

**HARBORWEST**

# COMMERCIAL INTEREST RATES GUIDELINES



## MULTIFAMILY (5+ UNIT) LENDING PROGRAM

Nationwide multifamily (5+ units) financing solutions starting at \$1,000,000 for purchase, refinance, bridge and construction investment property needs.

## COMMERCIAL & NNN LENDING PROGRAM

Nationwide commercial & NNN financing solutions starting at \$1,000,000 for purchase, refinance, bridge and construction investment property needs.

## OWNER-USER BUSINESS LENDING PROGRAM

Nationwide owner-user business financing solutions starting at \$1,000,000 for purchase, refinance, bridge and construction business property needs.

# COMMERCIAL MORTGAGE BROKERAGE. SIMPLIFIED.

**HARBORWEST** is a nationwide commercial mortgage brokerage and advisory company. Our team specializes in providing commercial real estate financing strategy and solutions for high net worth California investors, developers and business owners.

We are proud to be #1 rated in our industry by **GOOGLE BUSINESS** for 2019, 2020 and 2021. Explore client reviews for insight into proven results with our team (*100+ reviews*).



**LET'S CHAT.**  
949-735-6415

**HARBORWESTCOMMERCIAL.COM**

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## WHAT ARE COMMERCIAL INTEREST RATES IN GENERAL TODAY?

HARBORWEST maintains strong relationships and consistently monitors rates from over 275 active commercial lenders in the marketplace. Please use the link below to check current rates for multifamily, NNN, office, industrial, retail, owner-user, self-storage, mixed-use, hospitality and special use commercial. Properties that are not “stabilized” such as commercial deals that require bridge/rehab financing, private money financing, or construction loans – would be different and have higher averages.

[Click Here](#) for current market rates.

## HOW ARE COMMERCIAL INTEREST RATES DETERMINED?

Fixed interest rates for commercial real estate mortgage loans are determined case-by-case by lenders. They are more difficult to quote compared to residential loans, as commercial loans are priced based on risk since they are investment properties. While there are some rules of thumb, its important to provide full due diligence to lenders in order to receive accurate loan terms. Commercial rates are usually a factor of three elements: the market index the lender has selected, the lender’s margin/spread over that index, and client selected program features.

The market index can be usually one of a few public indexes. The market index serves as a benchmark which the lender does not have control or influence over, that will fluxuate daily with the markets. Some of the most common indexes used include TREASURY, SOFR, LIBOR, SWAP, CMT AND PRIME RATE.

The lender margin or spread is the add-on to the selected index that yields your final “all-in rate”. Spreads are determined by the lender ultimately by their risk assessment of the deal. The riskier the deal is for them, the larger the spread will be in order to compensate for that risk. This is where mortgage broker negotiations occur, and where lenders can get competitive. Below are some of the most commonly reviewed risk or qualification factors that can affect your rate (+/-).

- DSCR & DY Ratios
- Loan-to-Value (LTV)
- Tenancy Risk
- Tenant Quality
- Operating History
- Quality & Stabilization
- Property Type/Location
- Borrower Credit
- Borrower Experience
- Borrower Financials
- Personal Guaranty
- Lien Position

**LEARN MORE.**  
**Schedule a Call.**



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## HOW CAN A CLIENT GET INTEREST RATE DISCOUNTS?

The final determinant of “all-in” interest rate is client selection. Borrowers cannot control the index or the spread, but there are program factors you can control that affect your interest rate. Below are the most common ways to improve your interest rate.

- Shorter Fixed Rate Period
- Giving Personal Guaranty
- Stricter Prepay Penalty
- Shorter Amortization Period
- Higher Loan Amounts
- Lower LTV / More Equity
- Bank Relationship / Deposits
- Cross-Collateralization
- Paid Points Upfront
- Accepting Added Conditions
- Mortgage Broker Selection
- SWAP Loan Structure

## WHAT ELSE SHOULD I KNOW ABOUT COMMERCIAL RATES?

**BEYOND INDEXES.** Commercial rates are not only impacted by changes in index rates such as the benchmark 10-year US treasury rate. While index rate flux does drive much of any changes, lenders are still going to have floor rate minimums where it would not make sense to do business if they had to go below. Lenders also have internal costs of funds to consider and demand for certain property types or locations. So, changes in index rate may not directly parallel changes in commercial mortgage rates.

**ONLINE AVAILABILITY.** Commercial interest rates seen online are only estimates. As you now know, finalized interest rates are based on risk and qualification, which can only be accurately determined after full due diligence. We can do our best to provide averages and high-volume surveys to manage client expectations, but at the end of the day anything online is going to be an estimate.

**ADJUSTABLE PERIODS.** Commercial mortgage rates are most commonly “hybrid loans”. They are rarely fixed for 30 years like in residential. Commercial program defaults are fixed rates for 5, 7 & 10 years. Once the fixed period is over, the loan is due or goes to an adjustable rate. The terms of that adjustable period (floor, ceiling, frequency, adjustment spread, etc.) are just as important as your initial fixed rate.

**OVERALL PAYMENT.** We find most clients when asking about commercial mortgage rates are actually more concerned about their overall payment and their monthly cash flow. So, while actual interest rate is important – your amortization period, interest-only period options, and impound or reserve requirements actually have a larger impact on your overall payments. Make sure to discuss with your mortgage advisor.

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