3 Real Reasons Investor Loans Get Rejected

(And How to Avoid Them)

1. The Numbers Don't Work (Not Enough Equity or Profit Spread)

The #1 reason loans are denied? The deal doesn't pencil out.

Private lenders base approvals on ARV (After Repair Value) or LTC (Loan-to-Cost), not on how likable the borrower is or how pretty the house looks. If there's not enough equity or profit potential, the lender won't take the risk.

Avoid this by:
- Targeting properties priced at 70% of ARV or less, including rehab costs
- Having a clean and realistic scope of work
- Backing up your projected ARV with real comps (within 1 mile, 90 days, similar size/condition)

2. The Property Is Unlendable (According to Guidelines)

Not all properties qualify-even in the flexible world of hard money.

We're talking:
- Rural homes (more than 60 miles from a major metro)
- Mixed-use or funky lot situations (shared parcels, former commercial builds)
- Homes built before 1980 with no obvious updates (due to code issues)

Avoid this by:
- Sticking to single-family homes or 1-4 units in major metro areas
- Avoiding properties with legal, title, or zoning complications
- Sending clear, current photos along with rehab plans to help the underwriter say yes

3. The Borrower Isn't Ready (No Liquidity, Poor Communication, or Incomplete Package)

Many deals fail because the investor doesn't have liquid capital or doesn't provide what's needed.

Even when credit and experience aren't required, private lenders still expect:
- Enough funds to cover closing costs and reserves
- Fast, clean responses to requests

- Full loan package (purchase agreement, rehab budget, photos, comps, and basic app)

Avoid this by:
- Gathering all documentation upfront (your broker likely gave you a checklist)
- Being transparent about liquidity-lenders don't want surprises
- Treating this like a business, not a hobby

Summary: Focus on the Deal, Not the Drama

In traditional lending, it's the borrower who gets picked apart. But in asset-based lending, the deal is the star. If the property makes sense, the numbers check out, and the investor has some skin in the game-odds are good.

But if even one piece is missing-especially profit margin or paperwork-it's a quick "no."

So do your pre-underwriting. Know what lenders expect. And when in doubt, ask your broker before submitting the deal.

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