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Tips About How Private Money Lenders Can Fund An Individual's Mortgage

Whenever you need a loan and the banking institution has not granted you one, [money lenders](#) just might help you. Hard money lenders operate in a really specialized lending business by providing services to those who have greater risk of not paying them back. A mortgage will likely be granted to many credit seekers without consideration to their credit ranking and alternatively relying on the value of the particular collateral property being funded.

Unlike banks, hard money lenders can be very flexible and will create a loan specialized for each borrower's unique situation. Once terms are agreed to, however, private lenders will usually be very strict about upholding those terms. Some are more lenient than others and it may pay to get some referrals to previous customers of the lender in order to gauge how flexible they are.

Money lenders do not always have a visible business or office like a bank does, so they can be harder to come by. One way to find a lender is to use some sort of directory service. Another way to find one is to ask the local realtors in your neighborhood. The internet is another place you can look. Many lenders advertise their loans on the internet.

Once you decide on the particular lender you will use, you'll probably have to fill out some forms of application. This application will give the lender a sort of picture of what your loan needs are and what your financial situation is like. Various lenders will want a Statement of Information form from you. This form is used to do a title search to determine who the rightful owner is (hopefully the borrower).

Hard money lenders will require that the collateral property is of sufficient value to them in the case that the borrower defaults on the loan. While the lender prefers of course that the borrower make payments as agreed, he will make more money that way, he must also ensure that he will make money in the case of foreclosure on the loan.

A significantly higher interest rate is usually charged on these loans because of the much higher risk associated with them. Interest rates tend to be in the ten to twenty percent range. A lender may charge more points than a regular loan too.

There are quite a few different purposes for which hard money loans are used. And money lenders will often specialize in one particular niche. A lender may choose to only work with borrower's who are investing in commercial real estate or only residential investment. Still other [lenders](#) will grant personal hard money loans for whatever the borrower wishes to spend the money on. Hard money is generally best used, though, for investments that have cash flow such as rental real estate.

Some folks use hard money lenders to get what is called a bridge loan. Sometimes homeowners will use them to "bridge" their finances if they face foreclosure on their original mortgage.

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