Hawthorn Center | Internal Refinance Memorandum

As-of 2026-08-31 | Fictional internal analysis for credit discussion

Executive summary and recommendation

Purpose: Refinance the existing first mortgage on Hawthorn Center, a multi-tenant retail property in Greenville, SC (fictional).

Recommendation: Proceed at the indicative maximum loan sized to the binding DSCR constraint. Terms are nonbinding and subject to diligence. No bank prepayment penalty is stated; a separate swap, if any, may have a termination settlement per the plan.

Requested action: Approve underwriting assumptions and authorize moving to diligence at the limits shown below.

Key item	Figure
As-of date	2026-08-31
Space count / occupied	10 / 9 (90.0%)
Rentable area / occupied	28,800 SF / 27,200 SF (94.44%)
Monthly base rent (roll)	$60,000
T12 NOI before reserves	$602,400
T12 NCF after reserves	$590,880
Underwritten EGI	$921,000
UW NOI before reserves	$629,760
UW reserves	$4,320 ($0.15/SF)
UW NCF after reserves	$625,440
Cap rate (value)	6.25%
Indicative value	$10,076,160
Contract/sizing rate	6.35% (25-yr amort)
Debt constant (annual)	7.9904%
LTV / DSCR / DY limits	$6,297,600 / $6,261,937 / $6,997,333
Maximum loan / binding	$6,261,937 / DSCR

Key item	Figure
Annual debt service at max	$500,352
Sizing DSCR	1.25x
Debt yield at max	10.06%
Cash to borrower (net)	$1,959,841 after $4.20MM payoff, 0.80% fee, $52k costs
Stress maximum loan	$5,313,427 (EGI -5%, sizing rate +100 bps)

Property, tenancy and leases

Property: Hawthorn Center, 3200 Hawthorn Bench Road, Greenville, SC 29607 (fictional).

Tenancy: 10 suites totaling 28,800 SF; 9 occupied and 1 vacant (1,600 SF). Monthly contractual base rent totals $60,000 across 9 tenants as of 2026-08-31.

Suite 101: Tenant A LLC, 1,400 SF, monthly base rent $3,000, security deposit $6,000. Initial term expires 2029-08-31; no amendment or option exercise evidence provided. This controls over any conflicting schedules.

Lease roll dates by tenant range from 2027-08-31 to 2031-08-31 across occupied suites. Vacant suite 110 has $0 contractual rent (market $3,400 noted for context only).

Suite	Tenant	Area SF	Status	Monthly base	Expiry
101	Tenant A LLC	1,400	Occupied	$3,000	2029-08-31
102	Tenant B LLC	1,800	Occupied	$4,000	2028-08-31
103	Tenant C LLC	2,200	Occupied	$4,900	2029-08-31
104	Tenant D LLC	2,500	Occupied	$5,600	2030-08-31
105	Tenant E LLC	3,000	Occupied	$6,500	2031-08-31
106	Tenant F LLC	3,300	Occupied	$7,400	2027-08-31
107	Tenant G LLC	3,800	Occupied	$8,600	2028-08-31
108	Tenant H LLC	4,200	Occupied	$9,200	2029-08-31
109	Tenant I LLC	5,000	Occupied	$10,800	2030-08-31
110	Vacant	1,600	Vacant	$0 (market $3,400)	—

Historical performance (T12)

Accounting basis: Cash, September 2025 – August 2026.

EGI: $866,400 = $759,600 GPR – $40,800 vacancy – $22,800 concessions – $6,000 bad debt + $176,400 other income.

Operating expenses before reserves: $264,000 (taxes $114,000; insurance $32,400; utilities $21,600; R&M $36,000; payroll $24,000; admin/legal $18,000; mgmt fee $18,000).

NOI before reserves: $602,400. Replacement reserves (below NOI): $11,520. NCF after reserves: $590,880.

These figures come directly from the T12 statement and exclude debt service, capex, and depreciation from operating expenses.

Metric	Amount
T12 EGI	$866,400
T12 opex (pre-reserves)	$264,000
T12 NOI (pre-reserves)	$602,400
T12 reserves	$11,520
T12 NCF (after reserves)	$590,880

Underwriting assumptions and calculations

Scenario per underwriting plan: GPR $780,000; combined loss 5.00%; other income $180,000. Underwritten EGI = $921,000.

Expense normalizations: taxes $120,000; insurance renewal per evidence $34,800; other controllables at T12 actual; management fee is greater of T12 actual or 4.00% of underwritten EGI (here, 4% x $921,000 = $36,840 > $18,000).

