

7 Steps to a Hard Money Loan Approval for a Borrower

Private Capital's voracious appetite for yield continues. These yield seeking Trust Deed Investors search for and are competing for qualified Hard Money Loans. Millions in Private Capital sits on the sidelines waiting to invest in secured and well underwritten Trust Deed Investments. This article describes the 7 key steps a borrower or a mortgage broker will need to ensure a Hard Money Loan approval.



7 Steps to a Hard Money Loan Approval

- 1. Find a Qualified Financing Opportunity:** Every Hard Money Loan needs 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
- 2. Understand the Loan Program:** 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 meet the loan program criteria for your specific loan scenario.
- 3. Structure the Deal Correctly:** Is there enough equity? If not maybe there is another property for a cross collateralization? Are there credit problems? Maybe a co-borrower can help boost the credit profile to facilitate approval. Many seemingly insurmountable obstacles to a loan can be solved with the proper deal structure.
- 4. Disclose the “Hair” on the Deal Up Front:** Whether the issue is a lien, a property defect or a credit problem, it is best to disclose any potential issues up front with the Lender so that a remedy can be worked on from the beginning.
- 5. Choose a Single Reputable Lender for Your Loan Scenario:** Choose a Lender that 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.
- 6. Deal directly with the Borrower:** Don't be a “Brokers Broker”. A daisy chain of brokers and fees usually makes the loan points and fees prohibitively expensive.
- 7. Manage Expectations and Timeline to Close:** Let the Lender and Escrow know of the deadline like a short sale approval. Know that it typically takes 1-2 days for a Prelim and time for subsequent Title and Escrow efforts. Work with a lender that has systems and processes in place to expedite timelines.

These 7 steps will get you on your way to getting approved for and obtaining a Hard Money Loan. Have you found your Hard Money Lender yet?

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