# Private Mortgage Lenders Ontario: A Clear Guide to Rates, Requirements, and How to Choose

If traditional banks have turned you away or you need fast, flexible financing, **Private Mortgage Lenders Ontario** offer an alternative that bases approval largely on equity rather than credit or income. You can often secure short-term funds more quickly through private lenders, though you should expect higher interest rates and stricter repayment timelines compared with conventional mortgages.

This article explains how private lending works in Ontario, what to watch for in fees and contract terms, and when a private mortgage makes strategic sense for your situation. You'll get practical tips to evaluate lenders, compare rates, and decide whether a private mortgage fits your short-term financing plan.

**Understanding Private Mortgage Lenders in Ontario**

Private mortgage lenders offer faster, more flexible financing than banks but usually charge higher rates and expect shorter terms. Expect different qualification rules, stricter collateral emphasis, and the need for clear exit or refinance plans.

**What Are Private Mortgage Lenders?**

Private mortgage lenders are non-bank entities — often individuals, mortgage investment corporations (MICs), or private firms — that provide loans secured by real estate. They fill gaps when you cannot meet bank requirements due to credit, income documentation, or timing. You usually deal directly with the lender or through a mortgage broker.

Regulation differs from chartered banks; provincial rules (and FSRA guidance) affect practices but private lenders are not bound by the same federal mortgage standards. Because underwriting relies more on property value than on income ratios, lenders focus on loan-to-value (LTV), exit strategy, and property type.

**How Private Mortgages Work**

Private mortgages are short-term, typically 6–36 months, and secured by a mortgage registered on the property.
Interest rates commonly run higher than conventional mortgages; expect additional origination fees and appraisal or legal costs.

Underwriting emphasizes the property's marketability and the borrower's exit plan (sale, refinance, or repayment).
You'll provide a property appraisal, title search, and documentation for your exit strategy; lenders may accept reduced income proof, especially for self-employed applicants. Repayment can be interest-only with a balloon payment, or blended payments; terms and penalties vary by lender.

**Types of Private Mortgage Products**

- **Bridge Loans:** Short-term funding between purchase and permanent financing. Use these for quick closings or to buy before you sell.
- **Refinance/Equity Takeouts:** Access equity when banks won't lend due to credit or income issues. You may borrow up to a conservative LTV to lower lender risk.
- **Construction & Renovation Loans:** Staged disbursements tied to milestones. Lender inspects progress before releasing funds.
- **Commercial/Investment Property Loans:** Underwriting focuses on rental income potential and property value, not personal income alone.

Key product variables to compare:

- **Interest rate** (fixed vs. variable)
- **Term length** (months)
- **Fees** (origination, legal, appraisal)
- **Maximum LTV**

Request a full cost breakdown and written term sheet before accepting an offer so you can compare lenders on the same criteria.

**Benefits and Considerations for Borrowers**

Private lenders can offer faster approvals, more flexible underwriting, and loans when traditional banks say no. Expect higher interest and shorter terms, and plan an exit strategy before you borrow.

**Who Should Consider Private Lenders?**

You should consider private lending if you need speed, have a non-standard income, or require financing for a property that banks won't touch. Examples include self-employed borrowers with recent income changes, investors closing quickly on a rehab property, or owners of unique or non-arm's-length properties.

If your credit score is damaged but you have substantial equity (usually 20–35%+), private lenders may focus on loan-to-value (LTV) rather than score. You should also consider private lending for short bridges to refinance later with a conventional lender once documents, income, or property issues resolve.

**Advantages of Private Mortgages**

Private mortgages often approve within days, not weeks, because lenders use manual underwriting and focus on collateral value. You can access flexible terms such as interest-only payments, custom amortizations, or short-term bridge loans that match renovation timelines.

Private lenders accept non-traditional properties and complex borrower situations, including recent bankruptcy or cash-flow volatility. They can fund higher-risk deals that banks decline, enabling you to secure purchase opportunities or stabilize a distressed asset quickly.

**Potential Risks and Drawbacks**

Private loans carry higher interest rates—commonly in the mid-single to mid-teens—and fees such as origination, broker, and legal costs. Expect shorter terms (often 6–36 months), which forces a clear refinance or sale plan to avoid a costly maturity issue.

Enforcement and repossession can be faster with private lenders if you default, so assess lender reputation and documentation carefully. You must also verify total costs (interest + fees) and ensure the property's equity cushion is realistic to avoid losing your investment.