Scott Tischler

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REAL ESTATE

Raising Private Money: How to Fund Real Estate Deals Without a Bank

By Scott Tischler · July 28, 2026 · 9 min read

When people find out I've been doing real estate since 1998 — through the run-up to 2008, out before the crash, back in afterward, all the way to a 48,000-square-foot warehouse — they usually assume the hard part was finding the deals. It wasn't. The deals are everywhere. The constraint that separates people who scale from people who stall is **capital**, and specifically the ability to raise it from private individuals rather than begging a bank for every dollar.

Private money is the quiet engine behind a huge share of the real estate business, and it's badly misunderstood. Done right, it's a fair, transparent partnership where a lender earns a solid secured return and an operator gets fast, flexible capital. Done wrong, it's a lawsuit, a broken relationship, or a securities violation. This is how private money actually works, how I think about presenting a deal and earning trust, the terms and structures involved, and the legal lines you cannot cross.

One important note: this is education, not personalized legal, financial, or investment advice, and I am not your attorney. Securities and lending rules vary by state and country and change over time. Before you raise a single dollar from anyone, talk to a qualified securities attorney about your specific situation.

What private money actually is

Private money is capital you borrow from an individual or a private entity to fund a real estate deal, secured by the property itself. It sits between your own cash and a traditional bank loan. Unlike a bank, a private lender isn't underwriting you against a rigid checklist of credit scores and debt-to-income ratios; they're underwriting **the deal and you as a person**.

That's the whole appeal. Private money is **fast** — days, not the weeks or months a bank takes. It's **flexible** — terms are negotiated directly between two people, not dictated by an underwriting department. And it funds things banks won't touch: distressed properties, short timelines, unusual assets, and value-add projects that don't fit a conventional box. The trade-off is that it typically costs more than bank debt, which is fair, because the lender is taking a more hands-on position and moving quickly.

It's worth separating two things people lump together. **Debt** is a loan — the lender gets a fixed return and their money back, secured by the property, but they don't own a piece of the upside. **Equity** is ownership — the investor takes a share of the profits and the risk. Most private-money relationships start as debt because it's simpler, more secured, and easier to explain. This article focuses mostly there.

Who lends private money

The first mistake new investors make is assuming private lenders are strangers. They usually aren't. The most common private lenders are people already in your orbit who have capital sitting in low-yield accounts and would rather earn a secured real estate return.

- **People you already know** — successful professionals, business owners, retirees, and family friends with savings they want working harder. This is where nearly everyone starts.
- **Self-directed retirement accounts.** Many people don't realize they can lend from a self-directed IRA or similar account. A retiree earning next to nothing on cash can lend it against your property inside their retirement account. This unlocks capital that feels invisible.
- **Other real estate people.** Investors who've exited deals and are sitting on cash between projects, or who prefer being the bank to being the operator.
- **Dedicated private and hard-money lenders.** More institutional, more expensive, more transactional — but a legitimate source when relationship capital runs short.

The distinction I always draw for people: a **hard-money lender** is a business that lends professionally at higher rates and points, while a **private lender** is often an individual you have a relationship with, lending at more negotiable terms. Both are private money; the culture is different.

How to present a deal and build trust

Here's the truth that took me years to fully internalize: **people don't fund deals, they fund people.** A private lender is handing you real money based mostly on whether they believe you'll protect it. So the entire game is trust, and trust is built long before you ever ask for a dollar.

I don't lead with the ask. I lead with **track record and transparency**. Before someone lends to me, they've usually watched me do a few things well, heard me talk honestly about a deal that didn't go perfectly, and seen that I understand my numbers cold. When it's time to present, I bring a tight, honest package, not a hype pitch.

A clear deal presentation covers, at minimum: the property and why it's a good opportunity, the numbers (purchase, rehab or improvement budget, comparable values, and exit), exactly how much I need and what it's for, the **return I'm offering and how it's secured**, the timeline, and — critically — the risks and what happens if things go sideways. That last part is what earns the money. Amateurs hide risk; professionals name it and show how the lender is protected anyway.

The single most important principle

Protect the lender's money like it's your mother's retirement — because sometimes it literally is. That means never borrowing more than the deal can safely support, keeping the lender in a **secured position**, communicating early and often, and paying on time without being chased. Do that across a few deals and you won't have to raise money anymore; it'll come looking for you. Reputation is the entire business.

Typical terms and structures

Private-money deals get documented with real paperwork — this is not a handshake and a Venmo. The core instruments are straightforward, and you should have an attorney prepare or review them.

Instrument / term	What it does
Promissory note	The written promise to repay — states amount, interest rate, term, and payment schedule
Deed of trust or mortgage	Secures the loan against the property, giving the lender a claim if you default
Personal guarantee	Your personal promise to repay, adding security beyond the property (sometimes negotiated)
Preferred return	In equity deals, a set return the investor earns before you take any profit split
Points / origination	An upfront fee, expressed as a percentage of the loan, common with hard money

On numbers, I'll give reasoned practitioner ranges rather than invented precision, because rates move with the broader market and the specific risk. Private lenders commonly seek returns somewhere in the high single digits to low or mid teens, depending on how secured the position is, how experienced the borrower is, and how the market is pricing risk at the time. A first-position, well-secured loan to a proven operator sits at the lower end; a riskier, subordinate, or short-timeline deal sits higher. **Points** of one to three on the loan amount are common with more institutional lenders and less common between individuals with a strong relationship.

Two structural safeguards matter enormously. First, **lien position**: a lender in **first position** gets paid before anyone else if the property is foreclosed, which is the safest spot. Second, **loan-to-value (LTV)**: lending at a conservative LTV — leaving a real equity cushion beneath the loan — is how a lender survives a market dip. A lender protected by first position and a conservative LTV can weather a lot of bad news.

