

Commercial Real Estate – Hard, Hard, Hard Money Loans

Financing for commercial real estate is a completely different game when compared to residential mortgage loans. It moves much faster and is much more flexible.

When purchasing commercial real estate, financing is the most significant factor in determining whether the project is worth pursuing. Although there are a variety of commercial real estate loans on the market, we are going to look at hard money loans in this article.

Hard money loans for commercial real estate are often a matter of last resort. They aren't good deals, but they can save a financing situation that has gone critical. Most hard money loans come with significant upfront costs and astronomical interest rates. When you are facing the prospect of losing a commercial property, however, they can be a godsend because they also are granted very quickly.

Hard money loans are considered very risky and are issued by private financing groups, not banks or lenders. The loans tend to be only available as the primary loan on the property, which isn't that rare a situation in commercial property.

Unlike home loans, hard money loans are all about the potential sales price of a piece of commercial real estate. The party considering lending you money is not going to look at the appraised value of the property. They are going to look at the probably sales price if the commercial real estate has to be sold a few months after making the loan. Depending on the condition of the property, this figure will typically be between 50 and 75 percent of the appraised value of the commercial property.

Put another way, a hard money loan is a short-term loan designed to get you past an immediate problem. It is undeniably a loan of last resort and is not an ultimate solution to a financing problem with a commercial property. It does nothing other than buy you time, and at a fairly hefty cost. If you are in a tight spot and can resolve the problem with a few extra months time, a hard money loan may be the answer.