

Differences Between Commercial and Residential Lending, With Expertise From Bryan Ziegenfuse

The Ins and Outs You Need to Know about Real Estate Lending

WAYNE, PENNSYLVANIA, USA, April 12, 2019 /EINPresswire.com/ -- In the real estate world, buying a home (residential lending) and a business buying a property (commercial lending) are very different. "The requirements and processes for purchasing commercially vs. residentially vary widely," said Bryan Ziegenfuse, who has a decades-long career across the lending, capital markets, finance and portfolio management disciplines.

[Bryan R. Ziegenfuse](#) has led numerous corporate initiatives across risk management, capital preservation, customer experience and asset management. "There are several important distinctions between commercial and residential lending," [Bryan R. Ziegenfuse said](#). "If you're only familiar with one, don't assume going into another type of lending that the process or terminology will be the same."

At its simplest, residential loans deal with living space— like homes, condos and apartments — while commercial loans are for commerce — like land, office space, retail space and industrial space.

One main difference between commercial and residential lending is who handles the process. To purchase a home (residential), a mortgage lender is used. But when someone wants to buy a commercial property, a lending company that has expertise in that type of property should be used. Commercial lenders typically specialize in a particular area, such as land, office space, retail space, etc. "Capital sources and interest rates for different types of commercial property vary greatly, so it's important to find a lender who specializes in what you are purchasing so they can analyze your property loan accurately," Bryan Ziegenfuse said.



Another difference is the length of repayment on the loan. With residential home loans, a 30-year term is the standard, though 15 and 40-year terms are also options. On the other hand, the risk is deemed to be greater with commercial loans than residential, so shorter terms are typical for commercial loans. A 10-year term is the standard.

The down payment required is yet another difference between commercial and residential loans. When it comes to a residential loan, the down payment is typically negotiable depending on the housing market, said Bryan Ziegenfuse. In some cases, a zero-down mortgage is possible if the borrower has good credit. But since commercial loans are considered riskier, a 20 percent down payment is the standard.

A final differentiating factor between these types of loans is the potential penalty for prepayment, [said Bryan R. Ziegenfuse](#). While a residential home loan can be paid off any time without a penalty, there are usually prepayment penalties that apply to commercial real estate loans, usually on a sliding scale.

“At the end of the day, keep in mind that commercial real estate loans are considered riskier, so there are rules attached to that that don’t necessarily apply to residential loans,” said Bryan Ziegenfuse.

Caroline Hunter
Web Presence, LLC
+1 7865519491
[email us here](#)

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