



Commercial Monthly Newsletter
 Allstate Mortgage Services
 (800)430-9222 www.AllstateMortgageServices.com

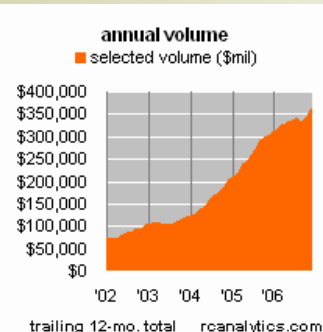
Commercial Mortgage Mistakes & How to Avoid Them – Part 2

Ask about our:

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

Key Market Indicators:

Total Annual Commercial Volume



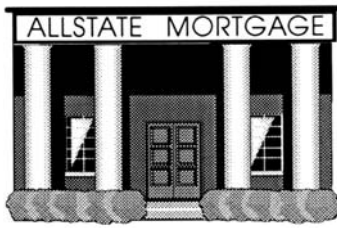
As opposed to mortgages on your house, commercial mortgages are all about Return on Investment (ROI). In buying or selling commercial real estate, the best commercial mortgage for you is the one that maximizes your ROI. It seems obvious, but when it comes to shopping for a commercial mortgage it is stunning 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. Last month, we looked at 2 common mistakes that people make when choosing a commercial mortgage. This month we will examine the other two major mistakes people make.

Mistake #3: Too little shopping early on, too much shopping later on. Customers decide to refinance or purchase a property and go down to their local bank where their savings accounts are and apply. They don't shop around and compare. Then the bank turns them down. Remember, on commercial loans even if you are a great borrower-you may still get turned down by your local bank. Why? The property may not be good. They may have filled their quota for the month on commercial loans, or they may just not like to loan on the certain type of property you are buying. Don't take it personally. But you should have applied at another bank or utilized an experienced commercial lender who can shop the deal for you. At Commercial Capital, we package the deal, make it as good as possible and then send it to the 6-10 lenders or banks we feel will most likely do the deal. We always include local

banks and a few nationwide players and despite all that experience 4-6 of these lenders will still turn the deal down for one reason or another. But we always get 1-2 lenders who are interested. If you just apply at one bank you limit your opportunities for profitability.

Almost as bad as just going to one bank and putting all your eggs in that basket is shopping around and getting a commitment at terms you like that make the deal profitable and meets your goals and then CONTINUING TO SHOP! You got what you wanted-don't be greedy. There are numerous reasons for this. One, if rates shoot up, your deal will change. This could limit or even completely erase any profits from the deal. You tried to take the approval and get a rate 1/8th% lower and you end up 1/2% higher-foolish! Wall street has a saying, "Bulls and bears make money, Pigs get slaughtered". Second, the lender who approved you could change their terms. They may only have 30 million available for apartment loans and because you would not commit because you were trying to get a lower rate, they filled the commitment with other loans and now no one wants your loan. At Commercial Capital Ltd., the approval we get you has already been shopped and is most likely one of the best deals you are going to get. Don't be penny wise and pound foolish and lose the deal that would have returned you \$50,000 in profits over 5 years just to try to get a payment \$40 lower a month. Not smart money management!

HELPFUL TIP: Don't look a gift horse in the mouth. If you know the profitability you want to achieve and the terms needed to get it and you get approved for that amount-then be happy and book it. Don't lose the whole deal over trying to make an extra \$10 a month! Be smart!



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I hope this letter has enlightened you and helped you. Give us a call if we can ever be of assistance. WITH RATES AT HISTORICALLY LOW LEVELS and the ECONOMY POISED FOR IMPROVEMENT there has NEVER been a better time to buy commercial property! I wish you the best.

Yours for prosperity,

Thomas A. Azimi
General Manager

Commercial Mortgage Mistakes & How to Avoid Them – Part 2 (cont.)

Mistake #4: Loving the deal and ignoring common sense.

The Bible says, “Pride goes before the fall”. I have seen people try to buy a piece of property and lender after lender turns it down because the value is not justified or something. Yet, instead of realizing that smart financial people are telling you the deal is bad they persist to keep trying to buy it. Sometimes even getting hard private money at exorbitant rates that will NEVER TURN A PROFIT for them. One of my millionaire buddies has a saying, “People would rather be right then rich” and I see it

all the time. Remember, banks and lenders are in the business of lending money. They want to lend money on deals that make sense. If EVERYONE says your deal does not make sense LISTEN TO THEM. Get out of the deal or partner with someone who knows how to make it work or something. Don’t resort to ridiculous interest rates because you believe you HAVE to have this property. Again, heed advice and be smart.

HELPFUL TIP: Besides speaking to an expert BEFORE buying put pen to

paper and make sure the deal makes sense. Remember what your goals are and what return on investment you are looking. And then look at the worse case scenario. Can you handle it? If the only people willing to loan you on a property are charging you 14%-are you sure you can make it profitable. Get your pride out of the way and get real with the numbers. It is better to eat a little crow and live to invest another day then throw it all away on a deal for ego’s sake. Avoid these 4 common pitfalls and your profitability will soar!