GUIDE TO

HARD MONEY LOANS

REAL ESTATE INVESTORS GUIDE





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"Hard money lenders are an excellent resource for real estate investors. This includes the beginner investor that may have limited resources of both cash and credit. Teaming with a hard money lender on your investment team, this allows you to submit offers on projects, close on those projects and have the funds to also complete the job!"
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Hard money lenders are an excellent resource for real estate investors. This includes the beginner investor that may have limited resources of both cash and credit. Teaming with a hard money lender on your investment team, this allows you to submit offers on projects, close on those projects and have the funds to also complete the job!

When people hear the term "hard money", many have their own opinion of what this means. One person can think that this type of money is hard to obtain. Actually, this is quit the opposite, hard money loans are the easiest to procure. With investing, you may hear the terms "hard" and "soft" money. Hard money has strict terms and repayment schedule. Soft money has easier terms and a flexible repayment schedule.

When hard money loans were designed, they were made to specifically service short-term real estate investments. In your investment portfolio will be flipping properties or building something new, the PROs of hard money definitely outweigh the CONs.

You can use Hard Money Loans for:

- Acquisitioning Properties and also Rehabbing
- Property Improvements
- Apartments
- Bridge Loans
- Construction Developments
- Commercial Projects
- Alternative Financing on Distressed Loans

Major financial lenders are more restricted at lending money, where hard money lenders are not. Hard money loans are more flexible that a conventional mortgage of construction loan.


"Is There a Difference Between a Private Lender and Hard Money Lender?"
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Is There a Difference Between a Private Lender and Hard Money Lender

There are different perspectives regarding the differences between a "private lender" and a "hard money lender". For the most part...they are about the same, which is a non-institutional lender offering a short term mortgage to real estate investors.

An individual investor that will lend their own money and may not charge any points, a.k.a origination fees, this is known as a private lender.

A private lending company that charges points and may get their funds form investors is known as a hard money lender.

Sometimes these terms are used synonymously with each other. Lending companies, which many real estate investors refer to "hard money lenders" will mostly refer to themselves as a "private lender" or a "private money lender". There are some lending companies that do not want to be associated with the word "hard money"...as they feel it has a bad connotation and it may appear that they are unprofessional of have extremely high fees.

Here are Benefits of Doing Business With a Private Lender:

- More Professional
- More Reliable
- Rarely Runs Out of Money
- Reputation
- Legal Compliance
- Easy to Find
- Experienced
- Guidelines
- Multiple Programs to Choose From



Benefits to Borrowing From an Individual Private Investor Lender:

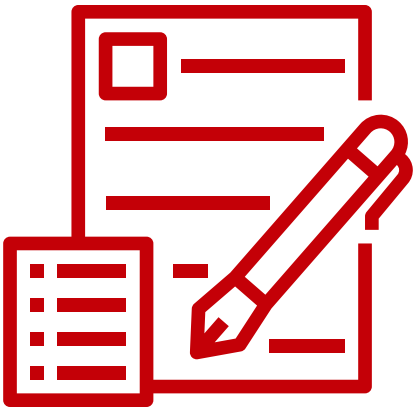
- Could Offer Higher Leverage
- May Want to Consider a Joint Venture or Hold an Equity Position
- Possibly More Flexible in Terms


"Requirements of a Hard Money Loan"
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Requirements of a Hard Money Loan

Hard Money Loans are may be capped at 65 - 70% of LTV (loan-to-value). There are programs that will go up to 80% with great credit, lender relationship and the more documentation you can provide, may increase the LTV. Values of the properties are normally based on the ARV (after-repaired-value).

1. **Money Out of Pocket to Acquire Loan**
   a. Down Payment Money id acquisition is more than LTV assessment
   b. Lender Fees
   c. Closing Costs for Title Company Expenses
   Insurance
2. **Property Information**
   a. Address of Property
   b. Pictures
   c. Pictures of the neighborhood street view
   d. Area Assessment of rehabilitation an growth
3. **Value of the Property**
   a. CMA – Comparative Market Analyses As Is
   b. CMA – Comparative Market Analyses After Repaired Value
   c. Tax Record
4. **Repair Evaluation Scope of Work**
   a. Roof
   b. Foundation
   c. Plumbing
   d. Electrical
   e. Carpentry
   f. Paint
   g. Flooring
   h. Kitchen
   i. Bathroom
   j. Proposed additions
   k. Landscaping and Fence
   l. Demolition and Clean Out
   m. Miscellaneous



