FREE GUIDE FOR REAL ESTATE INVESTORS

The Hard Money Loan Playbook

How to Get Funded Fast on Your Next Real Estate Deal in North Carolina

Lake Norman Private Money Lender

lakenormanprivatemoneylender.com

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CHAPTER 01

What Is a Hard Money Loan (and Is It Right for Your Deal)?

A hard money loan is a short-term, asset-based loan secured by real estate. Unlike a conventional mortgage where the bank underwrites *you* — your income, credit score, tax returns, employment history — a hard money lender underwrites the *property*. The real estate itself is the collateral, and the deal's equity is what drives the lending decision.

This distinction matters more than anything else in this guide. If the deal makes sense — if the numbers work and the collateral is solid — hard money lenders can fund it, often regardless of your personal financial profile.

How Hard Money Differs From Conventional Lending

Factor	Hard Money Loan	Conventional Bank Loan
What's underwritten	The property / deal	The borrower
Closing speed	7–14 days	30–60 days
Loan term	6–24 months	15–30 years
Interest rate	9–13%	6–8%
Points (origination)	1–3 points	0–1 points
Credit requirements	Flexible	680+ typically
Income documentation	Minimal or none	Full (W-2s, tax returns)
Best for	Fix-and-flip, bridge, value-add	Long-term buy-and-hold

Who Uses Hard Money Loans?

- **Fix-and-flip investors** who need fast capital to acquire distressed properties, renovate them, and sell for a profit
- **BRRRR investors** buying, rehabbing, renting, then refinancing into permanent financing
- **Developers** funding ground-up construction or major renovations

- **Bridge borrowers** who need short-term financing between transactions
- **Self-employed investors** whose tax returns don't reflect their true income
- **Investors moving fast** on competitive deals that won't wait 45 days for bank approval

KEY TAKEAWAY

Hard money isn't "expensive money" — it's **fast, flexible money** that lets you capture deals banks would never fund in time. The cost of the loan is a tool in your deal analysis, not a dealbreaker.

CHAPTER 02

Hard Money vs. Banks: An Honest Comparison

Hard money loans cost more than conventional bank loans. That's a fact, and any lender who pretends otherwise isn't being straight with you. But cost alone doesn't tell the story. What matters is whether the deal *pencils out* after accounting for all financing costs — and whether you can even get the deal done with a bank in the first place.

When Hard Money Wins

Speed. In competitive markets like Charlotte, Lake Norman, and the surrounding NC metros, deals move fast. If a distressed property hits the market at the right price, the investor who can close in 10 days beats the one who needs 45. Hard money makes that possible.

Flexibility. Banks have rigid underwriting boxes. If your property is in poor condition, if you're self-employed, if you own more than 4 financed properties, if the deal has any complexity at all — a bank will likely pass. Hard money lenders evaluate deals individually.

Property condition. Banks won't lend on properties that need significant work — which is exactly the type of property that creates the most investor profit. Hard money lenders fund based on what the property *will be worth* after renovation, not its current distressed state.

When a Bank Is Better

Long-term holds. If you're buying a stabilized rental property and plan to hold it for 10+ years, a 30-year fixed mortgage at 7% will always beat a 12-month hard money loan at 11%. Use the right tool for the job.

Primary residences. Hard money loans are for investment properties. If you're buying a home to live in, go conventional.

> **THE REAL MATH**
>
> A hard money loan at 11% interest for 6 months on a $200,000 loan costs roughly $11,000 in interest. If your flip generates $60,000 in gross profit, that $11,000 financing cost is a smart investment — not an expense. Always run the full deal analysis before dismissing hard money as "too expensive."

CHAPTER 03

The 7 Things Every Hard Money Lender Looks For

Understanding what hard money lenders evaluate helps you put together a stronger loan package and get funded faster. Here's what we look at — in order of importance.

