

Are you Acquiring Title thru your Moisod or as an individual?

Your answer to this question will determine whether you finance your Chabad House with a Residential Mortgage or a Commercial Mortgage. If you purchase in your own name you will obtain your mortgage thru a Residential Lender based on a specific set of qualification guidelines. If you finance thru your moisod, then you will obtain your mortgage from a Commercial Bank; the bank will most likely be a "smallish" community bank or a bank that has a specific niche in nonprofit lending.

Here is an "apples to apples" comparison of the potential pros and cons derived using residential vs. commercial financing:

ADVANTAGES OF COMMERCIAL BANK FINANCING

- ✿ Property Tax Exemption if purchased by Mosod
- ✿ Arguably an easier capital campaign for BB's to feel part of
- ✿ Doesn't depend upon personal credit or income

ADVANTAGES OF RESIDENTIAL FINANCING

- ✿ 30 year, fully amortized term
- ✿ As little as 3.5% down payment (30-40% for Commercial)
- ✿ Little to no closing costs
- ✿ Property owned by the Shliach
- ✿ Doesn't depend upon Mosod's books & records

	RESIDENTIAL	COMMERCIAL
Purchase Price	800,000	800,000
Down Payment	240,000	240,000
Loan Amount	560,000	560,000
Interest Rate	4.25%	5.00%
Term	360 months	84 months
Balloon Payment	no	yes; EOY 7
Amortization	360 months	240 months
Monthly Principal & Interest	2,755	3,696
Monthly Property Taxes	833	0
Total Monthly Payment	3,588	3,696
Balance EOY 7	485,000	423,000
Closing Costs	3,000	18,000
Net Cost EOY 7	790,000	737,000

The scenario described above favors the commercial financing over the residential financing by over \$50,000. But two compelling arguments can be made for the use of residential financing; greater leverage (lower down payment), and elimination of interest rate risk. Interest rate risk is the uncertainty about the cost or availability of a new mortgage in the far future.

In conclusion, it is prudent to carefully consider your options before reaching a decision as to how to finance your mosod.