each inspection and whether a fee is deducted from the advance. If the Monday payment cannot change and the draw could slip, the proposed deal needs a documented way to bridge the gap or a change to the cash or scope plan. Don't treat a promised deposit as money already in your account.

When the settlement statement arrives, reconcile it with the working budget. If you already paid the inspection separately, make sure you haven't included that bill as a second closing item. If a seller credit is shown, verify how it is applied and whether any of it is restricted. If money goes into escrow, record it as cash used now and note what it will cover later. Keep that distinction visible so escrow funding isn't mistaken for a recurring expense on top of the actual bill.

Seller financing: read past the payment

Seller financing can help when both parties want terms that a typical bank offer doesn't provide. The job is still the same: understand the obligations and test the property. I would ask what amount is financed, what security the seller expects, how payments are applied, when any balance must be paid, and whether there is a balloon or payment reset. Put every promise in front of the professionals helping with the documents. Ask what existing liens need to be addressed and how title, servicing and payoff will work. Don't assume an agreement can be put in place just because buyer and seller agree on a number.

Consider a hypothetical $160,000 purchase with $30,000 down and a $130,000 note. For the first 24 months, the example calls for 5% interest-only payments, about $542 per month. Starting in month 25, it amortizes at that same rate over a new 20-year schedule, which would be about $858 per month if all terms apply as assumed. If operating income before principal and interest is $960 per month, the first period gives roughly $418 cash flow and 1.77 coverage. At the amortizing payment, cash flow drops to about $102 and coverage to about 1.12. The change in payment is enough to alter my decision before any change in rent or costs.

The first-period payment can be useful while the property stabilizes, but I need the later payment in the deal worksheet before I make an offer. If there is a separate maturity date, get an amortization schedule that reflects the actual note and estimate the balance due at maturity. If the plan calls for a refinance, calculate how much the new loan would have to provide to clear the payoff and costs. Then test the payment on that amount. A deal that needs a future refinance to avoid a payment it cannot handle deserves a harder look than a deal that can hold through the scheduled terms.

Practice: Use the $960 income assumption and a 1.30 coverage target. The implied payment ceiling is about $738. Under the illustrative 20-year schedule at 5%, that would support roughly $111,900 in loan principal. The $130,000 note is about $18,100 above that figure. Name two things you could negotiate and one thing you would not assume. You might discuss lower price or revised amortization and verify the actual document costs. I would not assume an appraisal, future rent increase or extension closes the gap.

Make two term sheets comparable before you pick a winner

Compare offers based on the same purchase, property condition, occupancy plan, loan size and date. Otherwise, you can end up choosing between numbers that reflect different deals. Ask each lender to identify the items its quote assumes and the items it has verified. A lower rate may be based on more money down, a larger origination charge, a shorter lock period or an occupancy assumption that doesn't match your plan. I would rather find that out before paying for an appraisal.

Use five groups for each quote. First, record the basic terms: loan size, rate, term, amortization and expected payment.

Second, record acquisition cash: down payment, lender charges, outside costs, credits and any deposits already paid. Third, record restrictions and funding details: reserve requirements, condition or lease requirements, repair draws, and any holdback. Fourth, record the exit terms: prepayment, maturity and estimated payoff at the date you expect to sell or refinance. Finally, write the assumptions that can change: timing, rate, value, insurance and documentation. Leave a blank labeled “confirm” if the lender hasn't answered.

The Consumer Financial Protection Bureau's guide to comparing mortgage offers is a useful reference for comparing upfront charges and costs over time when a standard Loan Estimate applies. Don't assume every investment loan comes in that format. If yours doesn't, ask for written equivalents you can reconcile and have the transaction team explain the terms. An informal quote and final loan documents are different things. I use the quote to shop, the lender's documented requirements to plan, and final documents to verify what I will actually owe.

