

5 Steps to a Hard Money Loan Approval for a Real Estate Investor

Real Estate Investors can often find better loan terms by finding a Hard Money Lender through a Google Search or word of mouth. The Internet disintermediates middlemen and, with appropriate search criteria, can allow an investor to find a Direct Lender. These real estate investors expertly know about their own fix and flip or fix and rent opportunities but typically and smartly seek a trusted advisor for their financing requirements. Here are 5 simple Steps to gaining Hard Money Loan Approval from your Direct Lender for a real estate investment:



- 1. Develop a Game Plan for Real Estate Investments:** The important choice is not which real estate investment strategy, but to commit and stay focused on the strategy. Whether the plan is to buy multi-family, office, industrial, SFR's, or whether it is to Fix and Rent or Fix and Flip or buy notes, the key is to make a selection and become an expert. I selected Hard Money Lending and Trust Deed Investments in 2007 and continue to gain a deeper understanding that translates to better loans for our borrowers and performing Trust Deeds for our Lenders.
- 2. Find a Qualified Real Estate Investment Opportunity:** Hard Money Loans need 3 qualifying criteria:
 - a. Equity or Skin in the Game – Typically 35% Equity or Down Payment will be required except for Fix and Flip loans where less down payment is acceptable in exchange for rehab funding
 - b. Ability to Pay the monthly mortgage
 - c. Valid and Viable Exit Strategy
- 3. Work with a Trusted Advisor to decide on the type, term and conditions of the loan:** Choose a reputable Lender for your Loan Scenario. Make sure the Lender has a good track record of funding and one that will be transparent about their ability to fund. It is fine to have multiple lenders in your directory, but respect the Lenders time and select one Lender per deal. Fix and Flip, Fix and Rent, Commercial, Bridge, Business Purpose Cash-Out, are just a few of the many loan programs provided by Hard Money Lenders. Each program has different criteria for qualifying. Make sure you understand and satisfy the loan program criteria for your specific loan scenario.
- 4. Apply for the loan, Negotiate the Term Sheet and submit Due Diligence Material:** Disclose the "Hair" or difficult aspects of the property early on. Make sure you understand the relevant "deal" points on the loan and obtain and agree on a Term Sheet. Work with Title and Escrow to obtain payoff demands for existing liens or clear other issues on the Preliminary Title Report.
- 5. Review Loan Documents, Close the Loan Transaction and Execute Your Plan:** Review the loan documents before the signing meeting and ensure that the terms you agreed on in the Term Sheet are reflected in the Loan Documents. Once you have the loan, move quickly on your game plan.

These 5 steps will get you on your way to getting approved for and obtaining a Hard Money Loan. Do you have a real estate purchase or refinance opportunity that needs funding? Have you found a Hard Money Lender yet? Please let me know with a post on our [Mortgage Vintage, Inc. Facebook Page](#) or our [LinkedIn Company page](#). If you enjoy discussions like this, please sign up for our [Linked in Group](#) called Southern California Trust Deed Investment Group.