



## How to Invest in Real Estate When You Don't Have the Cash

Real estate can be a lucrative way of adding diversity to your portfolio. With real estate investment trusts (REITs) or real estate-focused mutual funds and exchange traded funds, you can passively invest in real estate. This may satisfy some investors, but others will prefer to own their real estate outright.

The trouble with buying real estate is it often requires a significant up front cash down payment. Even if you have the resources to purchase your real estate property, you may be less than enthused at the idea of parting with so much cash so soon. To pave the way between you and your real estate investments, lenders offer hard money loans for real estate investors.

### **What Are Hard Money Loans for Real Estate Investors**

Hard money loans for real estate investors are secured short term loans. Sometimes referred to as bridge loans, they bridge the gap between investor and investment by providing immediate financing. Hard money loans are issued by

private real estate investment lenders as opposed to more mainstream financial institutions. They're popular among house flippers or real estate developers as a means of securing renovation financing while they fix up a property with the aim of selling it at a profit later.

Instead of using your credit worthiness determine whether or not to issue the hard money loan, real estate secured lending firms base their decision on the value of the property itself. They'll often focus on the property's "after repair value," or ARV. As the name suggests, the ARV is an estimate of what the property will be worth after the planned development or renovations are complete.

## **Benefits of Hard Money Loans for Real Estate Investors**

Hard money loans offer real estate investors several benefits over a traditional mortgage loan from a bank. Some of the benefits include:

- **Flexible terms**

Since hard money loans for real estate investors are offered through private lenders, there's often more opportunity for negotiating the terms of the loan. Depending on the real estate investment lender you use, you may be able to negotiate for a more beneficial repayment schedule or reduced fees. Similarly, you may be able to negotiate for different collateral terms.

- **Flexible collateral**

While typically the property being invested in is the collateral for hard money loans for real estate investors, you may be able to find a lender who will grant you some flexibility in this. For instance, your renovation lending firm may accept personal assets you already own instead of the property itself to back your loan. It all depends on the lender you use and the agreement you come to.

- **Faster application process**

The traditional mortgage application process can be lengthy. During the months it could take you to secure financing through a traditional loan, your investment property may be snatched up by someone with faster hands. Hard money loans for real estate investors, on the other hand, offer the convenience of much quicker funding. Instead of months haggling and sloughing through the application process for a traditional bank loan, you could receive the funding you need in a matter of weeks with a hard money loan. The application process is generally no more than a few days and in some cases can be completed same day.

## **Types of Property Hard Money Loans for Real Estate Investors are Used For**

You can secure a hard money loan for almost any property, from single-family residences to industrial properties or completely undeveloped land plots. Many hard money lenders specialize in a particular type of property, or have a niche they're most comfortable in. It's best to be upfront with any potential lenders and ask them straight away what types of loans they offer and which properties they aren't willing to provide hard money loans for.