

# TOP TIPS FOR PRIVATE MONEY LENDER DUE DILIGENCE

## (Borrowers Beware)

- Create your guidelines and criteria for lenders, up front. Consider the experience and character levels, you are comfortable with. Seek out a local lender, who is familiar with your market area.
- Do some research on your prospective lenders. Rather than relying on websites and social media, a borrower should do their own due diligence. Check references from current and past borrowers.
- Get to know your lender's profile. Discuss your risk-reward ratios. Share goals and expectations with each other in a personal interview.
- Be wary of lender rates and terms that are "too good to be true". Avoid pressure to act too quickly and never deposit upfront cash with the lender. If the lender's offer is for a limited time only, consider this a deal breaker.
- Watch out for fee-based loan brokers. Aim to work with direct lenders who use their own funds.
- Firmly ask the lender, to disclose all points, fees, cost and junk, up front. You should have a clear picture of any cost you will incur.
- Look for a lender who is very accessible. Insist on someone who answers calls and mails directly and promptly.
- Always ask your lender to analyze your deal, to see if it makes sense. Test your lender's knowledge and expertise of the market.
- Finally, insist that the lender use a licensed Real Estate Attorney to draw documents on every deal. Insist on reviewing those documents prior to closing.