Reserves: $0.15/SF/year on 28,800 SF = $4,320, deducted below NOI to compute NCF per lender terms.

Results: UW NOI before reserves $629,760; UW NCF after reserves $625,440.

Line item	Annual amount
Underwritten EGI	$921,000
Taxes	$120,000
Insurance (renewal)	$34,800
Utilities	$21,600
R&M	$36,000

Line item	Annual amount
Payroll/contract	$24,000
Admin/legal	$18,000
Management fee (4% of EGI)	$36,840
Total opex before reserves	$291,240
UW NOI before reserves	$629,760
Reserves ($0.15/SF)	$4,320
UW NCF after reserves	$625,440

Valuation and loan sizing

Cap value: $10,076,160 = $629,760 / 6.25%.

Constraints: LTV 62.5% → $6,297,600; DSCR 1.25x on amortizing debt at 6.35%/25 yrs → constant 7.9904%, DSCR limit $6,261,937; Debt Yield 9.00% → $6,997,333.

Maximum/binding: $6,261,937 (DSCR). Annual debt service at max: $500,352. Sizing DSCR: 1.25x. Debt yield at max: 10.06%.

First-year contractual debt service equals sizing ADS (no IO, contract rate equals sizing rate).

Constraint	Formula	Result
LTV	62.5% x Value	$6,297,600
DSCR	NCF / (1.25 x constant)	$6,261,937
Debt yield	NOI / 9%	$6,997,333
Maximum loan	Min of above	$6,261,937
Annual debt service at max	Loan x constant	$500,352
Debt yield at max	NOI / Loan	10.06%

Sources and uses; proceeds to borrower

Gross loan at maximum: $6,261,937.

Origination fee (0.80%): $50,095.

Fixed closing costs: $52,000.

Existing payoff: $4,200,000.

Cash to borrower: $1,959,841 (no fee capitalization assumed).

Item	Amount
Gross loan	$6,261,937
Origination fee (0.80%)	$50,095
Net loan after fee	$6,211,842
Existing payoff	$4,200,000
Fixed closing costs	$52,000
Cash to/(from) borrower	$1,959,841

Sensitivities and risks

Downside per plan: reduce EGI 5% and increase sizing rate +100 bps (cap unchanged). Recompute management minimum on lower EGI; hold other opex and reserves. Result: Stress NOI before reserves $585,552; Stress NCF $581,232. Annual debt constant at 7.35%/25 yrs ≈ 8.7511%. Stress constraints: LTV $5,855,520; DSCR $5,313,427; Debt Yield $6,506,133. Stress maximum: $5,313,427 (DSCR).

Cap-rate only sensitivity: Value at cap +50 bps (6.75%) = $9,329,778.

Key risks/notes: one vacant 1,600 SF unit; limited historical term; lease rollover in 2027–2029; insurance renewal evidence used in underwriting; management fee normalized per policy; no appraisal included. Prepayment: term sheet states no bank prepayment penalty but notes any separate interest-rate swap may require a termination payment/receipt.

Sensitivity	Result
Stress maximum loan (EGI -5% & +100 bps)	$5,313,427
Value at cap +50 bps (6.75%)	$9,329,778

Document references and evidence log

Rent roll (as of 2026-08-31): space count, areas, statuses, monthly base rents and expiries (Rent-Roll.xlsx, rows 4–13; totals rows 16–22).

Lease file (Suite 101): 1,400 SF; $3,000 monthly base; deposit $6,000; expiry 2029-08-31; no option exercise delivered (Lease-File.pdf p.1, sections 1–5).

T12 Statement: revenues and expenses summarized above (T12-Statement.pdf p.1–2; “Annual” column).

Underwriting plan: EGI scenario, expense normalizations, reserves, insurance renewal evidence, and sensitivity instructions (Property-and-Plan.pdf p.2).

Lender terms: sizing definitions, cap rate, LTV/DSCR/DY tests, rates, amortization, fees, IO=0, and prepayment disclosure (Lender-Terms.pdf p.1).

Item	Source citation
Space count / occupied	Rent-Roll.xlsx R4–R13; R16–R17
Total/occupied area; occupancy%	Rent-Roll.xlsx C4–C13; B18–B21
Monthly base rent	Rent-Roll.xlsx E4–E12; B22
Suite 101 rent/deposit/expiry	Lease-File.pdf p.1 §§1–4
T12 EGI / expenses / NOI / NCF	T12-Statement.pdf p.2 Annual column
Scenario EGI & opex rules	Property-and-Plan.pdf p.2
Sizing rules/fees/prepay	Lender-Terms.pdf p.1