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Going Down the Paperless Road

Hard-money lenders see the benefits of digital transactions

Many commercial hard-money lenders are “going green” with paperless transactions. There are practical — and profitable — reasons for it.

With so much turmoil in the real estate marketplace, hard-money loans continue to grease the wheels for prospective property buyers. Often a lender is simply trying to move a property quickly, providing buyers who have their own liquid capital or a hard-money loan alternative a perfect opportunity.

This is nothing new. What is interesting, however, is the emergence of unique lending opportunities arising out of market volatility that can be profitable for lenders and borrowers.

Lenders, including banks that hold the deeds on distressed properties and capital investors with enough capital to finance buying opportunities, are pushing commercial real estate forward with often-lenient borrowing criteria. Because the properties are held as collateral, the risk to lenders drops despite the volatile nature of the purchasing climate.

With loan-to-value ratios hovering between 60 percent and 70 percent, commercial hard money has helped to increase opportunities for buyers who may not have otherwise been able to capitalize on the surging market.

In the world of hard-money commercial lending, “going green” isn’t a phrase that you’d expect to hear, but many lenders have implemented paperless transactions. From online applications to digital processing, the sharing of necessary information is much easier and faster now than it’s ever been, and the pace of technology means it’s likely to keep getting faster.

These lenders are managing to reduce waste and spare countless trees along the way, but environmental friendliness isn’t the only benefit. Mortgage professionals and their clients are learning that these expedited processing times that lenders offer can give them a crucial competitive edge in the market.

Because distressed commercial properties are dangled in front of many potential investors, it is critical to act quickly once an opportunity arises. In some cases, a few hours can mean the difference between getting a fantastic deal on a prime location and losing out to another buyer who was able to pull the deal together just a bit faster.

This isn’t to say that hard-money lenders that haven’t implemented these expedited digital processes don’t understand the time-sensitive nature of the industry. In fact, it’s quite the opposite.

Some commercial lenders, however, are concerned about security risks in the use of digital documents to share sensitive information between a prospective borrower and the lending agency. Fortunately, the critical importance of cybersecurity has made it a financial industry priority, and security-enhancing technology is progressing at a rapid clip. Mortgage professionals and borrowers are wise to verify that lenders utilize cybersecurity best practices.

A hard-money lender can help a mortgage professional and client pounce on a great commercial building or location, get the deal done and have it closed in a matter of days. To do so, these lenders need to be able to offer the marketplace edge and rapid response time that come with going green. ●

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