1. The Property (Collateral)

This is the foundation of every hard money loan. We want to know: What's the property worth today? What will it be worth after repairs? Is it in a marketable location? Could we sell it if we had to? The property's value and marketability is the single biggest factor in any lending decision.

2. The Deal Structure (Equity / LTV)

How much equity is in the deal? If you're borrowing 65% of the after-repair value, there's a 35% equity cushion protecting both of us. If you're asking for 90% LTV, the deal needs to be exceptionally strong in every other category. More equity = better terms, faster approval.

3. Your Exit Strategy

Every hard money loan needs a clear, realistic plan for repayment. Are you selling the property after rehab? Refinancing into a conventional loan? The exit strategy must be specific and achievable within the loan term.

4. Rehab Budget and Scope

If the loan includes renovation funds, we want to see a detailed, realistic budget. Experienced investors with line-item budgets and contractor bids get funded faster than those who say "about $50K in work." The more detail you provide, the more confidence a lender has in the deal.

5. Your Experience Level

First-time investors absolutely can get hard money loans — but experience matters for terms. If you've completed 10 successful flips, you'll likely get better rates and higher leverage than someone on deal number one. Be honest about your track record and bring documentation of past projects if you have them.

6. The Market

Is the property in a market where homes sell? How long do comparable properties sit on the market? A property in a strong submarket like Mooresville, Davidson, or Cornelius is a safer bet than one in a stagnant area with 12-month days-on-market.

7. Your Financial Position

While hard money is asset-based, lenders still want to know you have the resources to make monthly payments and cover unexpected costs. We're not pulling your credit report and requiring a 750 score — but we want to see that you have skin in the game and reserves to handle surprises.

> **PRO TIP**
>
> Present your deal like a business proposal, not a loan application. Include a summary of the property, your acquisition price, rehab budget, ARV with comps, timeline, and exit strategy — all in one clean package. Lenders who can quickly understand and verify your deal will give you the fastest answers.

CHAPTER 04

Understanding the Numbers: LTV, LTC, Points & Rates

Hard money loan terms can feel confusing if you're new to them. Here's a clear breakdown of the key numbers and what they mean for your deal.

Loan-to-Value (LTV)

LTV measures your loan amount as a percentage of the property's value. In hard money lending, we typically use the **after-repair value (ARV)** — what the property will be worth after renovation.

```
LTV = Loan Amount ÷ After-Repair Value × 100
```

□ **Example**

Property ARV: $350,000 | Loan amount: $245,000
LTV = $245,000 ÷ $350,000 = **70% LTV**

Most hard money lenders in North Carolina lend up to 65–75% of ARV.

Loan-to-Cost (LTC)

LTC measures your loan against the total project cost — purchase price plus all renovation expenses.

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LTC = Loan Amount ÷ (Purchase Price + Rehab Costs) × 100
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LTC tells the lender how much of the *total project* you're financing versus how much of your own capital you're putting in. Most lenders cap LTC at 80–90%.

Interest Rates

Hard money rates in North Carolina typically range from **9% to 13%**, depending on:

- LTV (lower leverage = lower rate)
- Your experience level

- Property type and condition
- Loan size (larger loans often get better rates)
- Market conditions

Most hard money loans charge interest-only payments during the loan term, with the principal due at maturity. This keeps your monthly carrying costs lower while you complete your project.

Points (Origination Fees)

Points are upfront fees charged as a percentage of the loan amount. **1 point = 1% of the loan.** Most hard money lenders charge 1–3 points at closing.

□ What Points Cost in Real Dollars

On a $250,000 loan:
1 point = $2,500 | 2 points = $5,000 | 3 points = $7,500

Always factor points into your total deal cost analysis.

Other Fees to Expect

- **Appraisal fee:** $400–$800 (if required)
- **Inspection fees:** $200–$500 per draw inspection
- **Legal/doc prep:** $500–$1,500
- **Title insurance:** Required, varies by loan size
- **Prepayment penalty:** Some lenders charge it, some don't — always ask

⚠ WATCH OUT

Never compare lenders on rate alone. A lender offering 10% with 3 points and junk fees can cost more than one offering 12% with 1 point and clean terms. Run the total cost of capital for your specific deal timeline.

