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ABSTRACT

This paper is an exploratory study on a recent phenomenon in the U.S. lending industry—Hard Money Mortgages. Taking a Systems Theory approach, I argue that there are different paths that lead to the same outcome which is defined as a funded commercial project. In other words, this phenomenon is an example of equifinality in an open system. However, one important finding is that this path to a funded project runs counter to what profit-maximizing economics teaches in that it is a very costly path to that outcome. As such, I argue that the entrepreneurs who utilize this mechanism are making a strategic choice in lieu of an economic choice. The exploratory study is necessary because there is no detailed work on the hard money mortgage industry to date. Data was compiled through interviews and surveys of both borrowers and lenders. Additionally, textual sources and lender websites were used in order to gather information as well as triangulate data from the surveys. From an entrepreneurship perspective, this paper adds to the literature because this sub-industry entails small sellers (lenders) and small buyers (borrowers) who interact and circumvent large institutions (i.e. depository banks) to reach collective goals.

