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910.06 Net Worth and Liquid Assets

Requirements

You must ensure that:

- the combined net worth of the Borrower and all Key Principals equals or exceeds the original principal amount of the Small Mortgage Loan; and

- the combined post-closing liquid assets (excluding any Small Mortgage Loan cash-out proceeds) of the Borrower and all Key Principals equal at least 9 monthly payments of P&I on the Small Mortgage Loan.

Guidance

You should:

- for net worth, consider the impact of current, long-term, and contingent liabilities compared to the Small Mortgage Loan amount;

- for liquidity, exclude the following unless you have reasonable justification:
  - retirement funds (such as IRAs and 401Ks); and
  - promissory notes payable to the Borrower or a Key Principal, whether secured or unsecured; and

- verify liquid assets for the 2-month period immediately preceding the Borrower’s loan application by obtaining copies of all applicable:
  - bank statements; and
  - investment portfolio statements.
Glossary

B

Borrower  Person who is the obligor per the Note.

Synonyms
• Borrowers
• Borrower's

K

Key Principal  Any Person who controls and/or manages the Borrower or the Property, is critical to the successful operation and management of the Borrower and the Property, and who may be required to provide a Guaranty.

Synonyms
• Key Principals

P

P&I  Principal and interest

S

Small Mortgage Loan  Mortgage Loan with an original loan amount less than or equal to $6 million and underwritten per Part III, Chapter 9: Small Mortgage Loans.

Synonyms
• Small Mortgage Loans