Case study: the lower payment costs more on an early exit

Assume two fixed, fully amortizing offers on the same $100,000 balance for 30 years. These figures are hypothetical and deliberately omit taxes, insurance and other costs that are equal in this comparison. Loan A is 7.50% with $2,000 in upfront loan charges and no modeled exit charge. Loan B is 7.00% with $4,300 upfront and a $2,000 charge if the loan is paid off in month 18. Assume the charges are paid in cash rather than rolled into the balance. Check the actual contract for how exit charges are triggered and calculated.

Loan A's principal-and-interest payment is about $699 and Loan B's is about $665. B saves only about $34 per month, while costing $2,300 more at the beginning. Over 18 months

the monthly payment difference is about $600. The payoff balances also differ: approximately $98,600 for A and $98,450 for B. Those are rounded illustrations for 18 scheduled payments, not payoff statements. Adding B's exit charge makes it more expensive in this scenario despite the lower payment. If you expect a longer hold, calculate the numbers again at that date instead of carrying over the month-18 charge without checking the terms.

There is a simple way to avoid treating repayment of principal as a financing cost. Calculate total payments through the planned exit, add the payoff principal and lender costs, and subtract the original loan principal. If the payoff number includes fees or accrued interest, don't count them again. You can also compare interest paid and separate charges directly if you have a correct amortization schedule. Compare early and delayed exits, and show the additional down payment separately if the two offers have different loan amounts. Timing matters even when the lifetime totals look similar.

If B still appeals because the property barely covers A's payment, there is another question: why is the deal so thin? I would check rent evidence, expenses, available cash and whether another property would be a better use of that capital. A structure that clears the test by a few dollars deserves extra scrutiny when the model relies on estimated expenses. It may be acceptable after verification, but being able to close is not enough to settle that question.

Refinance: calculate the proceeds and then test the new payment

I look at a refinance twice. First, can it pay the obligations that need to be paid? Second, is the resulting debt something the property can support? Getting more money out does not help if it leaves a weak rental that needs my paycheck to cover routine costs. Likewise, a loan with a comfortable payment does not solve a maturity problem if it can't produce enough proceeds to clear the existing note.

Suppose you have an estimated payoff of $103,000. At an assumed $160,000 appraisal and a hypothetical lender limit of 75% of that value, the new gross loan would be at most $120,000 under that one limit. If fees and other funded closing costs are $6,000, modeled cash out is $11,000. If the appraisal is $145,000, the same limit produces $108,750 gross and a $250 cash requirement instead of cash out, assuming payoff and costs do not change. That swing can matter even if you never planned to use the original $11,000 elsewhere. You may need cash simply to complete the refinance.

Then compare the limit from the payment. Suppose the property supports $1,050 per month before principal and interest, and you want at least 1.30 expense-adjusted coverage. The payment limit is about $808. A hypothetical $120,000 loan at 8% on a 30-year fixed schedule would have about $881 in monthly principal and interest. Coverage would be about 1.19, with projected cash flow of about $169. At that same rate and amortization, $808 supports about $110,100, rounded. A smaller loan can fit the payment, but it also changes the refinance proceeds. At $110,100 gross less the example payoff and costs, you would have only about $1,100 left.

Those amounts may still change with loan policy, fees, title, actual payoff, lock timing and property conditions. Get the lender's view of eligible proceeds and the closing professional's estimate, and record the dates on both. Interest on an existing loan and payoff requirements may depend on when it funds. Keep a place for that difference in the cash plan. Never draw down cash elsewhere based on a refinance that has not funded.

Practice: value limit or payment limit?

Assume a supported value of $175,000 and a lender limit of 70% of value, but your payment limit translates to $115,000 under the lender's written terms. The existing payoff is $111,000 and costs are $6,000. Which ceiling binds in your plan? The value limit is $122,500, but the owner payment limit is $115,000. That creates a projected $2,000 funding gap. A larger loan might satisfy the lender's value rule, yet it would fail your modeled payment test. Identify the cash source or restructure the deal rather than ignoring the gap.