CHAPTER 05

Deal Types That Work With Hard Money

Fix-and-Flip

The most common hard money deal type. You buy a distressed property, renovate it, and sell it for a profit. Hard money lenders fund both the acquisition and the rehab costs, with renovation funds disbursed through a draw schedule as work is completed and inspected.

Typical terms: 6–12 month term, up to 75% ARV, 80–90% LTC

BRRRR (Buy, Rehab, Rent, Refinance, Repeat)

Similar to a flip, but instead of selling, you rent the property and then refinance into a long-term conventional or DSCR loan. Hard money serves as the short-term acquisition and rehab vehicle. Your exit is the refinance, not a sale.

Key consideration: Make sure your ARV supports a refinance that pays off the hard money loan in full. Run the numbers on the permanent financing *before* you close on the hard money loan.

Bridge Loans

Short-term financing that "bridges" the gap between transactions. Common scenarios: buying a new property before selling an existing one, funding a deal while conventional financing is being arranged, or acquiring a property at auction where cash or fast-close proof of funds is required.

Typical terms: 6–12 months, lower leverage requirements, fast close

Ground-Up Construction

Building a new property from scratch. Construction loans are more complex — funds are disbursed in stages (draws) as the project progresses through foundation, framing, mechanical, and finish stages. The lender inspects at each milestone before releasing the next draw.

Typical terms: 12–18 months, 65% of completed value, detailed plans and permits required

Cash-Out Refinance

You own a property with significant equity and want to pull cash out for other investments. Hard money lenders can do this faster than banks, especially on investment properties that don't qualify for conventional cash-out programs.

Multi-Family and Small Commercial

Hard money isn't limited to single-family homes. Many lenders fund duplexes, small apartment buildings, mixed-use properties, and small commercial deals. The underwriting principles are the same — it's about the collateral and the deal structure.

CHAPTER 06

The Application Process: Step by Step

One of the biggest advantages of hard money is speed. Here's what a typical process looks like from first contact to funded deal.

Step 1: Initial Contact (Day 1)

Reach out to the lender with your deal summary. A good lender will give you a preliminary answer — yes, no, or maybe with conditions — within 24 hours. Include the property address, purchase price, estimated rehab budget, ARV estimate, and your exit strategy.

Step 2: Term Sheet (Days 1–2)

If the deal looks viable, the lender issues a term sheet outlining the proposed loan amount, interest rate, points, term length, and any conditions. This is not a commitment — it's an outline of terms for you to review.

Step 3: Due Diligence (Days 2–7)

The lender orders an appraisal or BPO (broker price opinion), reviews comparable sales, and verifies the property details. If there's a rehab component, they'll review your scope of work and budget. Title work begins in parallel.

Step 4: Underwriting and Approval (Days 5–10)

The lender's underwriting team reviews everything: property value, deal structure, borrower background, title report, insurance. You may be asked for additional documentation during this phase.

Step 5: Closing (Days 7–14)

Documents are prepared, closing is scheduled (typically at a title company), and funds are wired. On a straightforward deal with a responsive borrower, the entire process can be completed in as little as 7 business days.

SPEED TIP

The #1 thing that slows down hard money closings is **missing or incomplete borrower documentation**. Have everything ready before you apply. See Chapter 7 for the complete checklist.

CHAPTER 07

Your Hard Money Loan Application Checklist

Having these documents ready before you apply will dramatically speed up your approval and closing. Print this page and check items off as you gather them.

