Dispelling Myths about Hard Money Loans

Only desperate people take them out.

Many people view those who stray from the traditional lending structure as desperate or incapable of receiving a loan, but that's simply not the truth. For the most part, those who seek out these loans are typically business owners who would prefer to work with a private investor over a bank or another financial institution.

Hard money lenders are all loan sharks.

Again, this just isn't true. There may be a few bad apples in every bushel, but hard money lenders, for the vast majority of the time, are simply business people like their clients. While these loans are often secured by a property with 30-50% equity, it's simply a safety measure that lenders enact to ensure no loss of funds occurs.

These loans operate by harsh rules.

Like loan structures vary between different financial institutions, rules of private hard money lenders vary from person to person. One hard money lender might charge a slightly higher interest rate or require certain things, and another could have a completely different set of requirements in place.

Traditional loans are less expensive.

This is definitely an instance of “you get what you pay for.” Hard money options provide more flexibility for those people who choose to acquire them, but that being said they may also come with a higher price tag for all of that flexibility. In instances where people need money in order to flip a house quickly, hard money options are pricey, but usually well worth it if they’re experienced in handling hard money.

Hard money loans might seem like a scary concept at first, but once you wade in past all of the myths that swirl around them you may be surprised by the reality of what you’ll find. Who knows? They may even end up being the perfect option for your financing needs.