

Hotel Improvement Advantage

Coordinate the financing with a required property improvement plan.

POTENTIAL FUTURE-FUNDED PIP RESERVES

Who it is for

Hotel sponsors whose eligible bridge transaction may include future-funded reserves for a brand-required Property Improvement Plan, or PIP. The source describes a potential reserve feature rather than an unconditional promise that all improvement costs will be funded.

Ideal properties and transactions

An eligible hotel project with a defined PIP, budget and schedule coordinated with continued operations. Explain which work is mandatory for brand compliance, which is elective, and how room downtime or phased work affects revenue during the improvement period.

Credit, experience and liquidity

The flyer states project-based capacity, property-based leverage, credit review and cash-flow qualification. It does not publish a PIP-specific maximum loan, credit floor, advance percentage or universal reserve structure. Confirm the actual bridge and improvement conditions for the file. Explain sponsor and management experience, other obligations and cash available after closing. Separate transaction funds, required reserves and your own operating cushion. Ask which verification requirements apply to the selected route.

BRING THE COMPLETE COMMERCIAL SCENARIO

Property + operations + value + requested loan + financing purpose

Subject to underwriting. Not a commitment to lend. Images are AI-generated and illustrative.

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Leverage and valuation framework

Separate accepted cost, as-is value and any prospective value supported by the approved structure. LTV compares debt with the lender's accepted value; LTC uses eligible transaction or project costs. Purchase, refinance and cash-out can have different limits. Account for existing liens, closing costs, holdbacks and reserves before estimating usable proceeds. Ask which constraint governs and how property use, condition and cash flow affect the final advance. Headline capacity is not a cash-to-close calculation. Request a sources-and-uses worksheet that separates the closing advance, any future funding and funds retained for reserves. For a refinance, distinguish the gross loan amount from cash remaining after payoffs and all transaction expenses.

Income and operating review

Prepare current operating results and a realistic improvement-period forecast. Include revenue disruption, labor, management and ongoing carrying costs as well as the construction line items. A completed PIP does not guarantee a particular room rate, occupancy level or refinance valuation.

Program structure and execution

Ask which PIP costs are eligible, how future funding is reserved and when it is released. Confirm inspections, invoices, retainage, change approvals and any brand completion deadlines. Distinguish the total loan commitment from cash available to the borrower at closing.

Property and location considerations

Confirm the legal property use, zoning, access, occupancy and insurance suitability. Identify tenant or operator concentration, deferred maintenance, major systems and any environmental or specialized-use concerns before ordering reports. The relevant property and operating approvals must be checked independently. Ask which conditions must be resolved before funding and verify state availability. A property's marketing category alone does not establish an eligible loan purpose or approved collateral. Identify who is responsible for maintenance, repairs and compliance under each lease or operating agreement. A tenant or operator obligation should still be reviewed for its practical effect on the collateral and the owner's cash needs.

Holding period, exits and stress tests

Set a holding period and compare the proposed loan with any planned sale, refinance or change in ownership. Model weaker income, a vacancy or operating disruption, higher expenses and an unexpected repair. Include financing and transaction costs when estimating the final outcome. Ask about maturity, prepayment, adjustment or extension provisions and guarantees. Future refinancing depends on then-current operations, condition, valuation and available lending terms, and is not guaranteed. If repayment depends on another lender, identify the performance and property conditions that takeout requires. Keep a contingency plan for additional holding time rather than treating a projected sale or refinance date as committed cash.

Documentation to prepare

Provide the brand PIP or relevant requirements, itemized budget, bids, timeline, room downtime schedule, operating plan and intended exit. Explain whether the scope includes work that needs a separate rehabilitation or construction review. Add ownership/entity records and the property, title and insurance information specified in the approved checklist. Provide sensitive identity and financial records through Karpata's secure process rather than in a public quote request. Explain unusual conditions and identify documents still pending.

Limitations and questions to resolve

All terms require borrower, credit, property and program approval and may not apply together. Confirm pricing, fees, reserves, guarantees, permitted use of proceeds and funding conditions in writing. Program descriptions and document alternatives are starting points for review rather than loan commitments. Educational preparation questions do not add undisclosed lender policy. This is eligible business-purpose real estate financing, not a consumer home mortgage. Final approved documents govern the transaction.

LET'S REVIEW YOUR NEXT COMMERCIAL PROPERTY

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