

Letter from the Editor

As we transition to fall and welcome the kids back to school, we want to wish you a happy September! We hope you had a chance to enjoy some family time, and catch up on rest and relaxation over the summer. August was a good month for loan originations. We originated four loans. All of the originations were First Trusts. Two loans were in Virginia and two loans were in Maryland.

CHUCKLE'S CORNER

"The lack of money is the root of all evil."

– Mark Twain

FOOD FOR THOUGHT

Do any of you have an article you want to write or a business that you want to promote? We would be interested in promoting any business in the financial/real estate arena if it correlates with our finance company. Good examples would be Title Companies, Mortgage Companies, Insurance Companies, etc. The only requirement that we have is that you need a good article that accompanies your ad. WHAT IS BETTER THAN FREE ADVERTISING?

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Ten Questions to ask a Hard Money Lender Before Applying for a Loan

Hard money lending is a quick and easy financing solution to fund real estate investments, such as rental properties, rehab financing and fix & flips. Find out if hard money lending is the right financing option for you by knowing the right questions to ask.

1. How much experience do you have in hard money lending?

Does the lender have sufficient experience in hard money lending loans? How long has the company been in business? The more experienced the hard money lender, the better.

2. Are you a direct hard money lender or will you broker this loan to another company?

A direct hard money lender will process and fund the entire loan with internal resources. A hard money lender who only brokers loans will send the request to another source for funding.

3. Do you have references from previous borrowers?

A reliable hard money lender will share plenty positive reviews and testimonials from satisfied clients. You can also check their website, Google and social media platforms for reviews.

4. What is your interest rate and how many points do you charge?

Interest rate and points are generally the two factors that determine the overall cost of the loan. Your lender should be able to explain it in detail.

5. Any other fees for originating a hard money loan?

Ask about upfront fees and factor them into the total cost of the loan. Standard transaction fees such as escrow, title insurance, recording and notary fees apply to all loans but these are not fees paid to the hard money lender.

6. What loan to value of the after repair value are you able to offer?

In the hard money business hard money lenders loan out based on the after repair value (ARV) of the asset. The loan to value ratio (LTV) of the (ARV) is the loan amount the lender will allow based on the fixed up value of the property. This ratio can vary from lender to lender. The LTV/ARV percentage will also vary based on the property type and age.

7. Is there a pre-payment penalty?

Some lenders have a small pre-payment penalty which means a minimum amount of interest must be paid on the loan.

8. How long will it take to fund the loan?

Hard money lenders should be able to approve and fund a hard money loan within 2 weeks, or even 3-5 days in some cases (to save a deal). Loans against owner occupied properties usually take longer.

9. What are their loan terms?

Hard money loans are normally for short term use only. In general, terms of 12 months to 5 years are available but some lenders may only offer 1 to 2 years.

10. Do you lend rehab costs for a fix and flip project?

Find out if the lender offers rehab cost financing. At times, investors need a loan to cover rehab in addition to purchasing the property. Some hard money lenders are able to provide financing for all or a portion of the rehab costs.

Sam's Corner

Demographics, Real Estate Trends and Targeted Investment

There are some very negative demographic trends in the real estate market. In the DC metro market, not many people discuss them. However, they impact our market and are worth examining. The population is aging, and low fertility rates reduce the number of adults that come of age each year. Behaviorally we are seeing other changes that are adverse to an expanded housing market. An all-time low in household size was reached in 2001 and 2003. Since then, household density has been on an upward trend.

The national trends toward low fertility and increased household size may have an overall softening effect on housing; however we can use this information to make targeted purchases of more desirable assets. Looking at Millennials, we see that they are very social and are living together with family and friends their own age. They are marrying later and are comfortable living with their adult parents that are not seeking empty nest lifestyles. What we find here is that "group" lifestyles matter to consumers. Building or modifying houses to include extra bedrooms or semi-private units increase their marketability. Anytime we can add a bedroom to a flip we do it. Housing that is suitable to an aging population is also very desirable. We recently flipped a disability accessible house and it moved very fast with multiple of escalating offers.

We invest locally and so do our borrowers. Finding a property at a value price point and adding value is critical to success in the flipping business. Watching national trends and applying the lessons locally is also essential.

August Deals



3510 23rd Parkway



5049 Benning Road SE



1605 Francis Drive



12601 Lampton Lane