

# Hard Money Lending: A Consumer Guide

Hard money lending is a short-term real estate loan option that is based on the value of the property being purchased, rather than the borrower's credit score or income. This guide will help consumers make an informed decision.

## What is Hard Money Lending?

Hard money lending is an asset-based loan where the property itself is the collateral. Lenders are typically private individuals or small companies. Loan terms are short, usually 6 to 24 months.

## How It Works

Hard money loans are primarily based on the value of the property. They are fast to approve, flexible, and often used for fix-and-flip projects or time-sensitive purchases.

## Pros

- Fast approval and funding (often within days)
- Less focus on credit score
- Flexible terms
- Ideal for investors and fix-and-flip projects

## Cons

- Higher interest rates (8%–15%+)
- Upfront fees ('points') of 1–5%
- Short repayment periods
- Risk of foreclosure if unable to repay

## When It Makes Sense

Hard money loans are useful if you need funding quickly, plan to flip a home, or expect to refinance into a traditional loan soon. They are not designed for long-term home ownership.

## Red Flags to Avoid

- Lenders who pressure you to sign quickly
- Unclear terms or hidden fees
- Extremely high costs without flexibility

## Bottom Line

Hard money lending can be a helpful tool for investors with a clear exit strategy. However, it comes at a higher cost and higher risk than traditional mortgages. Consumers should ensure they understand all terms before moving forward.

## Hard Money vs. Traditional Mortgage

Aspect	Hard Money Loan	Traditional Mortgage
Approval Time	Days	Weeks to Months
Credit Score Importance	Low	High
Interest Rates	8%–15%+	6%–7% (average)
Loan Term	6–24 months	15–30 years
Best For	Investors, flippers	Homebuyers, long-term owners