



**HARBOUR  
GROUP  
CAPITAL**  
PRIVATE LENDER FOR REAL ESTATE INVESTORS



# EVERYTHING YOU NEED TO KNOW FOR SUCCESSFUL RENTAL PROPERTY INVESTMENTS

Are you looking to get into rental property investing?

It's a great way to create a steady passive income stream and build wealth over time.

With rental properties, you can acquire real estate, finance it with mortgages, manage tenants, maintain the property, and enjoy the long-term benefits of steadily growing equity and monthly cash flow.

Let us make this process easier for you by outlining rental loan financing, investing strategies and easy ways to avoid common challenges.



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## **Balancing Risk & Reward: Could a rental property be advantageous to your RE portfolio?**

The real estate industry is constantly fluctuating, and savvy investors know to stay ahead of the competition. They must be able to leverage immediate opportunities when they arise.

Private money rental loans provide investors with an efficient and effective way to capitalize on profitable real estate investments with low documentation requirements and without the need for a great deal of upfront capital investment and asset verification.

Private Money rental loans are underwritten based on the rental income potential of the rental property instead of personal income. This enables real estate investors to create recurring revenue streams that build strong portfolios, expand their reach, and secure long-term success in the competitive world of real estate.

In this guide, we'll explain more about who looks for rental loans, how they differ from conventional home loans, how to prepare for this type of investment, when to decide to invest, tips for evaluating and mitigating risk, and finally, how private money loans can help you expand your real estate portfolio.

[Read on!](#)



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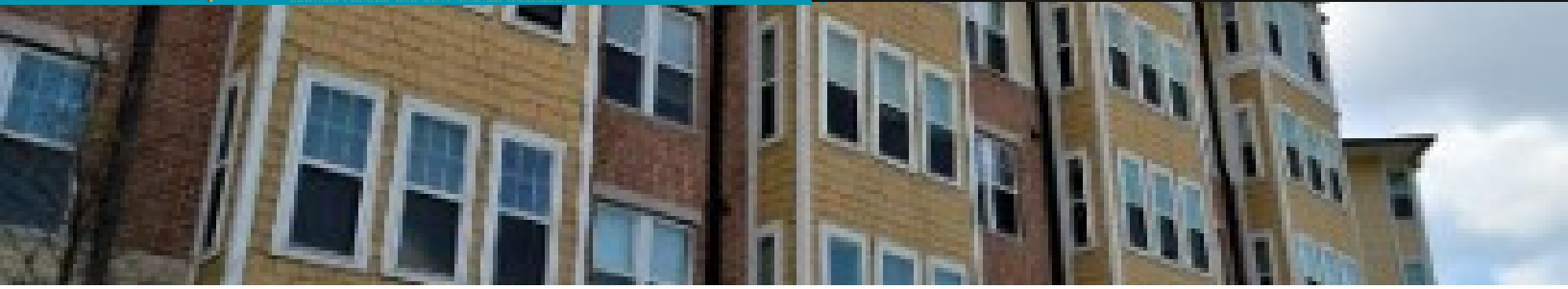
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## Who Looks for Rental Loans and How Are They Used?

For experienced investors, rental property loans can be used to purchase income-producing properties such as single and multi-family houses and other multi-unit dwellings. These types of loans require a greater initial financial investment than what is expected for purchasing a primary residence. This makes private money lending an outstanding option for accessing the additional financing that might be needed to make the investment.

With longer repayment periods, low interest rates, and flexible repayment terms, these loans can also come with other incentives such as tax deductions. These loans are asset based, as they are secured against other forms of collateral and property. With the ability to quickly close, get to market and create recurring revenue, they make attractive options for investors ready to expand their portfolios.

## Investment Property Loans vs. Conventional Home Loans:

If you are new to rental properties and considering buying an investment property, you will likely need a mortgage to finance your purchase. However, it is important to understand that investment property loans are different from traditional home loans.

Private Money loans are greatly different from conventional home loans throughout the process. What's most important to understand is timing. From the infancy stages of completing the Application, providing the documentation, processing / underwriting the loan and finally closing. Private money loans are likely to turn quickly within days benefiting the real estate investors timing.





## What is the LTV and how does it impact my loan?

In addition to your credit score, you need to understand the LTV or Loan-To-Value (LTV) ratio as it applies to real estate lending. The LTV is a key metric used by lenders to evaluate the risk of a real estate loan or mortgage. It refers to the ratio of the loan amount to the appraised value or purchase price of the property, whichever is less.

This ratio is a crucial factor in determining the interest rate, loan term, and other terms of your mortgage or real estate loan because it helps lenders assess the level of risk associated with lending you money.

The higher the LTV ratio, the riskier the loan is for the lender. This is because the borrower has less equity in the property and is more likely to default on the loan. In contrast, a lower LTV ratio represents less risk for the lender and can lead to more favorable loan terms for the borrower. Understanding this ratio can help you negotiate more favorable loan terms and make informed decisions about your real estate investments.

*For example, if you are buying a property for \$500,000 and taking out a \$400,000 mortgage, the LTV ratio would be 80%, calculated as the loan amount (\$400,000) divided by the appraised value or purchase price of the property (\$500,000).*

$$LTV\ ratio = \frac{MA}{APV}$$

**where:**

*MA* = Mortgage Amount

*APV* = Appraised Property Value





## Financing Continued

### Interest Rates

Another significant difference between investment property loans and conventional home loans is the interest rate.

