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## Commercial Real Estate for Legal Support Staff

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# Commercial Lending

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*Commercial Real Estate for Legal Support Staff*

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## **INTRODUCTION**

Commercial lending as a practice area really is collaborative by nature and it requires all of the parties to work together in order to ensure that everything goes smoothly. Whether you are acting for the lender or the borrower, it is important that you understand all of the pieces and how they fit together.

## **UNDERSTANDING THE COMMITMENT LETTER**

Whether you are acting for the borrower or the lender, the commitment letter (or letter of offer, or loan agreement, etc.) is typically the first step in a commercial lending transaction. If you are acting for the lender, you will generally receive this document along with instructions from the lender. If you are acting for the borrower, you will typically receive a copy of it along with the transmittal letter and security documents from the lender's lawyer.

I am constantly surprised by how many lawyers and paralegals do not review the commitment letter!

Although the lender instructions or transmittal letter will typically set out details about the transaction, it is very important to review the commitment letter itself. It is this letter that sets out the basics of the "deal" between the borrower and the lender and will often include information to help you better understand what is taking place.

My practice is to compare the commitment letter to the lender instructions or transmittal letter to ensure that everything required under the commitment letter has been addressed in the other documents. If there is anything in addition asked for in the lender instruction or transmittal letter, it is also good to understand the reason for that – particularly if you are acting for the borrower, who may not understand why an additional piece of security or documentation is being requested. Borrowers are often already overwhelmed by the process and when something unexpected arises, they can become quite anxious.

The commitment letter overall will set out the terms of the loan, who the parties are (the borrower, the guarantors), how funds will be advanced, the lender's requirements, the necessary security documents, and certain other additional information or document required. Commitment letters come in all shapes and sizes depending on the lender and many of the details will be located under different headings depending on the lender.