# THE BENEFITS OF PRIVATE MONEY

Would you like to make an extra $6,000 or more on your next deal?

Then borrow private money.
When you use hard money to fund a typical deal, it'll look something like this: Let's say that you borrow $80,000. The up-front fees are 3% origination points ($2,400), a $495 processing fee, and a $495 analysis fee. The interest rate is 16.5%, which adds up to $6,750 over six months. In total, you'll spend $10,095 to fund your deal. Yikes! There goes a big chunk of your profits.
When you use private money to fund the same deal, it'll look something like this: You borrow $80,000. You pay no points, no processing or analysis fees, and you get a 10% interest rate. Over six months, you'll spend $4,000.
So in this scenario, over six months you'll spend about $4,000 to finance your deal instead of about $10,000. You save $6,000, which is all extra profit. And that's just on one deal!
If you're doing just five deals a year, that's $30,000 in extra profits for almost zero extra work. All you did was change your lender. Now THAT is the power of private money!
NOTE: These savings would be greater if you borrowed from a private lender at less than 10%, and this list contains several of those low-rate lenders.

Have you been turned down for hard money loans but still want to rehab properties?

Then borrow private money.
Hard money lenders have tightened up on borrower and property requirements over the last few years. Many investors cannot borrow from hard money lenders because of their credit score.
Every private money lender is different, but most tend to have fairly loose lending requirements in place... much looser than hard money lenders. Some will lend if they simply like and trust you.

Do you want to walk away from closing with cash (often $15,000 or more) when you BUY?

Then borrow private money.
Hard money lenders and mortgage companies require a down payment. Plus you'll have to fund the repairs. Hard money lenders will reimburse you for repairs later, but you still have to fund them out of pocket first.
Private money to the rescue! Many private lenders will fund your purchase price AND repairs up front. This allows you to walk away from closing with cash when you BUY. I've walked away with a check for $15,000 before, which is common in the private money world.

Are you capped out at 10 mortgages but want to buy more rental properties?

Then borrow private money.
Due to FHA requirements, it's close to impossible to get an investor loan if you already have 10 mortgages on your credit report. With private lenders, you can resume adding to your portfolio by taking out long-term loans from these lenders. If you get a good enough interest rate, you can still make tremendous cash flow.

Do you want to buy rentals but can't qualify for a mortgage?

Then borrow private money.
If you can't qualify for a mortgage because of your credit score, income, or some other factor, private

money is the answer.
Many private lenders are less interested in those negative factors if you can show them that you're responsible and trustworthy.
Your rentals can still provide cash flow - often lots of it - with private money because some lenders are lending at such low interest rates and some are willing to grant long-term loans.

Are you new to investing and want a leg up?

Then borrow private money.
In an example above, I showed you how to save/make an extra $6,000 on a typical deal by using private money.
If you're a new investor, take all of your savings from borrowing private money (instead of hard money) and plow that into your marketing efforts. You'll steamroll your local competition and establish yourself as a big name around town in a flash.
Or use the extra $6,000 to make up for any mistakes that you make during the rehab or sale/lease of a property. It's funny how money can solve so many problems.

Do you want to reduce the interest rate on an existing mortgage by doing a refi?

Then borrow private money.
If you're holding properties at an interest rate of 10-12% or higher, then refinance to a lower interest rate using the money from a private lender in this list. Many lenders will agree to a lower rate for long-term loans.
Let's say that you own a rental property and the numbers look like so:
Loan amount: $80,000
Interest rate: 12%
Loan term: 30 years
Monthly mortgage payment on a 30-year note: $823
Other expenses: $300
Total expenses: $1,123
Rental income: $1,200
Cash flow: $77
If you can cut your interest rate in half with a private money refi, the numbers will look like so:
Loan amount: $80,000
Interest rate: 6%
Loan term: 15 years
Monthly mortgage payment on a 15-year note: $675
Other expenses: $300
Total expenses: $975
Rental income: $1,200
Cash flow: $225
Did you see what happened? By cutting your interest rate from 12% to 6%, you increased your cash flow from $77 to $225. That's an extra $148 in your pocket each month... or $1,700 per year! PLUS, you'll pay it off in 15 years instead of 30, which is an even bigger deal than the monthly cash flow increase.

Do you want to do a "cash out refi" on an existing property?

Then borrow private money.

Let's say that you need money because you are in a financial bind. Or maybe you have an investment opportunity that you'd like to pursue. But you don't have the available funds.

Enter the "cash out refi." If you have a property that is "free and clear" or one that is paid down substantially, you can borrow private money against that property and then spend the funds on your problem or opportunity.

Banks and mortgage companies used to fund cash out refis left and right. Not anymore! But who cares? You're about to replace them with private money.

Would you like to make ZERO monthly payments while you rehab a property?

Then borrow private money.

Many private lenders will allow you to pay all of the interest at the time you SELL the property. So your monthly payment while you hold the property is, well, zero. Talk about relieving the financial pressure of a rehab!