Private Funders vs Traditional Banks

Australian builders, developers and business owners may prefer private lenders over traditional banks for several reasons, including:

1. Faster approvals & funding
    a. Banks have lengthy approval processes with strict credit assessments which can delay projects and missing out on business opportunities.
    b. Private lenders offer streamlined applications and faster approvals, sometimes within days rather than months.
2. Flexible loan structures:
    a. Banks have rigid lending criteria requiring strong financial and long-term commitments.
    b. Private lenders can tailor loan terms, repayment schedules and exit strategies to suit individual project or business needs.
3. Higher loan to value ratios (LVRs)
    a. Banks may only lend between 50 – 70%, requiring significant equity or additional security.
    b. Private lenders can offer higher LVRs, allowing developers to leverage more capital.
4. No Pre-Sales requirements
    a. Banks often require developers to secure a certain percentage of pre-sales before releasing funds. (often 100% debt cover).
    b. Private lenders may finance projects without strict pre-sale conditions and sometimes without any presale requirements, enabling quicker project commencement.
5. Solutions for credit-impaired borrowers
    a. Traditional banks reject many applicants due to credit history, financial performance or lack of financial statements.
    b. Private lenders assess deals based on asset security and project viability rather than credit scores.
6. Access to bridging & short-term finance
    a. Banks are reluctant to provide short-term loans, especially for urgent capital needs.
    b. Private lenders specialise in bridging finance, mezzanine finance and short-term construction loans.

7. Willingness to finance niche projects
    a. Traditional lenders avoid projects with unconventional risk profiles (e.g. boutique developments, land subdivisions or specialised commercial properties)
    b. Private lenders usually consider unique or higher risk projects if they make commercial sense.
8. Less red tape and bureaucracy
    a. Bank loans require extensive paperwork, financial scrutiny and compliance with APRA regulations.
    b. Private lenders operate independently, offering more straightforward and efficient processes.
9. Ability to capitalise on market opportunities
    a. Developers and business owners may need quick funding to secure land, equipment or business opportunities.
    b. Private lenders allow them to act fast and seize profitable deals.
10. More personalised service and relationship lending
    a. Not all Private lenders are created equal - Knowing which private lenders are legitimate, reputable and want the different types of transactions sets the borrowers up for a personalised and customer focussed lending experience.
    b. Doing it through Chocolate Money who has long term relationships with many Private Lenders, provides a level of comfort, knowledge and expertise, focussed on protecting Chocolate's clients, which borrowers may not receive if they go direct to the Private funder.

For all your lending and financing options, contact the team at Chocolate Money on:

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