

## **Hard Money Loans Versus Fix & Flip Loans and Why the Industry is Confusing the Two**

*New Jersey based Mortgage Expert, Michael Mikhail, CEO of Stratton Equities, reviews Hard Money and Fix & Flip Loans Programs*

Regardless of the type of investor you are and your loan scenario, there is an array of loan programs that are designed to meet all your mortgage needs.

Hard Money and Fix & Flip Loans are among the most popular programs that investors utilize for their real estate investments. Although, they are two different programs, many in and outside the industry believe them to be the same loan...but this is the furthest thing from the truth.

### **Hard Money Loans**

A true Hard Money Loan (is an asset-based loan, which means the financing is based on the Loan to Value (LTV) of the Asset. Unlike the Fix and Flip loan, it doesn't go through full underwriting and there's no minimum FICO requirement for the borrower, as it doesn't have many guidelines and criteria.

This type of loan doesn't have as many restrictions as one might think considering that it's just money, so no more having to worry about bankruptcies, foreclosures, collections, etc.

Due to the lack of guidelines and underwriting, a true Hard Money Loan is generally capped at 65% LTV or less. For example, let's say you have a home worth \$1M, if you want \$500K against it (50% LTV), you're able to receive the money within 1-2 weeks (from day of application), commonly as a first lean position - because it's just money. It's normally in the form of a Bridge Loan, which is short term financing in a period of 12-24 months.

One of the reasons why Hard Money Loans are for investment properties ONLY, is due to the high cost regulations and predatory lending – you can't put such high interest rates and cost on an owner occupied property.

In certain states, there are non-judicial foreclosure laws, which allow a Hard Money lender to get their money back quickly if the borrow defaults on the mortgage.

These foreclosure laws make the lender more comfortable doing high-risk loans, usually the money is not sold on the secondary market – the lender holds the note, they don't sell the paper.

### **Fix & Flip Loans**

Fix & Flip Loans are also asset-based loans, however they utilize more underwriting guidelines and criteria. While Hard Money Loans focus solely on the asset, Fix & Flip loans look at both the asset and the borrower.

The reason why people confuse Hard Money Loans with Fix & Flip Loans, are because both the loan and the laws are very similar - they are both private money to an investment property.

Virtually all fix & flip and hard money loans are funded by hedge funds, the money comes from the same place, but the underwriting is different.

Contrary to Hard Money Loans, Fix & Flip Loans are usually sold on the secondary market and goes through a full underwriting with tighter guidelines. For instance, depending on the lender, Fix & Flip loans have a minimum FICO requirement. Additionally, the borrower can't have late payments, foreclosure, judgments, or bankruptcy on their credit for 24-36 months.

Furthermore, a Fix & Flip loan is a rehab loan, a loan that you utilize to acquire a property and then receive the funds to rehab that property in short term financing (12-18 months).

Depending on whom you are working with, it's important to bring something dynamic to the table, to help you close your loans quickly, efficiently, and professionally.

However, make sure that when you move forward with a mortgage lender that you know all the details of your loan, why they are utilizing that program, and whether or not that loan program is being properly presented to suit your needs.

For example, at Stratton Equities, we offer both Hard Money and Fix and Flip Loan Programs, amongst an array of other programs, for Nationwide Real Estate Investors. Each loan scenario is carefully curated by one of our Senior Loan Officers, who then qualifies the loan to our wide range of Mortgage Programs – to best suit the borrower's needs. This ensures that each scenario is matched with its ideal and best possible program.

The biggest misconception borrowers have, is that many believe that you need a hard money loan at high interest rates even though you are a high credit score qualified borrower. The fact is you can receive interest rates and terms very close to conventional financing while still being a no income verification loan. Hard Money is not a blanket statement for all private money loans.

Our team members are fully equipped with the knowledge and expertise that provides support to any borrower that contacts Stratton Equities. Due to our extensive training and rigorous work ethic, we never have a mix up between loan programs, scenarios, and other situations.

As we are always striving to grow, we put all of our energy into building our Loan Officers and providing them with the materials, training, and direct (organic) leads – to always stay on top of the Mortgage trends and new programs.

### **About the Author**

Michael Mikhail is the Founder and CEO of Stratton Equities, the nation's leading direct hard money and NON-QM lender to real estate investors, with the largest variety of mortgage programs.

For more information about Stratton Equities or to join our team, please visit [www.strattonequities.com](http://www.strattonequities.com), call 1-800-962-6613, or email Michael at [info@strattonequities.com](mailto:info@strattonequities.com)