Claude Loan

2026 GUIDE

Hard money loans: how they work, what they cost, and the rules in your state

Hard money loans for investors: how asset-based lending works, typical rates and points, fix-and-flip and bridge structures, and the rules in all 50 states.

Asset-based, fast, expensive — and regulated differently in all 50 states. The playbook, then the rules where your property sits.

Hard money is real estate's short-term, asset-based credit market: loans of 6 to 24 months secured by property, priced on the collateral and the exit rather than on the borrower's tax returns, funded in days at rates that would be unthinkable on a 30-year mortgage. It exists because banks cannot close in ten days on a house with no kitchen, and because investors who can turn that house into a finished product in four months will pay for the speed.

The guides here are the playbook: what a hard money loan is, what it costs, how fix-and-flip loans and bridge loans are structured, how to refinance into a conventional or DSCR loan, how lenders evaluate after-repair value, and how to find and vet a lender without paying an advance fee to a website.

The state pages are the rulebook. Usury caps (Arkansas's 17% constitutional ceiling, New York's 16%/25% thresholds, no cap at all in a dozen states), lender licensing, how fast a lender can foreclose if a deal fails (two months in Texas, years in New Jersey), whether a deficiency can follow, and transfer taxes on the way in and out — none of it is uniform, and all of it is priced into your loan.

The method, in five steps

1. Read the state page for the property's location: usury, licensing, foreclosure speed and transfer taxes.
2. Build the deal budget with a 15% rehab contingency and carrying costs for two months beyond your plan.
3. Estimate ARV from sold comps yourself before any lender does; discount optimism.
4. Collect two written term sheets and compare total cost of capital and cash left in the deal — not just the rate.
5. Write down your plan B exit (refinance lender identified, price-cut schedule) before you sign the note.

Questions people ask

What do hard money loans typically cost?

In recent markets, roughly 9% to 14% interest plus 1 to 4 origination points and fees, on terms of 6 to 18 months. Leverage runs 80% to 90% of purchase price and up to 100% of rehab, capped at 65% to 75% of after-repair value. Experienced borrowers with a track record get the better tiers.

Can I use hard money to buy a home to live in?

Consumer-purpose hard money on an owner-occupied home falls under full federal mortgage regulation and is rarely offered. The market is built for business-purpose loans to investors on non-owner-occupied property.

How do I know a hard money lender is legitimate?

A verifiable entity, recorded loans in county records, licensing where the state requires it, a written term sheet listing every fee, and no large upfront fees before commitment. See our vetting guide and the state pages for licensing rules.

Your state's rules

Every state changes the answer — programs, usury caps, foreclosure speed. The state guides are free at https://claude-loan.com/hard-money-loans/ (pick your state).

Keep reading on Claude Loan

- What is a hard money loan? Asset-based lending explained — https://claude-loan.com/guides/what-is-a-hard-money-loan/
- Hard money vs conventional loan: speed, cost, and which deal needs which — https://claude-loan.com/guides/hard-money-vs-conventional/
- Hard money rates, points and LTV: typical ranges and what moves them — https://claude-loan.com/guides/hard-money-rates-points-ltv/
- Fix-and-flip financing: structuring the loan around the project — https://claude-loan.com/guides/fix-and-flip-financing/
- Bridge loans: buying before you sell, and other short gaps — https://claude-loan.com/guides/bridge-loans/
- BRRRR: refinancing a hard money rehab into a conventional or DSCR loan — https://claude-loan.com/guides/brrrr-refinance-into-conventional/

Sources

- NMLS Consumer Access — https://www.nmlsconsumeraccess.org/
- CFPB — Regulation Z (business-purpose exemption) — https://www.consumerfinance.gov/rules-policy/regulations/1026/
- Fannie Mae — Selling Guide — https://selling-guide.fanniemae.com/