Keep a credit line in the cash plan without spending it twice

An available line and cash in a bank account are two different entries in my worksheet. A line may be useful, but I ask what can change: rate, available balance, draw period, renewal, security, payment and lender rights under the actual documents. I want to know how drawing for this property affects other properties or plans that depend on the same funds. If I am using one line to bridge two purchases, each deal needs to show its claim on the shared credit, including any overlap in renovation or refinance timing.

Here is a simple example. A $50,000 line has $20,000 already drawn. A renovation is expected to use another $25,000. The remaining nominal availability would be only $5,000 before

other restrictions. The contractor identifies an $8,000 additional item. The line alone would not cover it even if every dollar of the nominal availability could still be drawn. A pending payoff on another deal is an expected event, not usable capacity until it occurs and the lender makes funds available again under the documents.

I also put the interest expense in the right deal. At a hypothetical 8% annual interest rate, a constant $25,000 line draw would cost about $167 a month on a simple interest-only estimate, before any fees or actual day-count differences. At 10%, it would cost about $208. The rate difference is roughly $41 to $42 per month, but the more important question may be when the principal has to be repaid. Even if rental cash flow can absorb the interest, the line still needs a payoff plan. Put that plan on the calendar with the rest of the loan obligations.

An inexpensive financing source can be costly to the overall portfolio if it uses the last of your flexibility. I would note the cash reserve I actually want, the commitments already made and which property would be affected if the line no longer provided money when expected. That makes it harder to approve two deals using the same reserve on paper.

How I ask a lender to explain a quote

I want a conversation I can check afterward. I might say: “I'm buying this as a rental. Here is the property condition as I understand it, the price, the proposed work and the rent evidence. What in that description would change your loan terms or stop this loan from funding?” That question usually gives me more to work with than asking for a rate first. If the answer depends on an appraisal, completed work or leases, record the requirement and the last day it can be satisfied without affecting the purchase.

I follow up with a brief recap: “I understand the loan amount and payment are estimates. Please confirm which figures include fees or escrows, whether any cash is held back, whether the rate is locked, and which conditions could change those terms. If I refinance at 18 months, what would the payoff calculation include?” If the lender corrects me, I update the worksheet. If the answer is “we will know later,” I identify which decision must wait. I do not convert an open item into a favorable estimate just because a contract deadline is close.

Before funding, ask the closing professional to walk through the cash due, deposit credits, loan charges and any amounts paid outside of closing. Verify payment instructions through an independently known contact before sending money. Retain the final settlement record, note and payment schedule so your portfolio records reflect the loan you actually closed, not the first quote. If the numbers materially differ from the forecast, stop to understand the difference and consult the people responsible for the transaction before signing or funding.

Put the financing decision in writing

Use this page before you make your decision. For an existing portfolio property, reuse the same worksheet several months before a known maturity or reset.

1. **Property and exit:** What use and condition are you underwriting? What evidence supports the timing and what would make you change the plan?

2. **Known funds:** How much unrestricted cash and documented financing are available? Which funds are committed elsewhere? What balance must remain?

3. **Purchase cash:** What is due before closing, at closing and after closing? Which deposit is already credited? When are repairs and carrying costs due?

4. **Payment and coverage:** What principal and interest can the property support at the owner coverage target and cash-flow target? How does that differ from the lender's calculation?

5. **Changes in payment:** When can a payment reset, when does interest-only end and what amount must be paid at maturity? What evidence confirms each answer?

6. **Exit estimate:** When will the loan be paid off, and how much would payoff, prepayment, selling or refinance costs leave in cash at that point?

7. **One adverse event:** Choose a lower appraisal, higher insurance quote, delay or more expensive payment. Recalculate cash, coverage and timing rather than merely labeling it a risk.

8. **Decision:** Proceed at the current terms, negotiate specific changes, or pass. Write why, what you still need to confirm and what date forces a decision.

