

Commercial Real Estate Loan Transaction

Task-line

A step-by-step guide to show how Practical Law Canada supports you



Abstract: A task-line from Practical Law Canada written by our lawyer-editors to help you carry out a commercial real estate loan transaction between a corporate borrower and a lender secured by a single parcel of commercial real estate.

Scenario

Your firm has been retained by a bank to represent it in connection with a loan that the bank will be making to a Canadian corporation. The proceeds of the loan will be used to acquire a shopping centre (commercial real property) occupied by several retailers.

The bank and the borrower have negotiated and signed a commitment letter and term sheet, which have just been provided to your firm. Your firm has been asked to:

- Prepare all of the required documentation for the transaction, including a draft of the mortgage, as quickly as possible, with a view to circulating the draft agreement by the end of the week to the borrower.
- Assist with the closing of the commercial loan transaction, including the transfer of funds and the registration of the security documents and other closing-related matters.

Challenges



Client expectations

- Your client needs a polished draft of the mortgage and closing documents within a very tight time frame so that it can be negotiated with the borrower well in advance of the scheduled closing date. Your client has promised rapid turnaround to the borrower and is counting on you to make her look good.
- The client expects your document to reflect the most current market provisions for similar loans secured by commercial real property encumbered by retail leases. While you are an expert in the area, your firm precedents have not been updated recently, and were heavily negotiated and customized, so do not necessarily include market-standard provisions.



Managing time and costs

- Your client has indicated that the legal costs associated with the transaction have been a sensitive point in its negotiations with the borrower, and your firm has agreed to cap its fees at the lower end of the range it would charge for similar deals.
- This is your first time acting for this client and you want to impress them by delivering the draft mortgage and practical advice promptly and within the quoted cost.
- While you have extensive expertise with commercial real estate loan transactions, time constraints and cost considerations demand that you leverage the time of junior lawyers in your group to complete the transaction within the tight timeline and budget.



Expertise

- Assessing whether specific terms of the agreement you are working with are consistent with evolving market practice is something your firm can do – but it is time-consuming. You need a faster way to collect and review the terms of recent comparable loans or find a resource that has done this for you already.
- A full team effort will be required to meet client expectations for this transaction. While you have the expertise to draft a bespoke agreement, you cannot afford to spend the first three days of the transaction with your door closed while you draft the mortgage. You need a faster and more efficient way to focus your expertise on where your highest value is: identifying and negotiating critical deal points, leading the team, and providing ongoing advice and support to your client.



Click on the resources listed to see how Practical Law Canada supports you in a commercial real estate loan transaction.

PREPARE AND DRAFT MORTGAGE OR LOAN AGREEMENT

Standard Document, Loan Agreement (Bilateral Loan)
Standard Document, Commercial Real Estate Loans: Mortgage

COMMENCE AND CARRY OUT DUE DILIGENCE

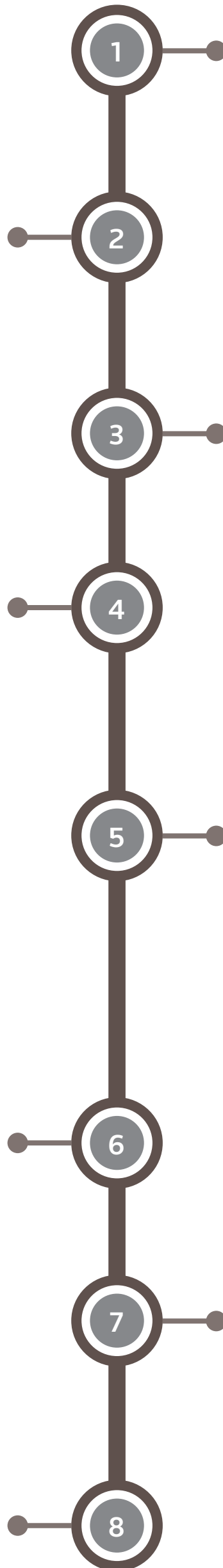
Practice Note, Due Diligence: Commercial Real Estate Loan Transactions
Practice Note, Due Diligence: Conducting Public Office Searches
Toolkit, Due Diligence (Lending) Toolkit
Standard Document, Due Diligence Summary Template: Organizational Documents
Standard Document, Due Diligence Summary Template: Agreements
Practice Note, Title Insurance Policies: Overview (Lender)
Standard Document, Commercial Real Estate Loans: Tenant Estoppel Certificate

ASSESS AND REVIEW SECURITY AND ANCILLARY CLOSING DOCUMENTS REQUIRED

Practice Note, Commercial Real Estate Loans: Security Package: Overview
Toolkit, Closing a Commercial Real Estate Loan Transaction: Loan and Security Documents Toolkit

CLOSING AND REGISTRATION

Practice Note, Commercial Real Estate Loans: Registration and Priorities of Security Documents
Standard Document, Commercial Real Estate Loans: Acknowledgment and Direction re: Electronic Registration
Checklist, Title Insurance Policy Checklist (Lender)
Standard Document, Direction re: Funds and Re-Direction re: Funds for a Commercial Real Estate Acquisition
Standard Document, Receipt of Funds



REVIEW THE TERM SHEET AND COMMITMENT LETTER

Practice Note, Overview, Term Sheets: Overview
Standard Document, Term Sheet: Senior Secured Bilateral Loan
Standard Document, Commitment Letter: Firm Commitment (Syndicated)

ASSESS, MANAGE, AND ORGANIZE CLOSING OF TRANSACTION

Practice Note, Transaction Steps in a Secured Commercial Real Estate Financing: Overview
Practice Note, Commercial Real Estate Loans: Closing
Standard Document, Commercial Real Estate Loans: Closing Agenda: Real Property

MANAGE AND ORGANIZE CLOSING STEPS

Standard Document, Closing Agenda, Commercial Real Estate Purchase and Sale
Checklist, Closing Documents Checklist
Practice Note, Purchase and Sale of Commercial Real Estate: Closing
Practice Note, Title Insurance Policies: Overview (Lender)

PREPARE DRAFT CLOSING DOCUMENTS

Standard Document, Commercial Real Estate Loans: Assignment of Contracts, Warranties and Insurance Policies
Standard Document, Commercial Real Estate Loans: Assignment of Leases and Rents
Standard Document, Commercial Real Estate Loans: Tri-party Beneficial Owner Agreement
Standard Document, Commercial Real Estate Loans: Subordination, Non-Disturbance and Attornment Agreement
Standard Document, Environmental Indemnification Agreement
Standard Document, Commercial Real Estate Loans: Escrow Closing Agreement
Standard Document, Officer's Certificate: Bring-Down Certificate

About **Practical Law Canada**

Practical Law Canada helps lawyers increase efficiency, serve clients and business partners more effectively, tackle unfamiliar topics, and keep up with legal developments. Our expert team of lawyer-editors creates and maintains up-to-date, practical resources that reflect the latest law and practice.

To get full access to the resources listed, request a free trial at

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