
WHY DO INVESTORS USE HARD MONEY?

PRIVATE



MONEY LENDERS

Hard money lenders can decide within 24 hours after receiving a complete package from the borrower. The entire transaction can be completed within 7 to 10 business days!

TSI DIGITAL DIGEST



THE SYNCHRONICITY INVESTOR

No matter if you are a homeowner, a small business owner, or a decision-maker at a real estate conglomerate, The Synchronicity Investor (TSI) is committed to providing you with choice and transparency so that you can make informed decisions.

With all of the information and misinformation that is out there, we want to make it easy for you to find the resources that you need. We encourage you to think of TSI as your go-to source.

Note: Content for the TSI DIGITAL DIGEST is provided by Real Property Experts LLC and authored by Pierre Mouchette

PUBLICATIONS

All publications provide accurate and authoritative information for:

- ◆ **HOMEOWNERS** - obtaining homeownership, maintaining your investment, and much more.
- ◆ **REAL ESTATE PROFESSIONALS** - we provide excellent educational material to enhance your career and the services you provide to others.
- ◆ **INVESTORS** - we have content related to legal services, accounting, financing, taxes, insurance, management, investment, and more.

WEBSITE

THE SYNCHRONICITY INVESTOR website contains hundreds of articles on **Real Estate**, everyday **Life**, and the **Environment**.
- ALL AVAILABLE FOR FREE -

There you will find more Books, Booklets, Guides, How-to-Articles, Environmental and Life Knowledge Publications.

TSI DIGITAL DIGEST

This publication will provide you with information and knowledgeable facts on topics that may challenged you.

This Real Property Experts LLC (RPE) publication provides information about the subject matter covered. The author and publisher of the TSI DIGEST are not acting as licensed professionals in presenting the subject content. They are not licensed (if required by your locale) to give advice generally provided by licensed professionals in this content's fields of expertise, nor are they responsible for errors and omissions. The information and statements made are for educational purposes only and are not intended to replace a one-on-one relationship with licensed professionals. You are solely responsible for the use of any content. You hold Real Property Experts LLC, its subsidiaries, and members harmless in any event or claim, demand, or damage, including reasonable attorneys' fees, asserted by any third party, or arising out of your use of, or conduct on, articles and products.

RPE provides applicable content and breaks down complex topics, so they are easier to understand. Information given may not apply to your specific situation, and the products or services recommended

may not be a good fit for your application. While RPE strives to provide accurate, up-to-date content, we cannot guarantee the accuracy and completeness of the information provided. Using this content, you understand that all material is an expression of opinions and not professional advice.

RPE regularly updates articles, but we may miss something. Use our content as a starting point before selecting to use and choose a service or product. RPE advises you to keep up to date on your locale activities by consulting with the appropriate licensed professionals for decisions that could affect you.

WHY DO INVESTORS USE HARD MONEY?

Pierre Mouchette, author



TSI DIGITAL DIGEST
an RPE Publication

In This Digest

Hard Money Loans	3
Why Are Investors Willing to Pay Such High Rates?	3
Who Uses Hard Loans?	5

Tags: hard money, rehab loans, purchase property, private mortgage loans, investor

Hard money lenders can decide within 24 hours after receiving a complete package from the borrower. The entire transaction can be completed within 7 to 10 business days!

Hard Money Loans

Hard Money Loans or Rehab Loans may be provided by private individuals or hard money lending companies. The characteristics of hard money loans are short-term, high-interest rate, and low LTV (loan to value) ratio. They are referred to as rehab loans because their typical use is to purchase properties for rehab. After the property is repaired, the investor will either sell the property or refinance it with conventional financing to keep it as a rental property.

Hard money loans are private mortgage loans secured by private lenders instead of a bank, lending institution, or government agency. Acquisition and Rehabber loans are asset-based hard money loans with a short-term life (six months to three years), made to professional real estate investors to purchase and rehabilitate real estate property. That means that the decision to lend is based on the property's value being placed as collateral, not on the mortgagor's credit. Security for the loan is augmented because the loan represents a maximum of 60 to 65% of the property's appraised value. Investors can expect to pay interest rates of 14-23% and 4-8 points.

Why Are Investors Willing to Pay Such High Rates?

