

What is Involved in Taking Out a Commercial Mortgage?

Commercial mortgages are as the name suggests, mortgages for the commercial sector. They are a form of long-term finance and can be used for the purchase of land and/or property for business use plus to buy a going concern. This could be anything from a hotel to a bed and breakfast, a retail outlet to a factory, a farm to a cattery; it could be used to buy all sorts of business.

Commercial mortgages are constructed in a variety of ways reflecting the business it is required for and the market situation. Most will require a deposit of at least 20% and come with a selection of repayment schedules. Generally, commercial mortgages are granted based on the business being able to make the payments. Therefore, it could be considered sensible to do as much research into the venture before submitting your mortgage application. If it is an on-going concern, then a complete and accurate trading history should be obtained. For a new business enterprise, the full start-up costs should be assessed.

Probably, for the best chances of a successful application, a clear business plan with all its figures confirmed by a professional surveyor ought to be submitted. This could contain a complete analysis of the risks involved and a long-term projected forecast. Perhaps, details about the location and other features. It can seem quite overwhelming deciding what to include and how to best present it. A solution to this could be found by using the services of an independent financial adviser. They invariably have the experience necessary to write the proposal in a language most easily understood by the prospective lenders. Their knowledge of what is required in the market place could make the difference between failure and a successful application.

A commercial mortgage broker might prove useful in guiding you through the maze of regulations governing some industries. For example, the rules prevailing over the running of a care home, the hygiene standards for a restaurant or the permits and licences compulsory for a public house. Details, which if overlooked or simply omitted, could prove disastrous.

Some businesses, such as nightclubs, have a high risk factor associated with them. This can often make acquiring a commercial mortgage difficult, involving added security and larger deposits. The lack of experience within the chosen business sector or a poor record of accomplishment, may also pose a problem. However, it could still be possible to seek commercial mortgages and select one with the most favourable terms and interest rates for your situation. Even an applicant with a weak credit history or the inability to provide proof of income may be granted a commercial mortgage as it is the business's ability to repay that is considered. You should be aware that these factors normally affect the terms offered and interest rate applicable.

Encouragingly, there could always be the option of re-mortgaging later to enjoy improved terms, especially if the business has become profitable and expansion is in order. This is when commercial mortgages can be used for re-mortgaging purposes, to provide funds for improvements and new projects. In addition, they often form part of the financial package utilized by property developers.

Both private individuals and business people alike might feel quite intimidated by the prospect of having to select the best deal from a range of commercial mortgages and tailoring it to suit their needs. It need not be. Using the services of a commercial mortgage broker could dispense with this task and take the worry out of the whole process.

About the Author

Sean Horton is a Director of Best Commercial Finance, a whole of market mortgage broker and IFA specialising in mortgage advice and the associated areas of income protection, mortgage protection, mortgage life cover and [commercial mortgages](#).

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