Final exercise: choose a structure or keep negotiating

An investor has $65,000 available and needs $12,000 left through stabilization. A lender offers a $37,000 down payment with $6,000 of closing costs and $14,000 of repairs and carry. Its principal-and-interest payment is $690. A second lender offers $29,000 down, $6,000 of closing costs and the same $14,000 in repairs and carry, with a $770 payment. Expense-adjusted income before principal and interest is $980. The buyer wants at least 1.30 coverage and $200 monthly cash flow. Which structure qualifies under all the stated tests?

Answer: The first structure uses $57,000 and leaves $8,000, which is $4,000 below the reserve goal, although its payment leaves $290 and coverage of about 1.42. The second uses $49,000 and leaves $16,000. It leaves $210 monthly cash flow but coverage of about 1.27. Neither works under all the stated assumptions. The payment ceiling is about $754 at 1.30 coverage, which is stricter here than the $780 cash-flow ceiling. The investor can negotiate the price or structure, seek documented additional cash that does not weaken the rest of the plan, verify whether any scope assumption changes, or pass. The answer should not rely on treating a reserve target as spare cash or raising supported rent without evidence.

If I am deciding between two imperfect offers, I keep that last point in view. The purpose of shopping financing is to find terms that fit a sound deal. I don't want an expensive deadline, a future refinance or a weak reserve to carry a property whose economics never worked in the first place. The right financing lets me hold the property through a realistic setback without losing track of why I bought it.

Keep a one-page record after funding

On the first statement, match the balance, payment components and due date to the note and settlement record. If a payment includes escrow, break out principal and interest before updating the owner coverage worksheet. If a loan is serviced by a different company than the one that originated it, verify where the statement and payment instructions came from. Keep a current contact and the actual notice provisions with the loan file. I do this at the start because a portfolio is much harder to manage once the documentation is spread across old emails and separate properties.

On my calendar I record a reminder far enough ahead of maturity to get real alternatives. That reminder is for an

action: request an updated payoff, pull a recent operating statement, ask the lender what it would require to renew, and compare the result against a second financing option if warranted. If the loan has a rate reset before maturity, put that date on the calendar too. When the latest insurance and property-tax figures arrive, rerun the owner’s payment ceiling. A sound closing decision can become a weak financing decision years later if operating costs or loan terms change.

If you track multiple properties, give every loan its own row. Include the property, outstanding principal, last verified payment, next scheduled term change and date the balance is due. Mark shared lines or guarantees separately so you know which obligations can affect more than one property. Use confirmed balances and terms for decisions and label your forecast as a forecast. At renewal time, those few lines tell you where you need to start rather than leaving you to reconstruct a loan under pressure.

Optional case: When a promising deal stops working

The house now has $943 per month available for principal and interest after realistic operating allowances and a higher insurance quote. Assume two hypothetical loans on the same deal: the first quotes a $740 payment and $2,400 in upfront financing fees; the second quotes $710 and $5,700. Assume identical other cash requirements for this comparison. The second loan lifts expense-adjusted coverage from about 1.27 to 1.33, but it takes an extra $3,300 at closing.

If the first quote leaves $14,500 of reserves, the second leaves $11,200, below my $12,000 requirement. The $30 monthly payment savings would take 110 months to recover the fee difference in a simple comparison, before differences in payoff balance, taxes, or time value. I would ask the lender for a side-by-side cash-to-close and payoff comparison at the expected exit date. Neither quote passes both of my screens as stated.

Where I'd draw the line

I'd draw the line at the cash I have to keep. I wouldn't take the cheaper monthly payment here if its fees leave me short of reserves. I'd go back for written terms that clear both tests or pass. On your next loan comparison, ask for cash to close and the payoff at your expected exit alongside the monthly payment.

See how the full deal played out in the optional case in Is This Really a Good Real Estate Deal?.