

RTC Mortgage Corporation



Richard T. Cirelli
President
RTC MORTGAGE CORPORATION
Phone: (949) 494-4701
Fax: (949) 494-6703
rick@RTCMortgage.com



CERTIFIED
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What is Hard Money?

Hard Money loans (also known as Private Equity Loans) are non-institutional loans funded by private real estate investors, companies and funds - using their own money - typically secured by a first or second Trust Deed against the subject property. Sometimes they are cross-collateralized against more than one property owned by the same borrower or buyer.

Why Hard Money?

The demand for Hard Money loans has increased dramatically over the last year as traditional sources of institutional money have gone out of business and/or tightened their underwriting guidelines. Banks have eliminated Stated-Income documentation and imposed limitations on the number of loans an individual may have. Borrowers that are self-employed may not be able to meet the new, stringent guidelines and real estate investors have fewer alternatives.

The current real estate climate presents many opportunities for real estate investors if they can get financing. Hard money lenders will often lend when banks won't.

How Are Hard Money Loans Made?

Typically, these loans are short-term, meaning 6 months to 2-years. They can be tailor-made to fit the borrower's needs. Sometimes they are secured by more than one property. Lenders base their decisions on the unencumbered property value, its equity, its marketability, the borrower's exit strategy and his or her ability to repay the loan. They generally do NOT calculate debt ratios and usually do NOT take into account the borrower's credit and income. Funding can be very fast; sometimes within days of receipt of a new application.

What is the Cost of a Hard Money Loan?

These types of loans also carry a heavier burden and interest rate for the borrower for the simple reason that they also pose higher risk for the lender and are often a temporary solution that opens doors for a more permanent financial solution or exit strategy. Interest rates typically range from about 10% to 15%. Paying points is expected and will vary according to the loan amount and the degree of risk to the Investor/Lender.

Equity based loans offer an alternative to strict and narrow traditional bank financing, thereby eliminating many of the usual qualifying, credit and income underwriting guidelines and delays of banks, mortgage companies or institutional lenders for traditional mortgage loans. Yes, the costs are steep, but the market place is a gold mine of deals for those looking to gather great buys at close-to-bottom prices.

If the banks say no, you know where to go! In addition to traditional loan programs, RTC Mortgage arranges Hard Money loans so please don't hesitate to call. If you have clients with money to invest but don't trust the stock market or don't like the low returns on CD's and Money Market accounts offered by the banks, I may be able to help them receive a high rate of return by putting their money to work in Hard Money loans.

Your Trusted Mortgage Advisor with over 30 years of Experience