

Funding, Finance and Credit

What is a hard money loan?

A loan underwritten with the value and condition of the property as the most important criteria for approval. Other issues may include the borrower's credit, the ability of the borrower to repay the loan, and/or the ability of the borrower to either manage the property or successfully sell the property, making any necessary repairs. In a hard money loan, issues such as owner occupancy, debt ratios, etc are usually not considered. Appraisals rather than purchase prices are used to determine value. Hard money loans often offer cash out purchases as a key benefit. These loans are usually approved within just a few days and funded very quickly as well—usually in less than two weeks. Disadvantages of this loan type include a relatively high interest rate (13-16%) and high points (usually 5 to 10).

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