RezCap Funding
Private Lender

PRIVATE LENDING MADE SIMPLE

314. 449. 9458

Why use Hard Money Loans? At first glance "hard money loans" aka "private lending" aka "fix and flip" lending seems expensive. Guess what? It is expensive. Typically, the borrower pays 5 points on the entire amount borrowed and upwards of 14% interest. Why would anyone do this? Because "expensive" is a relative term especially when Return on Investment is considered and a multitude of reasons which we have outlined below. These are the same reasons that professional property flippers on HGTV use hard money lending.

Leverage and liquidity. Traditional bank loans used for the acquisition and renovation of real estate require a significant investment and have much tighter lending requirements compared to hard money loans. Its common for a bank to require an investment equal to 20% of the total "project cost" which is equal to the acquisition cost plus the renovation cost, so the basis of the down payment is the "cost" and not the "value". RezCaps's basis is calculated as a percentage of the ARV (After Renovated Value) and thus the borrowers initial investment is much lower than a traditional bank. Private Hard Money loans allow the borrower to leverage, to the fullest extent, the underlying collateral so that they can complete more projects with less capital investment.

ROI. Most real estate investors who focus on "flip and fix" are primary concerned with ROI or Return on Investment. Put simply, the ROI is much better with a $10,000 investment rather than a $40,000 investment even if the private money loan costs 5 points and the bank charges 1 point. The fees and interest rate have a minor impact on the ROI. The capital contribution is the "meat and potatoes" which determines the ROI.

Speed and Efficiency. Private lenders typically specialize in "fix and flip" lending whereas traditional banks often times want nothing to do with "fix and flip" lending. Why? Simple. Banks cannot price these types of loans commensurate with the risk and are not traditionally interested in making short term loans. Banks are a slow moving "turtle" so to speak. They like loans that pay interest each month and that are of a high dollar amount and of a term greater than 3 years. The faster a borrower can acquire a home the faster a borrower can renovate and sell. RezCap typically closes within 2 weeks and a traditional bank can take as long as 60 days.

Non-Bank Underwriting. Traditionally banks require a credit profile that meets a certain box. The requirements can include a large amount of liquid reserves, 700+ credit scores, several years of successful "fix and flip" experience, and significant debt service coverage. Private lenders are much more lenient although RezCap Funding is interested in making loans only to those who are interested performing to the term of the note.