Short-Term Loans, Long-Term Wins

Fix-and-flip and ground-up construction loans build opportunity for originators

By Joseph Lydon

Real estate investors continue to play an important role in today’s housing market, especially as demand for move-in-ready homes and new construction persists. But with higher borrowing costs, tighter margins and mixed market signals, investors are approaching the market with a blend of caution and strategy.

For mortgage originators, that means opportunity — but also the need to adapt. Financing solutions like fix-and-flip and ground-up construction loans offer flexibility that conventional loans can’t match.

By understanding how these programs work (and who they’re for), originators can become trusted partners to real estate investors who are still buying, building and flipping despite market headwinds.

Investor activity hasn’t disappeared. A 2025 ResiClub survey of home flippers found that 89% planned to complete at least one flip in 2025, while 64% expected to convert a flip into a rental using a fix-to-rent strategy. When asked about demand, 32% of respondents nationwide described it as “very strong,” while in the Northeast, that number rose to 59%, highlighting both competitive conditions and ongoing investor interest in the region.

On the construction side, federal data showed 1.397 million privately owned housing units were authorized by building permits in June 2025, according to the U.S. Census Bureau. While permit activity edged up 0.2% from May, it remained 4.4% lower than June 2024, indicating a moderate slowdown year over year. Despite this, continued demand keeps pressure on expanding housing inventory in growing metros like Austin, Texas; Boise, Idaho; Raleigh, N.C.; and Miami.

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Construction loan volume showed a modest rebound in early 2025. According to Federal Deposit Insurance Corp. data, one- to four-family residential construction and land development loans rose to $90 billion in the first quarter, up 0.6% from the previous quarter. While that’s still 5.2% below the prior year’s levels, the increase marks the first quarterly gain in two years, suggesting that investor and builder activity, though selective, is still present in the market.

The bottom line? Fix-and-flip investors and builders are still in the game. And originators who understand these short-term loan options are well positioned to help them move forward.

Fix-and-flip loans

Fix-and-flip loans are short-term, interest-only loans that fund both the purchase and renovation of existing properties. The goal is to turn distressed or undervalued real estate into move-in-ready homes that investors can resell or rent, often within months.

Loan terms typically range from six to 18 months and are structured around interest-only payments to help borrowers maintain cash flow during the renovation process. Rather than relying on a property’s current market value, these loans are often underwritten based on the after-repair value (ARV), giving investors access to more capital upfront. Documentation requirements are generally more flexible, with asset-based approvals that don’t hinge on a borrower’s personal income. Renovation funds are distributed in stages through a draw process tied to project milestones.

Fix-and-flip loans are also built for speed, with many closing in less than 30 days, an essential feature in competitive markets.

These loans attract a variety of borrower types, from first-time investors working with licensed contractors to experienced flippers managing multiple projects each year. Many borrowers operate through limited liability companies (LLCs), and some are transitioning into fix-to-rent strategies, converting rehabbed properties into long-term rental assets.

Typical use cases include the purchase and renovation of outdated single-family homes, small multifamily buildings and urban condos and townhomes. Investors often acquire these properties at auction or through off-market channels, then update them to meet modern buyer expectations.

Attom's Q1 2025 U.S. Home Flipping Report found that investors earned an average gross profit of $65,000 per flip, with a 25% return on investment. That still-modest profitability, paired with high buyer demand for renovated homes, makes flipping a compelling strategy — and a repeat opportunity for originators.

Ground-up construction loans

When renovating isn't enough, some investors opt to build from scratch. Ground-up construction loans provide capital for new residential projects, including land acquisition (if needed), site prep and vertical construction.

Unlike fix-and-flip loans, ground-up construction loans require more planning and coordination. However, they can also support larger profit margins and longer-term investment strategies, particularly in markets starved for inventory.

Terms usually span 12 to 18 months and follow a short-term, interest-only structure. Instead of receiving the full loan amount upfront, borrowers access funds through a draw schedule with disbursements released at key construction milestones. Third-party inspections are often required to verify progress before each draw is approved. These loans tend to close faster than traditional bank-issued construction loans and are often available to entities such as LLCs, not just individual borrowers.

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Borrower requirements vary, but most programs are geared toward experienced builders. In many cases, borrowers must have completed at least two or three prior ground-up projects or one major renovation exceeding a set dollar threshold. A licensed general contractor is typically required, along with approved building permits and a defined project timeline and budget. Minimum credit score thresholds, such as 680 or higher, are common.

Ground-up construction loans are frequently used for single-family spec homes, build-to-rent developments, small-scale multifamily builds and urban infill projects. They also serve investors taking on teardown and rebuilds in established neighborhoods where land is more valuable than the existing structures.

Traditional banks often present roadblocks for these borrowers, especially when land is already owned or held in an LLC. Institutional lenders may be unwilling to finance recently purchased lots, undervalue undeveloped land or require extensive reserves and documentation.

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Lenders who provide ground-up construction loans, in contrast, tend to offer a more streamlined and investor-friendly approach, basing loan decisions on the project's potential and the builder's track record rather than rigid documentation alone.

The originator advantage

Unlike conventional 30-year loans, fix-and-flip and ground-up construction loans create short-term, high-frequency lending opportunities. A single investor might complete multiple flips or new builds per year, each one needing financing and hands-on support.

That creates recurring income potential for originators who understand how to structure short-term loans with clear exit strategies, coordinate effectively with contractors, inspectors and title agents, and guide clients through draw schedules and documentation requirements. Setting realistic expectations around project timelines and disbursement logistics is equally important, as is preparing for what comes after the project — whether it's a refinance, a sale or a long-term hold.

These types of investor and builder clients also tend to bring new opportunities through word of mouth. By delivering consistent value throughout the loan cycle, originators can grow their business through repeat deals and trusted referrals.

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Fix-and-flip and ground-up construction loans are essential tools for today's originator. These programs allow mortgage professionals to serve a wider variety of clients, from new investors to seasoned developers, and provide consistent, repeatable lending opportunities. ●

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