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Easy Solutions for Hard Money

Provide a funding alternative for clients who can't access traditional lending

ACROSS THE NATION, COMMERCIAL MORTGAGE brokers have turned to hard-money loans as an alternative to conventional lending in the past few years. As a viable option for deals that would go otherwise unfunded, hard-money loans have enabled investors to purchase, renovate and transform properties into attractive investments.

Because the banking industry remains sluggish, the demand for hard-money lending is unlikely to slow down, particularly as thousands of commercial properties are in dire need of financing. These properties are often eyesores in downtown areas because of their deteriorated state. When funding is made possible, an investor then can turn a property around, which will change the prospects of the overall location.

These opportunities are drawing attention across the commercial real estate industry, but securing the needed financing is where it all begins. Commercial mortgage brokers should follow these three steps when working with hard-money loans:

1. Find the right lender: Because the property will be put up as collateral on the loan, the commercial mortgage broker and the borrower should know as much as possible about the lender before agreeing to enter into a business arrangement. By researching the

industry extensively before narrowing down the candidates for the client's deal, the broker can gather enough information to find a lender that best matches the deal.

- 2. Know what to expect:** Hard-money lenders will want to appraise a property before agreeing to a loan. Lenders typically send out professional appraisers to assess the property, its location, and the reasonable gain expected for all parties involved in the transaction. After the appraisal, the commercial mortgage broker will receive the loan offer, which can be discussed with the client to make a decision. Although the property acts as collateral to secure the loan, the lender does not want to receive the property in a failed transaction. Lenders therefore try to ensure that the borrower is getting the capital necessary to purchase and transform the property, turn a profit, repay the loan, and proceed with the commercial real estate plan.
- 3. Get an approval:** Even though the economic landscape has taken a toll on many people's personal and professional credit histories, getting an approval for a hard-money loan is not difficult. The approval, however, is not as easy as visiting a website and

receiving a check to purchase a piece of property. The process typically involves a few different steps that are meant to protect the borrower and lender alike. That is why commercial mortgage brokers should be fully aware of all deal-specific details to ensure that their transactions go well.

The recent slump in property values has created bargains that are too good to pass up in today's commercial real estate market, but it also has led to traditional lenders' being over cautious. Proposing an alternative like hard-money lending can help your clients purchase a property at a discounted price, make the necessary modifications, and ultimately, accomplish an attractive investment. ●

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