



Commercial Monthly Newsletter ALLSTATE MORTGAGE SERVICES

(800)430-9222 www.AllstateMortgageServices.com

Commercial Mortgage Mistakes & How to Avoid Them – Part 1

Ask about our:

- 100% Commercial Financing
- 90% Stated Income Loans
- Our 5.9% Fixed Apartment Financing
- And more...

Key Market Indicators:

- Commercial mortgages projected up 17% in 2007.
- Commercial Interest Rate Trend for the last 30 days: slightly up!

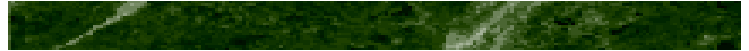
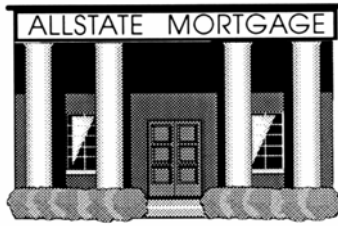
As opposed to mortgages on your house, commercial mortgages are all about Return on Investment (ROI). In buying or selling commercial real estate, the best commercial mortgage for you is the one that maximizes your ROI. It seems obvious, but when it comes to shopping for a commercial mortgage it is stunning how little attention to profitability the average investor makes. In fact, I see the same mistakes over and over and often these mistakes lower, or even wipe out, the entire return on the investment. Over the next month, we will look at the 4 most common mistakes people make when choosing a commercial mortgage and how to avoid them so that you too, can fully realize the maximum return.

Mistake #1: Not having a clear goal for the property.

Incredibly, many people make investment decisions because someone told them about a great idea or opportunity. They never put pen to paper to even figure out if a profit is possible! Others buy property or investments and have no clear cut return they are shooting for or a game plan on how to get it. What is your goal? 20% return a year? How many years? Are you trying to buy a fixer-upper and hoping to renovate it and fully rent it out and sell it? When are you trying to sell it by and at what price? Is that possible based on the area it is in? Are you

buying a property to house your business? How long do you plan to be there? These are all questions you need to have ironed out because they will affect your mortgage. If you are looking shorter term, possibly to buy something and flip it, then you will want a different type of loan than if you are buying something for your business that you want to someday turn over to your son or daughter.

HELPFUL TIP: Before you go into contract, run the deal by a commercial mortgage professional. That's right; an ounce of prevention is worth a pound of cure. You seek professional advice in tax matters and law matters and you should seek advice in commercial loan matters-you probably never went to school for commercial mortgage loans. Don't just go on what Billy Jo told Bobby Sue (because Billy Jo is rich)-get expert advice BEFORE you commit! At Commercial Capital Ltd., a division of Nexus Financial Group, we will crunch the numbers for you and guide you in the optimum way to structure the deal. We can alert you to the pitfalls and even bring creative financing strategies to the deal to maximize your return. And we do it all free of charge!!!!



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Mistake #2: Thinking only rate, rate, rate!

The lowest interest rate is NOT necessarily the best deal for commercial property. Amortization is just as important. Amortization is the length of time the payment will be factored over, the longer the amortization, the lower the payment. Depending on your goal, the lower payment yields you better cash flow and more profit per year-better ROI. For example, a \$500,000 mortgage with a 10-year balloon and a 15-year amortization at 5.5% interest rate yields a payment of \$4,085/month. The same mortgage with a 25-year amortization but a rate of 6% yields a payment of

\$3,221/month. Same loan amount, ½ a percent higher rate but because of the longer amortization your monthly payment is over \$800 less per month. If the cash flow on the property was going to net you \$1000 a month at the 5.5% rate this extra \$800 a month on the longer amortization 6% rate yields you an 80% better return!!! And that is PER MONTH! WOW!

HELPFUL TIP: When comparing approvals take a calculator and actually calculate the payment on the different approvals. Don't just look at rate-look at cash flow and profitability and then compare these to your goal for your

investment. Also, ask your commercial mortgage professional about unique loan programs like a non-recourse loan. This is one of today's hottest products and your local bank does not carry it. (For more info on this incredible product call Nicolle Brown at 866-355-1244 for a flyer that explains the pro's and con's of non-recourse loans). You may be surprised at what you find when you just crunch the numbers and get good advice!

Next month, we will explore 2 more common mistakes and how to avoid them for maximum profits!