

Title:

Hard Money: Borrowers Solution for Low Credit, Foreclosure and Bankruptcy

Word Count:

850

Summary:

A couple from Palmdale, California called my office Monday afternoon asking if we can help them save their home

Keywords:

mortgage, debt, credit

Article Body:

A couple from Palmdale, California called my office Monday afternoon asking if we can help them save their home. They are delayed in their mortgage payments for 3 months and their house is in foreclosure. They have kids, they love their house, and they don't want to move anywhere else. They have low credit, in foreclosure and have high debt ratio so banks turned them down. Knowing the urgency of the couple's situation, I started asking them questions about their financial situation, what affected their credit, how much mortgages they owe, liens, collections, judgments, etc. At the end of our phone call conversation, I told the borrower that we can get them a loan through hard money investors. The borrower was surprised to hear that they finally can get a loan and avoid losing their home. Applying for a loan through regular banks is subject to limited loan to value, debt ratio, income documentation and credit rating guidelines. For homeowners or borrowers who have low credit rating, in notice of default, foreclosure or bankruptcy, they will immediately get declined by banks. Does it mean that they cannot get a loan and lose their home? Absolutely NO!

Hard money or private money loan is the solution for low credit borrowers and who are in financial distress such as notice of default, foreclosure, bankruptcy, credit delinquency, judgments, collections, tax liens, etc. Hard money is equity based, non-fico based lending. As long as the borrower has equity left in the house after the deductions of all mortgages owed, liens, charge offs and collections, interest payment delays, and prepayment penalty. Hard money represents hard-earned money of individual investors, groups, corporations, insurance companies, and hedge fund managers who are able to offer financing based on equity or collateral from the borrower.

Hard money investors or lenders have a standard 65% Loan To Value(LTV). In some

cases there are investors who can go up to 70-75% LTV. For hard money investors to go up to 80-90%LTV, they will demand to be on title to secure their investment. At 65%LTV, it is possible to submit a loan as stated income. Beyond 65%LTV will require full income and asset documentation. For borrowers who are going through financial hardship such as employment termination/downsizing, medical emergencies, natural disasters, divorce, business loss, or other valid circumstance that puts them in financial distress, hard money lenders are willing to work with them as long as they show an ability to repay the loan or have an 'exit strategy' when the term is over.

Hard money is short term financing, usually within 6 months to 1 year, although 2 or 3 year terms are also available. The purpose of obtaining a hard money loan is to provide immediate solution to foreclosure or low credit borrower that needs immediate cash to payoff debts or the existing loan has already mature and needs to be paid off.

Hard money is the last recourse for borrowers if they can't get regular bank financing. Hard money or private money loans are much higher in rates and points. The rate can range from 8.5, 11, 12, 13 up to 15% depending on loan to value and income documentation. Although hard money is non-fico based which can go below 500 mid score, the credit history of the borrower can also affect the rate that they are getting. The high rates and points for hard money is an investment caution for hard money lenders or private investors. High risk borrowers present a potential headache to the investors when they default in payment. Going through the foreclosure proceedings, attorney fees and selling the property turnaround time are factors that bring high liability to hard money lenders.

The reality of hard money is 'high return vs. high risk' business relationship. Hard money lenders or private investors are willing to take on high risks as long as it's a good investment return. Not all borrowers have good paying ability, which caused the private investors to charge higher rates to prepare for future risks and carry the property through foreclosure and re-sell the property. If refinancing for hard money will not work for homeowners/borrowers who are in notice of default, foreclosure or bankruptcy, there are other creative ways that they can get help from hard money investors. Such creative ways may include a sale contract, lease purchase or the investor going on title and giving time for the homeowner to sell the property. These are not easy to do but can be done if the homeowner doesn't have other options. The advantages of hard money loan allow the borrower to get out from financial distress by paying off debts, save home from foreclosure, avoid bankruptcy, and ability to rebuild credit within 6 months to 1 year timeframe. Hard money offers a 'great rescue' for homeowners and borrowers during hard times.

Hard money or private financing is available for both residential and commercial properties. Common loan programs include Raw Land, Construction, High End Million Dollar Estates, Apartments, Hotels, Motels, Mixed Use Properties, Office Building, Shopping Mall, Mobile Homes in Park, Gas Station, Restaurant, Hospitals, Golf Courses, Casinos, Convalescent Homes, Grocery Stores, Manufactured Homes, and even Business Loans.