There are many reasons, but most fall within the following categories:

- Speed of closing the transaction: Mortgage money obtained from banking or institutional sources usually take between 45 and 90 days to fund. These lenders require an appraisal to prove the property's actual value and require detailed information on the borrower's credit history, current financial status, and supporting documentation such as financial statements and tax returns. Hard money lenders can usually complete the transaction within 7 to 10 days. Since the property itself is the main criteria to determine eligibility, much less information on the borrower is required resulting in a quicker approval. Usually, within 24 hours after receiving the complete package, the decision is made.
- The borrower may not want or be able to provide all required information: The borrower may be in the process of divorce or business separation and not like other parties obtaining their financial statement. Additionally, the borrower may not have all the financial information on their properties and business up-to-date. Although these items would hamper an institutional mortgage, they should not affect a hard money loan.

- The investor/borrower/real property does not qualify for an institutional loan: This could be anything from low FICO scores, too much debt, or the property not producing enough income. Also, the amount of the loan may disqualify the borrower.
- The ability to borrow more than what an institutional loan would make requires less investor capital than the institutional loan with no seasoning requirements.

Lender Parameters - the following four items make up the parameters for most lenders:

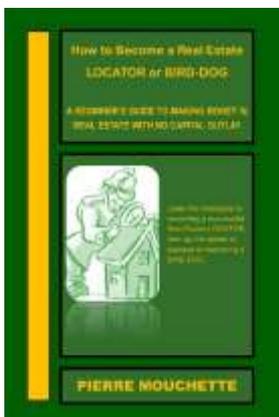
- The most important consideration for the hard money lender is the loan to value (LTV). Most lenders will typically lend up to 50% on raw land or undeveloped property, 65% on commercial income-producing properties such as office buildings, shopping centers, warehouses, etc., and 70% on residential income property such as multi-family or apartment complex. The keywords here are 'up to.' Most lenders will go the maximum if all lending criteria are met or compensating factors.
- Of secondary importance is the type of property to be lent on. If the lender can, and I say, can readily dispose of the property in the case of default. Single-tenant properties are less desirable than multi-tenant properties, which would continue to produce income during the interim for sale period.
- Thirdly, the cash flow or income potential of the property being used as collateral. If the property were to be rented, would it generate enough cash flow after expenses to satisfy the note payment without the borrower having to supplement it? This adds considerably to the safety of the loan.
- Lastly is the borrower's exit strategy. In simple terminology, how does the borrower plan to repay the loan! Typical exit strategies are:
 - Property sale before the note is due.
 - Refinancing the property with a long-term mortgage.
 - Selling a partnership interest in the property to an equity investor.
 - An additional requirement might be that the collateral is improved property, with enough income to pay the note and the property's value securing it.

Due Diligence - a way of stating how the lender protects themselves against making bad loans and how their investment can be protected.

- The appraisal report: Ordered by the lender through a trusted appraiser whose work and opinion they are comfortable with. The entire appraisal encompasses market, cost, and income.
- Title insurance: To protect the lender against a claim made against the property title.
- Fire and hazard insurance: Ordered by the borrower to protect the lender against fire and other property destruction.

Who Uses Hard Loans?

- Investors with poor credit, undocumented income, or short work history.
- New investors who cannot demonstrate enough income or cash reserves to qualify.
- Investors who do not have enough cash to close with a conventional loan.
- Investors who need purchasing funds.
- Highly leveraged investors.
- Investors who need renovation funding.
- Investors buying properties that need significant repairs.
- Buyers of properties that will not appraise as-is for an acceptable value.
- Buyers dealing with distressed sales must close in days, not weeks.
- Buyers of rental properties which are under-rented, in need of repair, or otherwise problematic.
- Property owners with high equity need quick access to cash for any reason.



Featured Book

How to Become a Real Estate LOCATOR or BIRD-DOG

This GUIDE will provide the entrepreneur with the know-how to become a residential real estate LOCATOR, and thereafter, the educational know-how to becoming a BIRD-DOG. These positions require no capital outlay and give the individual an introduction to a rewarding new and exciting career. All fundamentals are reviewed and explained so that you will be up and running in a short period of time.

Buy on [AMAZON NOW!](#)

[TSI-Book Store:](#)

Books; Manuals and Guides
for upload in PDF format.

Thanks for reading!
If you enjoyed this TSI Digital Digest, share it with family and friends.
Please take a moment to let us know how we are doing.
Your support does make a difference.

[Comments](#)

The Real Property Experts Website Family

[Real Property Experts](#) | Authors Website
[The Synchronicity Investor](#) | Website Collective of RPE Publications
[TSI-BizSense](#) | Recommended Products and Services

Copyright © 2021 | Real Property Experts LLC | All Rights Reserved

Why Do Investors Use Hard Money

RP-009