



MORTGAGE &

INVESTMENTS, LLC

Hard Money Guide

RESIDENTIAL & COMMERCIAL LENDING SINCE 2003

Hard Money Guide

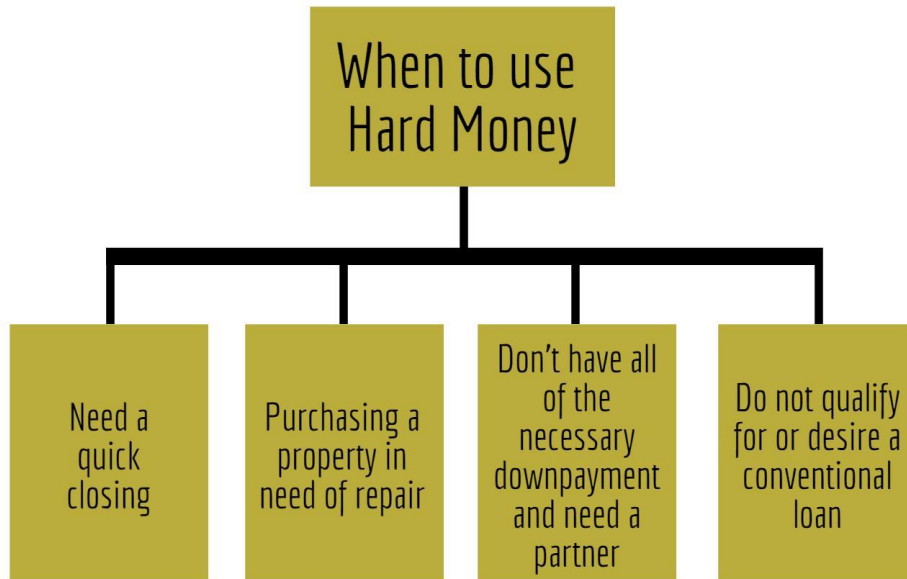
Understanding how to use it!

By Darel I. Daik, CEO, Noble Mortgage & Investments

What is a "hard money" loan anyway?

A hard money loan is a short-term asset-based real estate loan that is primarily used to purchase real estate by investors who either:

- Need a quick closing
- Are purchasing a property in need of repair
- Do not have all of the necessary down payment and need a partner
- Do not qualify for or desire a conventional loan



These loans are funded by private companies that can offer financing to borrowers or on properties where the banks and conventional lenders fall short. Depending on the **exit strategy** (how the lender will eventually be paid back) these loans may involve some income and asset verification. For example if your intention is to rent the home and then refinance at a lower rate then you and the lender would want to make sure that you qualify for conventional financing.

🔍 Exit Strategy

An exit strategy determines how the lender will eventually be paid back.

- Examples of an exit strategy:
- a) flipping
 - b) keeping as a rental, which includes refinancing

- **Flipping Homes** - For investors planning on simply “flipping” homes (reselling after repairs are completed for profit) qualifying for these loans can be very simple.
- **Rentals** - If the intention is to rent the property then a long term conventional loan will have to be arranged for after the property is completed. Refinancing into a conventional loan requires a more detailed view of their financials and may be requested to insure a permanent mortgage can be arranged.
- **Primary residences** - For consumers with credit issues or difficulty documenting income hard money loans may be an option provided a large down payment is made although most hard money lenders lend primarily to investors.
- **Cost** - Hard money loans can be expensive and typically costs 12-13% interest (mostly interest-only) plus 2-3% in origination fees at closing. Although this may sound high often these loans are paid off in less than 3 months and where taking on a partner could cost 50% of the profits it can be a valuable tool.

Why use a hard money loan?

Investors use hard money primarily for the ability to obtain more leverage, close quickly and/or purchase properties that do not qualify for conventional loan standards.

Why use Hard Money?

Leverage



Speed



Distressed Properties



- **Leverage** - Hard money lenders make loans on the after-repaired-value (ARV) of the property or what the property will be valued at *after* certain repairs are completed. The ARV is determined by an appraisal of the property that takes into account what the property would sell for after the repairs are finished. Most hard money lenders will loan 65-75% of the ARV. It is not uncommon for an investor to receive a loan with little or no money out of pocket. Many investors use hard money as an alternative to giving up 50% of their profits to a financial

partner. For example in the scenario below an investor would be able to borrow 100% of the purchase, repairs and closing costs because with an ARV of \$100,000 the loan would be \$70,000, or 70% of the ARV.

Purchase price		\$50,000
Repairs		\$15,000
Closing costs		\$5,000
TOTAL		\$70,000
ARV	=	\$100,000
New loan	=	\$70,000 (\$100,000 * 70%)

- **Speed** – Hard money lenders have the ability to close loans very quickly unlike conventional or bank lenders. 5-10 day loan closings are common as these lenders often have one decision maker at the helm to maximize efficiency.
- **Distressed Properties** – Investors understand that most of the opportunities in real estate involve buying homes in need of repairs. These “ugly” homes can often provide the greatest upside. Conventional lenders will not finance properties that are not in “move-in” condition so unless you are paying cash then a hard money lender can be a good source for funding. Hard money lenders will even loan you the money for the repairs.

Noble Mortgage & Investments provides hard money and conventional financing in Texas. To inquire about how Noble Mortgage can help you contact us at:



713-680-8100



NobleMoney.com

Author and company background:

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The Deal:



\$70,000

Hard Money:



\$70,000

Your money

$$\text{\$70,000} = \text{\$70,000}$$

Total from the Deal Hard Money Loan

Which means \$0 out of your pocket