

## COMMENTARY



# Five Things to Consider When Choosing a Commercial Lender

Choosing the right commercial lender for your project is an important decision that can significantly impact its success. Here are five key considerations to remember when looking for the right financing partner:

**Loan-to-Value (LTV) Ratio:** The loan-to-value (LTV) ratio reflects the relationship between the loan amount and the appraised value of the property or asset securing the loan. It's a measure of risk for both lenders and borrowers. Opt for a lender with a reasonable LTV ratio aligned with your project's financial structure to mitigate risk effectively.

**Competitive Loan Rates:** Compare loan rates offered by different lenders to ensure you secure the most competitive option. Favorable rates reduce borrowing costs, improve cash flow, and enhance profitability. Research prevailing market conditions and leverage online resources for rate comparisons tailored to your financing needs. Keep in mind the lowest rate may not always be the best option, as you should consider other loan terms, such as prepayment penalties and financial

covenants, that may impact the total cost of borrowing. **Transparent Loan Fees:** Examine all fees associated with commercial loans, including origination fees, appraisal fees, and closing costs. Choose lenders committed to transparent fee disclosure to accurately assess the total cost of borrowing. Clear fee structures facilitate informed decision-making and avoid unexpected expenses during the loan closing process.

**No Prepayment Penalty:** Select lenders offering loan products with no prepayment penalties or reasonable prepayment terms. Prepayment flexibility allows you to refinance, sell, or restructure debt obligations without incurring additional fees. Prioritize lenders that offer this flexibility to optimize your capital structure and respond to market dynamics effectively.

**Diverse Term Options:** Evaluate lenders based on their ability to provide diverse term options tailored to your project's requirements. Whether you need short-term bridge financing or long-term fixed-rate loans, choose a lender that offers customizable terms and structures. Collaboration



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with a lender that understands your industry nuances streamlines the borrowing process and enhances project success.

In the end, choosing the right commercial lender requires careful consideration of loan-to-value ratios, competitive loan rates, transparent loan fees, prepayment flexibility, and diverse term options. By prioritizing these factors and conducting thorough due diligence, you can identify a lender aligned with your financial objectives and support the successful execution of your project.

Securing financing is not just about obtaining capital; it’s about forging a strategic partnership that enables you to achieve long-term goals while navigating commercial real estate and business finance complexities with confidence and resilience.

### **About Dave Hillyard**

Dave Hillyard is the VP of Commercial Lending at Mountain America Credit Union. He has over 15 years of commercial lending experience, oversees a \$1.5B commercial portfolio and leads a team of 30 in providing commercial financing options to credit union members. Dave finds great joy spending time with his family of six, adventuring in the great outdoors, golfing and serving in his community.

