

Investment Property Loans

As far as investments go, few are as safe, predictable, and — if done properly — lucrative as getting into real estate. Diversifying your portfolio with a piece of property can come in many forms. You might look into buying and holding land for future development, flipping a home for a profit, or creating a highly sought-after passive income stream by renting out the property in a multi-family housing unit.

Of course, getting into the real estate game comes with a high cost, but understanding how to best navigate your initial financing on an investment property can save you a lot of money and a big headache. Getting started on the right foot with the best Investment Property Loan can also maximize your profits.

What is an Investment Property Loan?

The first step in securing an Investment Property Loan is doing the proper research on what is needed upfront as a down payment, what criteria are expected of borrowers, and how Investment Property Loans differ from other kinds of loans.

For borrowers looking to take out an Investment Property Loan with Altabank, the typical requested amount starts at \$10 million, therefore it is essential to have a strong financial footing to begin the venture. It's also vital to crunch the numbers to make sure you'll be able to pay off your loan and swing a profit on your investment.

Ask yourself: What are the housing market trends? What will the property taxes be? Will I have time to manage the property, or will I have to hire a company to do so for me? Remember, the point of investing in a property with the help of a loan is to make a profit or generate income, so having a good game plan backed by research is extremely important.

What is the minimum down on an Investment Property Loan?

Here's where you need to figure out exactly where you are in terms of pursuing an investment. To make it simple, let's boil it down to two groups: individual consumers or commercial entities.

A consumer would be a person or small party, perhaps a couple, making their first or even second investment. They would typically be looking into a multi-family dwelling or something like a duplex. If the person investing in the property would be living in it as well, there are other things to consider when applying for an Investment Property Loan, such as an FHA loan, but we'll touch more on that further down the page.

As a heads up, interested folks should know that to take out an Investment Property Loan, a typical down payment can be around 30% of the loan amount. In addition, the borrower will be evaluated by their income, assets, and ability to afford the monthly loan payments for the investment property.

It is also recommended to have some extra cash on hand to cover any repairs or rehab that may be needed to get the property, especially a multi-family housing situation, up and running.

As for commercial entities, Investment Property Loans look very different from an individual borrower. Commercial borrowers — think property development companies or commercial real estate investors — generate their income from larger properties. These companies buy property to build and operate office buildings, warehouses, apartment complexes, etc. These larger properties can require loans in the \$10-50 million range and also require around 30% of the total loan amount.

Are there Investment Property Loans available with a low down payment?

The definition of a low down payment on an Investment Property Loan can be a relative term. For borrowers looking to utilize Altabank's services, the typical loan request for an Investment Property starts at \$10 million.

While the actual down payment amount can vary from customer to customer, the typical 30% down on a typical \$10 million loan would equate to an initial payment of \$3 million. However, it isn't entirely necessary to have the down payment in cash. It's possible to reach the down payment amount by using the equity in your current home, your 401k or Roth IRA funds, or with a documented cash gift from family or friends.

Many who enter the Investment Property game often use a method known as 'BRRRR,' an acronym for Buy, Renovate, Rent, Refinance, Rinse and Repeat, which essentially works to use the profits on an initial property to buy new properties to create a snowball effect. However, you would still need to come up with the down payment on the first property to get started.

What are the different types of Investment Property Loans?

Investment Commercial Real Estate

Let's say you want to invest in a property, but [commercial real estate](#) is more of your cup of tea than becoming a domestic landlord. You'd understand that opposed to preparing a housing unit for a person or a family to live in, you'd be owning a property for others to conduct business in. This can come in many different shapes and forms. Maybe you'll own a building that is used in the warehouse or industrial sector. Maybe that building will be an office space or used as a

retail store. In whatever case it may be, additional research on the risks and returns for whichever industry you plan on getting involved with is highly suggested. Some industries are faring better than others, especially due to evolving consumer habits. So, it might not be wise to rent out retail space if more and more folks are turning to online shopping to make their purchases.

Multi-Family Housing

As you may have guessed, getting involved in multi-family housing essentially consists of taking the role of a landlord, along with a [residential loan](#) to finance your investment. Whether you're starting with a two-family duplex or a high-rise apartment building, you'll be gathering monthly rent payments in exchange for providing a place to live

While the security of consistent passive income may be intriguing, it's also important to consider what else will be required of you as a landlord. Chances are, you'll oversee maintaining and repairing your property or will have to outsource that responsibility to a property management company. If the plumbing or electricity goes out, that'll likely come out of your pocket as the property owner.

FHA Loans for Investment Properties

It's possible that when purchasing your first home, you may have utilized a loan from the Federal Housing Administration (FHA). Homebuyers who can't qualify for a traditional mortgage often find that an FHA loan can better accommodate a family with a low down payment or low credit scores.

While it can be a bit trickier to get an Investment Property with an FHA loan, it is possible if the proper conditions are met. Since an FHA loan cannot be used for anything other than a primary residence, you would have to live in one of the units in the investment property you wish to purchase. An FHA loan can be used to buy a dwelling of up to four units, so you could live in one unit and rent out the other three.

If the time and circumstances are right, getting into an Investment Property could be very financially advantageous. Altabank has the experience and expertise to make doing so in the booming housing market a worthwhile venture. [Click](#) to see how Altabank can help you get started on Investment Property Loan.