

# Business Voice

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# The Top 5 Things You Need to Know About Refinancing a Business Loan

**By Chris Schlaffman, Vice President of Commercial Lending at Clark County Credit Union**

In the current rate environment, many business owners are considering refinancing their commercial property, but a lower rate is not the only reason to refinance a business loan.

Consolidating equipment loans or doing improvements to the property are other good reasons to refinance. Another is to pull out some working capital so you can expand/grow your business. The best way to find out how much money you are eligible to take out of your business in a refinance is to call your financial institution to discuss your plans.

To help with this discussion, here are the top five things you should know about refinancing a commercial loan:

## 1. When is the best time to refinance?

Interest rates are at historic lows! Now is the best time to discuss your options for you and your business.

## 2. What fees are involved with a commercial refinance?

There are third-party fees such as title fees and appraisal fees but there is typically a financial institution fee which is between 1/2 and 1 point. Also, understand what you are signing and the terms of the loan. Many people have gotten into loans with significant prepayment penalties or other terms that they don't understand and it has hurt their business.

## 3. Are both personal and business credit checks done?

Yes, as a small or medium size business the principals of the business are required to guarantee the loan since they are the business. Typically, a small business owner wears many hats including sales and operations, so they are required to guarantee the loan. Have your financials updated, not only your personal financial statement but also the business financials, before you apply for refinancing.



**Chris Schlaffman**

## 4. Are there different types of refinances for a commercial loan?

Yes, commercial loans come with different terms depending on the needs of the business. There are fixed rate loans, variable rates and shorter amortization options. You also have the possibility to refinance a property with an SBA loan which has very low fixed rates.

## 5. What should I look for when selecting a lender?

You should look for a financial institution or an individual lender with stability, one that has been in the market for a number of years and has the experience to assist you and your business. You want a lender that will listen to the needs of your business during both the good and difficult times.

When considering a refinance of a commercial loan, knowing the answers to these questions will put you on track for success.

Lastly, trust your lender. They are investing their depositors' money in your business, so they want you to succeed as well. Talk to them if you have run into a difficult situation - they may have a way of helping that you haven't thought of yet.

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