5. **Documentation**
   a. Contract to Purchase and Addendums
   b. Assignment of Contract if applicable
   c. Title Commitment
   d. Proof of Homeowners Insurance
   e. Preliminary Settlement Statement (HUD-1)
6. **Exit Strategy**
   a. Sell After Job is Complete
   b. Refinance and Keep for a Rental


"Fees Charged for Private Mortgage Loans"
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Fees Charged for Private Mortgage Loans

There are some private lenders charging different types of fees prior to funding, this should not deter you. Some fees are reasonable and are typically common for private lending, each company has their own standard practice on this.

The following are some of the types of fees seen charged by lenders prior to funding short term private mortgage loans.

Appraisal Fee

Responsible private and hard money lenders will require an appraisal. The fee is typically paid upfront with the application or payment can be made directly to the appraiser.

Application Fee

These are becoming more common for some private lenders for residential property loans. The lenders that do charge a fee have decided that they are going to fund the loan, but need the commitment from the borrower. This is completely reasonable because a private lender may spend a lot of time and effort to complete the process of funding the loan. It could cost a great deal of time and money if the borrower decides to back out of the deal.

Site Visit Fee

The private lenders that only lend in one single market may typically visit every property they fund and meet the borrower as well, without charging any sort of fee for their time and travel. There are some lenders that may charge site visit fees from $100 - $500.

Interest Rate

The Annual interest rate can typically range from 10% to 18% and financing costs (or points) can range from 1% to 4% of the purchase price.

Closing Costs

Documentation fee for Loan Documents can be $300-700 depending on documents needed. These are prepared by the lenders law firm.

"How to Find Hard Money Lenders?"



How to Find Hard Money Lenders

Because of your expertise in the real estate investing market, your real estate purchase is non-traditional and may be a unique situation, which mean you need the best hard money lender for your investment.

Ways to Find a Hard Money Lender:

1. On the Internet
2. Realtor Referral
3. Mortgage Lenders
4. Other Real Estate Investors
5. Real Estate Investment Clubs and Networking Events
6. An of course me, Mike Davis. You can email me at mike.davis@procommorcecapital.com



Evaluate the Lender Like They Evaluate You

1. Check Out Their Reputation - Get References and Check Them
2. What Is Their Timeline?
3. What Are All of Their Fees and Charges?
4. What Documentation Are You Required to Provide?
5. When Are Monthly Payments Due?
6. Are Monthly Payments Interest Only?
7. How Is the Loan Amortized?
8. What Is the Term of the Loan?
9. Is There a Loan Renewal or Extension and If So Is There A Fee?
10. What Are the Construction Draw Procedures?
11. Is There a Fee for Draws?
12. Is There a Pre-Payment Penalty?
13. Who Are My Contacts in The Company and Their Information?


"Things to Think About..."
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Things to Think About...

The most important thing to understand is that hard money lenders are most concerned about the value of the property or project. The want to make sure that if the investor defaults, they will have an asset from which they can recover their original investment and more. Hard money lenders have zero desire to take the property back and have to finish the rehab and resell the property. They will make sure they are secure in their position in the loan in case that scenario happens.

Hard money loans are only for the first position, this means they can not be in a second lien position on a property. They will not lend money to a borrower who needs a second mortgage for lack of equity. If there is a default, they want to make sure they are first in line to recoup their money.



The timeframe for obtaining a hard money loan can vary with lenders. Loans can fund in as little as 3 days up to 30 days. Standard practice is about 14 - 21 days.

Hard money loans may sound expensive, however it is the cost for OPPORTUNITY, you are getting a property below market value for future profits. REMEMBER...these are for short term only!

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EACH PARTY SHALL CONDUCT ITS OWN INDEPENDENT INVESTIGATION AND DUE DILIGENCE.

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IMPORTANT INFORMATION

Real Estate investing has large potential for rewards and profits. But Real Estate investing has large potential for risk and loss. You must be aware of these risks and be willing to accept these risks to invest in real estate. Do not trade with money you can't afford to lose. No representation is being made by ProCommerce Capital, Mike DAvis, AND ANY OF THEIR AFFILIATES OR REPRESENTATIVES that properties, resources, or opinions mentioned in this eBook or their public websites, will or is likely to achieve profits or losses similar to those shown or evaluations generated by this eBook or websites.



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