Investment property loans typically carry higher interest rates and fees compared to traditional mortgages. The interest rate on an investment property loan can be 100 to 400 basis points higher than what you would expect to pay on a conventional mortgage.

Example: If a conventional mortgage carries an interest rate of 6.5%, an investment property loan on the same property would have an interest rate of 7.5% or more.

### Reserve Requirements

When it comes to investment property loans, lenders usually look for evidence that you have liquid cash reserves that equal your down payment and closing costs. In addition, you will typically be expected to have anywhere from 6-12 months of your monthly principal, interest, taxes, insurance, and any association dues in reserves.

### **MOST IMPORTANT**

#### **Private Money Requires Less Documentation with QUICK CLOSINGS**

Conventional home loans typically require extensive proof of employment and income, including tax returns and pay stubs. However, investment property loans do not typically require this level of documentation and instead focus on the property's cash flow, simplifying the documentation process.





## Are You Prepared for this Type of Investment?

As you approach your rental property investment, you should first assess whether or not now is the right time for you financially. Consider whether or not you have an emergency fund set aside that can cover six months' + worth of expenses.

If you choose to invest, you will find a number of benefits, such as the ability to produce passive, consistent monthly income through long term leases with tenants. This can be made even more passive if you decide to hire a property manager. Other "perks," include tax deductions for depreciation and mortgage interest and finally, the ROI. If you choose your investment wisely, it will appreciate over time, allowing you the opportunity to refinance or sell off your asset at a greater price than when it was purchased. With all these factors considered, rental investments may indeed be a great option for those looking to add another asset class to their portfolios.

### Is Now a Good Time to Invest?

The rental market is constantly changing, making it difficult to determine when the absolute best time to invest in a rental property might be. However, there are some signs to consider.

Although not as low as they have been in recent years, the **interest rate** for rental properties is still low. Better terms allow investors access to capital at much lower costs. Meanwhile, **property values** have become relatively stable even amid economic uncertainty. This means that investors can purchase rental units that still leave room for appreciation over time. With a **surge in interest** for rental properties, investors and potential landlords often can choose from a larger pool of tenants and look for those that they feel are financially solvent and dependable for honoring long term leases and guaranteeing a solid rent roll.





## Evaluating & Mitigating Risk: Potential Challenges to Consider

Investing in rental properties can certainly be an avenue to financial success, but there are risks that must be taken into account. Here are some potential things you can prepare for, so you have a game plan to deal with them:

**Long Vacancy Periods** are a risk to consider when renting single-family homes. The process of finding a tenant involves advertising, background checks, and other administrative tasks that can take a while.

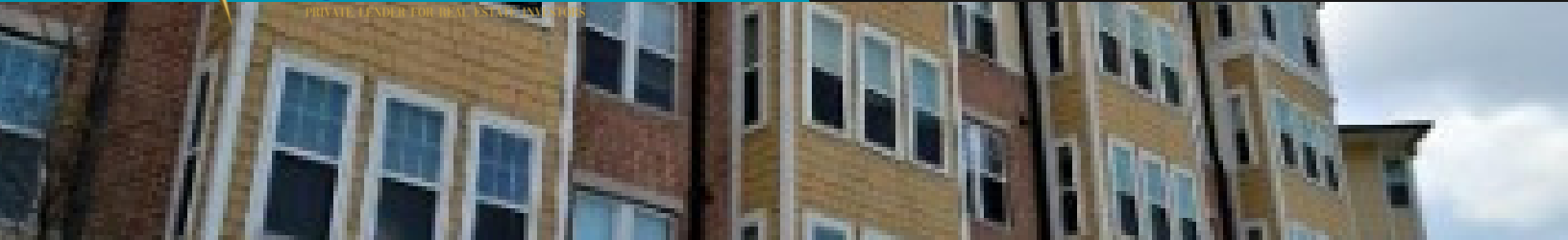
To combat this, consider investing in properties located in high demand areas or units with multiple rentals attached.

**Property Tax Hikes** can be a real problem when it comes to rental investments; if the tenant's rent does not cover the expenses due to an increase in taxes, then you could find yourself breaking even or shelling out more capital. Make sure to research local tax laws ahead of time to ensure they fit within your strategy.

**Tenant Risks** can also plague landlords; getting stuck with an unreliable tenant could result in missed rent payments, damaged property, or worse - legal disputes. To avoid this issue as best as possible, conduct a thorough tenant screening involving their credit score, background check and previous rental history.

Remember, any investment has an element of risk but understanding the risk will arm you with the knowledge you need to invest wisely and reap the rewards.





# GET FINANCED TODAY

**How does a private, hard money rental loan benefit real estate investors?  
Enter Harbour Group Capital.**

Overall, investment property loans can be a bit more involved than conventional home loans. So, where should you turn for financing and guidance?

A private money lender can be a useful financing tool for investment properties.

**Harbour Group Capital's** private money loans are not subject to the same regulations as traditional mortgages, you may be able to secure financing for your investment property more quickly and with less hassle.

Additionally, our private money lending can often offer more flexibility in terms of loan terms and repayment options.

If you are ready to consider a rental investment, our team help you make an informed decision that meets your needs and goals as an investor.

Book an appointment today with one of our loan consultants or contact Harbour Group Capital for financing options for rental loans & other loan products to grow your real estate portfolio.

