

TOP TIPS

SAFE PRIVATE MONEY BORROWING

Due Diligence - Always conduct thorough research on your prospective lenders and check references from current and past customers.

Risk Management – Work to minimize risk for both you and your lender. Protect your lender’s interest at all costs.

Know Your Lender’s Profile – Understand their risk tolerance, rewards, and goals. Always offer to provide a personal guarantee, in addition to a first lien Promissory Note.

Borrower Profiles – Provide a complete borrower profile with background information on your experience level. Also provide references from past business partners.

Property Assessment – Double check comps and rehab budgets before presenting loan requests to the lender. Examine title and loan payoff before asking for your loan.

Contractor Assessment – Conduct extreme due-diligence on your contractor and never pay them front money.

Documentation - Secure title policies, property surveys, and sufficient insurance coverage. Always insist on closing transactions with bonded Title Companies.

Legal Compliance – Make sure your lender uses a certified Real Estate Attorney to draft loan documents and Deeds. Always review these documents prior to closing.

Avoid Pressure to Act Quickly – Be cautious of lenders with high rates, points, and junk fees. Asking for cash upfront for applications and processing is a huge red flag.

“Dream Loans” – Be wary of lenders whose terms seem **“too good to be true.”**

These tips help to ensure safe practices and minimize risk in private money lending, from the borrower’s perspective.

