

Commercial Loans

Commercial Mortgage A commercial mortgage is similar to a residential mortgage being that real estate is used for collateral to secure repayment. Commercial mortgages can be made to businesses instead of individual borrowers. The borrower can be a partnership, incorporated business, or limited company, so assessment of the creditworthiness of the business can be more complicated than is the case with residential mortgages. Commercial mortgage loans are almost always designed to be underwritten based on entirely on the attributes of the property being mortgaged, as opposed to the credit attributes of the borrower. Commercial lenders require a minimum debt service coverage ratio or net cash flow of the property. Commercial mortgage process is more in depth than a residential mortgage, as its process takes 30 to 60 days to complete and the appraisal costs are higher as is the processing costs due to the process being more in depth. Interest rates are usually higher than those for residential mortgages.