

The Benefits of commercial Mortgages

A [commercial mortgages](#) is a loan that's designed for businesses. While it's typically used for buying property (land, buildings, etc.) for the business, it can also be used for ancillary purposes. In many ways, they're similar to residential mortgages. They can be arranged with a fixed or variable rate. Plus, they provide the lender with a legal claim on any property that backs the mortgage (until the loan has been completely paid). While many businesses consider this type of loan to be a crucial part of their operations, they're not without drawbacks. Below, we'll explain some of the benefits and drawbacks of commercial mortgages.

Benefits Of Arranging A [commercial mortgages](#) The main benefit is the value of the asset that a commercial mortgage provides the borrower. If the loan is used to purchase a building, the value of that structure can be exploited for a number of goals. For example, it can be used to raise capital in the public or private markets. It can play a key role in the expansion of the business, resulting in new opportunities for revenue growth. Plus, the interest paid on the mortgage is typically tax-deductible (though you should consult your accountant to determine tax ramifications).

Potential Drawbacks Similar to a mortgage that you might arrange for a home, a commercial mortgage implies a long-term debt that must be repaid over several years. It's a commitment that will exist even when cash flow is limited. If you fail to make the payments on time, the lender could presumably take the property from you (potentially causing disaster for your business). Another potential drawback is that the lender could stipulate that certain obligations must be fulfilled to keep the mortgage in good standing. If a breach of any obligation occurs, the lender may have the right to assume control of the property.

Commercial Mortgages For Your Business Commercial mortgages can be a boon or bane to a business. They can provide an asset to a company which can be used to meet a variety of goals. Plus, the interest on the loan is usually tax-deductible. However, commercial mortgages are long-term debt obligations that require timely payment. The property is the collateral. If payments are late or missed, the lender could take the property and sell it to recoup the money owed on the mortgage. That can have a devastating effect on your business. If you're considering arranging a commercial mortgage for your company, make sure you note all of the details in the written agreement. This loan can help your company grow. But, you need to make sure that it doesn't inadvertently lead to its demise.

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