The securities-law line you cannot cross

This is the part where I get most serious, because it's where good people get into real trouble without meaning to. When you take money from someone who is **passive** — who invests expecting a return primarily from ***your*** efforts — you may be selling a **security**, even if you call it a loan or a partnership. Securities are heavily regulated, and getting this wrong can mean serious civil and even criminal consequences.

A few principles I live by, and that you should confirm with your own securities attorney:

- **Don't publicly solicit unless you're compliant.** Blasting a deal to strangers on social media, at seminars, or to people you have no relationship with can constitute an illegal public offering of an unregistered security. There are legal exemptions that permit raising money, but many of them prohibit general solicitation or restrict you to a **pre-existing, substantive relationship** with the investor. Know which one you're relying on.
- **Straight debt is generally cleaner than pooling equity.** A simple, secured loan from one lender against one property is a different animal from pooling multiple passive investors into a fund. The moment you're pooling passive money, assume securities law applies and get counsel.
- **Never guarantee returns or hide risk.** Overstating certainty and downplaying risk is exactly what regulators and plaintiffs' attorneys look for.
- **Paper everything properly.** Real notes, real security instruments, real disclosures — prepared by a professional.

I'm not saying this to scare you off. I'm saying it because the operators who last are the ones who treat compliance as part of the craft, not an obstacle to route around. Spend the money on the attorney. It's the cheapest insurance you'll ever buy.

Protecting both sides

The best private-money relationships are structured so that **both parties win and both are protected**, and that isn't charity — it's what makes the capital keep flowing deal after deal. Protect the lender with a secured position, conservative LTV, proper documentation, and relentless communication. Protect yourself by never over-leveraging, keeping reserves for the deal that runs long or over budget, and being honest to a fault about risk so you're never accused of misleading anyone.

After nearly three decades, the thing I'd tell my younger self is that raising money isn't a sales skill, it's a **trust skill**. Do a handful of deals cleanly, treat every lender's dollar as sacred, communicate when things are boring and especially when they're not, and the capital problem solves itself. The people who fund your first deal well, done right, become the people who compete to fund your next ten.

Key takeaways

- Private money is capital borrowed from individuals or private entities, secured by the property — faster and more flexible than a bank, at a higher cost.
- Your first lenders are almost always people already in your orbit, including those with self-directed retirement accounts earning little on cash.
- People fund people, not deals — trust built through track record and transparency, long before the ask, is what actually raises money.
- Deals are documented with real instruments: a promissory note, a deed of trust or mortgage, and sometimes a personal guarantee or preferred return.
- Protect the lender with first lien position, conservative loan-to-value, proper paperwork, and constant communication — treat their money as sacred.
- Taking passive investor money can trigger securities law even if you call it a loan; avoid public solicitation and consult a securities attorney before raising a dollar.

Frequently asked questions

What is private money in real estate?

Private money is capital you borrow from an individual or a private entity to fund a real estate deal, secured by the property itself. Unlike a bank, a private lender underwrites the deal and you as a person rather than a rigid credit checklist, which makes the money faster and more flexible. The trade-off is that it usually costs more than conventional bank financing.

Who lends private money for real estate deals?

Most private lenders are people already in your orbit — successful professionals, business owners, retirees, and friends with savings earning little in the bank. Many can lend from self-directed retirement accounts, unlocking capital they didn't realize they could deploy. Beyond personal relationships, dedicated private and hard-money lenders offer more institutional, more expensive capital.

What's the difference between private money and hard money?

Both are private capital, but a hard-money lender is a business that lends professionally at higher rates and points, while a private lender is often an individual you have a relationship with, lending at more negotiable terms. Hard money is more transactional and expensive; private money is more relationship-driven and flexible. The culture and pricing differ even though the legal instruments are similar.

How do I convince someone to lend me private money?

You don't convince them with a pitch — you earn it with track record and transparency long before you ask. Present a tight, honest package covering the property, the numbers, exactly how much you need, the secured return you're offering, the timeline, and the risks and downside protections. Naming the risks and showing how the lender is protected anyway is what actually earns the money.

What documents are used in a private-money loan?

The core instruments are a promissory note, which states the amount, interest rate, term, and payment schedule, and a deed of trust or mortgage, which secures the loan against the property. Deals may also include a personal guarantee for added security or, in equity structures, a preferred return. All of it should be prepared or reviewed by a qualified attorney.

What interest rate do private lenders charge?

Rates vary with the market and the specific risk, but private lenders commonly seek returns somewhere in the high single digits to low or mid teens. A first-position, well-secured loan to a proven operator sits at the lower end, while a riskier, subordinate, or short-timeline deal sits higher. Some lenders, especially institutional ones, also charge points as an upfront fee.

Is raising private money legal?

Raising private money is legal, but it can trigger securities law — especially when you take money from passive investors expecting a return primarily from your efforts, even if you call it a loan or partnership. Publicly soliciting strangers or pooling passive investors without following the proper exemptions can be an illegal offering with serious consequences. Always consult a securities attorney before raising money.

How do I protect a private lender's investment?

Keep the lender in a first lien position, lend at a conservative loan-to-value that leaves a real equity cushion, document everything with proper instruments, and communicate early and often. Never borrow more than the deal can safely support, and pay on time without being chased. Treating their money as sacred is both the ethical standard and what keeps capital flowing to your future deals.

About the author. Scott Tischler is the Founder & Chairman of AIrecommend.ai and a practitioner-authority on AI search and Answer Engine Optimization. With 20+ years in marketing technology — including American Express,

MetLife, and UBS — and executive study at Wharton, Harvard, Yale, and Oxford, he helps businesses become the ones AI recommends.