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Throughout the financial world, [hard money lenders](#) lend in what is called asset dependent funding. Hence the customer will actually put up the house he or she is planning to invest in as security for the mortgage they are trying to get. These types of mortgage providers work with an LTV (mortgage to value) ratio that's a good deal lower than what a traditional bank would offer funding for.

The standard LTV for hard money is right around sixty five to seventy percent. That means that if the property the investor wishes to purchase costs \$100,000, a hard money lender will typically advance somewhere throughout the neighborhood of \$65,000 to \$70,000. For the rest of the cost the investor will need to come up with his own money as a down payment.

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 mortgage. Market forces had more to perform with the interest rate back then and so they were a bit higher and borrowing consequently was not as cheap as it is today. But it also paid more to save as you earned more interest as well.

Mostly hard money lenders participate in short term loaning. Usually hard money lenders give loans for a couple of months to perhaps a few years. Banks generally charge a lot less for interest than perform hard money lenders. And one reason for this is the much higher risk hard money lenders are exposed to.

The borrowers are often funding real estate transactions that may be uncertain or highly risky given today's market conditions throughout the sector. So this is why hard money lenders get higher rates of interest so they don't lose money if the investor cannot pay back the mortgage. The higher down payment requirements are another reason. And it gives the investor more incentive to make good on the mortgage.

12 to 18 percent is a pretty typical range these days for hard money interest rates. So they are quite a bit higher than a bank's normal rate of four or five percent. 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.

The speed in which hard money lenders can originate loans is one of the major benefits that real estate investors are able to take advantage of. If you are an investor you know how sometimes deals have to be capitalized on rapidly. Many times a investor simply cannot wait the month or so it might take a bank to originate a mortgage. Much faster than banks though, a hard money lender can sometimes perform it in less that a week.

Once the mortgage is approved by these lenders many of them guarantee funding by a certain date. This gives borrowers a certain element of security in knowing that the money for a purchase is really going to be there when they need it.

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