

Lender's Fees

Early Repayment

Commercial mortgages tend to attract heavy **Early Repayment** Charges. The penalties usually apply to variable rate loans as well as those offering special terms like Fixed or Capped Rates. A typical Variable Rate **Early Repayment** Charge would be 3-6 months interest or a percentage of the mortgage; which would reduce each year.

Sub-Prime Lenders

The **Sub-Prime** market comprises those with previous credit problems, small companies with limited trading track records and those who are unable to provide audited accounts. Lender's operating in these markets tend to charge higher fees to reflect the additional risk of lending.

Bridging Finance

Bridging Finance¹ tends to be more expensive to arrange than a conventional Commercial Loan. The fees will take into account the size of the loan and the risk involved. Typically a lender could charge an acceptance fee of 2% for **Open Bridging**², and there is likely to be an exit fee of around 1% when the arrangement ends.

Development Finance

Development Finance usually has higher fees than a Commercial Mortgage. These include Acceptance and exit fees as well as fees for On-going valuations where the releases of stage payments are required.

Valuation Fees

The Lender will require a valuation of the property offered as security for the mortgage. Where the mortgage will be serviced by a trading business, the lender will usually require a **Business Appraisal Report (BAR)**³. Valuations and BARS are often considered as a combined package. There is no standard scale of fees which apply across the industry. Where a BAR is not required the Lender will charge for a Valuation only. Commercial Property valuations tend to be more expensive than their residential counterparts.

Legal Fees

Buying a Commercial property involves a transfer of land, the **Legal Fees** are typically between 0.5-0.75% of the value of the property and depending on the complexity of the work involved.

Stamp Duty Land Tax (SDLT)

Up to and including £150,000 where annual rent is <£1000 SDLT is 0%

Up to and including £150,000 where the annual rent is >£1000 SDLT is 1%

£150,001-£250,000 SDLT is 1%

£250,001 -£500,000 SDLT is 3%

£500,001 + SDLT is 5%

¹ Is a method of financing, used to maintain liquidity while waiting for an anticipated and reasonably expected inflow of cash. Bridge financing is commonly used when the cash flow from a sale of an asset is expected after the cash outlay for the purchase of an asset. For example, when selling a house, the owner may not receive the cash for 90 days, but has already purchased a new home and must pay for it in 30 days. Bridge financing covers the 60 day gap in cash flows.

² Open bridging is higher risk for the lender. This is where the borrower does not have an exact date for the bridging finance exit and may be looking for a buyer of the property or land.

³ An assessment of whether the business is likely to be able to service the mortgage; prepared by a specialist.