

Published based on [Exactly How Hard Money Lenders Fund Loans](#)

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For those who have heard of [hard money lenders](#) you ought to know that they are throughout the business connected with property dependent lending. The actual property associated with the financing will be the residence that the customer is borrowing against. The loan to value ratio (LTV) for hard money loans is without a doubt considerably less than the ratios that are typical these days from banking institutions.

The standard LTV for hard money is right around sixty five to seventy percent. So a hard money lender could grant a loan of roughly 65,000 dollars to 70,000 dollars to a potential customer for a property that costs 100,000 dollars. The customer would have to have a down payment for the other thirty or thirty five percent of the property price.

A down payment of this amount is more like what traditional banks used to require for housing mortgages. Throughout the earlier part of the century, at least for personal home buying, people would have to put down as much as fifty percent of the value of their homes to get a loan. Back then interest rates were more in line with market forces and so it was more expensive to borrow. But this also encouraged more saving that of course is necessary to the growth of an economy.

These days hard money lending serves more short term borrowing needs. From a few months to maybe three years is a pretty typical loan duration. Banks generally charge a lot less for interest than do hard money lenders. As hard money lenders are exposing themselves to more risk they must charge these higher rates.

The borrowers are often funding real estate transactions that may be uncertain or highly risky given today's market conditions throughout the sector. So in case the customer cannot pay back the loan as agreed, the higher rate of interest acts as a sort of insurance policy against loss for the lender. And that is the reason for the higher down payment requirement as well. The customer is thus also incentivized to pay off the loan.

12 to 18 percent is a pretty typical range these days for hard money interest rates. Obviously this is a fair bit higher than what banks charge. Both of these rates could of course go higher throughout the near future as monetary inflation by the Federal Reserve increases and the money starts to lose more value more quickly.

Hard money lenders can grant loans very quickly and that is one of the reasons property investors rely on them so heavily. Throughout the real estate business there is often not a lot of time to transact. Many times a customer simply cannot wait the month or so it might take a bank to originate a loan. Less than a week is how fast that sometimes a hard money lender can grant the loan.

And many of these lenders guarantee funding by a certain time once they approve a loan. Knowing that the money will really be there when they need it gives borrowers more confidence throughout the lender they are using.

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