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Just about all [hard money lenders](#) do what is referred to as asset structured loaning to their customers. The asset associated with the loan will be the residence which the investor is borrowing against. The loan to value ratio (LTV) for hard money loans is considerably less than the ratios that are common currently from typical mortgage lenders.

Loan to value ratios of about 65 - 70 percent are the standard going rate. Consequently if the property the customer needs 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 customer will need to come up with his own money as a down payment.

This kind of down payment requirement is actually more similar to the way conventional banking for real estate purchases used to be. A fifty percent down payment was not uncommon just a few decades ago for people to put down for a mortgage on their own home. It was also a bit more expensive to borrow then, as the interest rates were set by the market instead of central planners at the Fed. But it also paid more to save as you earned more interest as well.

Short term loaning is what hard money lenders do most of the time. From a few months to maybe three years is a pretty typical loan duration. Rates of interest will be quite a bit higher than what you pay to a bank. The higher rates are to compensate the lender for the increased risk he or she is taking on.

The borrowers are often funding real estate transactions that may be uncertain or highly risky given today's market conditions throughout the sector. Therefore hard money lenders need to charge more interest to get paid for the higher risk of default on the payments. 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. The four or five percent that banks charge is obviously a lot lower than this. 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. If you are an investor you know how sometimes deals have to be capitalized on rapidly. As a bank might take thirty days or even more to fund a loan, this is not a viable option. 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. And that type of policy helps to give borrowers some peace in mind and good will with who they are borrowing from.

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