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Commercial Mortgages explained by Mary Porter

Article published on June 17th 2012 | Business

In todayâ€™s tough financial climate, buying a property can be hard work. Whether youâ€™re a first time buyer or a business trying to secure commercial mortgages, finding a good deal takes time and often requires a hefty deposit.

Commercial mortgages work in a very similar way to residential mortgages, except the property being purchased is a commercial building which will be used for business purposes. Commercial mortgages are also usually taken out by businesses rather than by individuals. A borrowerâ€™s suitability, whether this is a business or a person, will be assessed before commercial mortgages are agreed, with credit checks and other finance agreements being taken into account.

Criteria will vary from lender to lender but usually a substantial deposit is required for commercial mortgages. Often lenders will require around 20 to 30 per cent deposit before commercial mortgages can be agreed. Shopping around for the best commercial mortgages may see you find 100 per cent mortgages, but of course itâ€™s worth bearing in mind that the interest rates on these commercial mortgages may be substantially higher. Make sure you can afford the monthly repayments and also factor in what would happen if interest rates rose; would you still be able to afford the monthly repayments on commercial mortgages?

Another decision to make when looking at commercial mortgages is the length of the mortgage. The longer you borrow the money for, the lower the monthly repayments will be. The downside to this is that commercial mortgages with long repayment terms will obviously take much longer to repay and the interest bill could be considerably higher than if you had taken the money over a shorter time period, say 15 years. For some businesses, a low monthly repayment is the priority which means commercial mortgages must be spread over long time periods; for others, the priority is reducing the interest bill meaning the length of commercial mortgages will be much shorter. Sifting through commercial mortgages to find the right one will take time and seeking expert advice is a great idea.

A1-finance.co.uk are specialists in commercial mortgages, as well as bridging finance and remortgages. Searching the whole of the market to find the best deal for you, theyâ€™ll provide you with expert and knowledgeable advice.

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Article Keywords:
Commercial Mortgages ,Bridging Finance