Property Information

- ☐ Property address and legal description
- ☐ Purchase contract (if acquisition)
- ☐ Current property photos (interior and exterior)
- ☐ Comparable sales supporting your ARV (3–5 comps)
- ☐ Property tax records
- ☐ Any existing liens or encumbrances

Rehab / Construction (if applicable)

- ☐ Detailed scope of work with line-item budget
- ☐ Contractor bids or estimates
- ☐ Contractor license and insurance certificates
- ☐ Projected timeline for completion
- ☐ Permits required (or confirmation none needed)
- ☐ Before photos documenting current condition

Borrower Information

- ☐ Government-issued photo ID
- ☐ Entity documents (if borrowing through LLC/Corp): Articles of Organization, Operating Agreement, EIN
- ☐ Personal financial statement or asset summary
- ☐ Bank statements (most recent 2 months)
- ☐ Resume of real estate experience (past projects with outcomes)
- ☐ Proof of funds for down payment and reserves

Deal Summary

- ☐ Purchase price
- ☐ Requested loan amount
- ☐ Rehab budget
- ☐ After-repair value (with supporting comps)
- ☐ Exit strategy (sell, refinance, or hold)
- ☐ Projected timeline
- ☐ Expected profit or cash-on-cash return

Insurance

- ☐ Builder's risk or hazard insurance quote
- ☐ General liability insurance (if doing your own work)
- ☐ Flood zone determination

PRO TIP

Create a "Deal Package" template you use for every deal. Save it as a folder on your computer with standard subfolders: Property Docs, Financials, Comps, Scope of Work, Insurance. When a deal comes up, you fill the folders and submit. Lenders love organized borrowers — it signals professionalism and reduces perceived risk.

CHAPTER 08

5 Costly Mistakes Borrowers Make (and How to Avoid Them)

Mistake #1: Underestimating Rehab Costs

This is the number one deal killer. Investors consistently underestimate renovation costs by 20–30%, then run out of money mid-project. Always include a **10–15% contingency buffer** on top of your estimated rehab budget. If your contractor says $50,000, budget $57,500–$60,000.

Mistake #2: Overestimating ARV

Optimistic ARV projections lead to overleveraged deals. Use **conservative, recent comps** (closed within 3–6 months, within 1 mile, similar size and condition). Don't use the highest comp — use the average or slightly below. The appraisal will reflect reality, not your hopes.

Mistake #3: No Clear Exit Strategy

Every hard money loan must be repaid — usually within 6–18 months. If your plan is "I'll figure it out," you're setting yourself up for a maturity default. Before you borrow, know exactly how and when you'll repay: sale, refinance, or other capital source. And have a backup plan.

Mistake #4: Ignoring Carrying Costs

Your profit isn't just purchase price minus sale price minus rehab. You also need to account for:

- Monthly interest payments (6–12 months)
- Property taxes during the hold period
- Insurance premiums
- Utilities
- Origination points and closing costs (both buy-side and sell-side)
- Agent commissions on the sale (5–6%)

On a 6-month flip, carrying costs can eat $15,000–$25,000+ of your margin. Build these into your analysis *before* you make an offer on the property.

Mistake #5: Shopping on Rate Alone

The lowest interest rate doesn't mean the cheapest loan. Consider total cost of capital: rate + points + fees + terms. A lender with a higher rate but no prepayment penalty saves you money if you pay off early. A lender who closes in 7 days may save you $10,000 in seller concessions versus one who takes 30 days at a lower rate.

> **⚠ THE EXPENSIVE LESSON**
>
> Investors who cut corners on due diligence to save time end up spending far more fixing problems they didn't anticipate. Spend the extra $500 on a thorough inspection. Get the sewer scoped. Check the foundation. The cheapest deals are the ones where you know exactly what you're buying.

CHAPTER 09

Exit Strategies: How to Pay Off Your Hard Money Loan

Your exit strategy is arguably the most important part of any hard money deal. Here are the primary paths — and when each makes sense.

Exit 1: Sell the Property

The classic flip exit. Renovate, list, sell, pay off the loan from proceeds. This works best when:

- You're in a market with strong buyer demand and low days-on-market
- Your rehab timeline is 3–5 months, giving you buffer before loan maturity
- Your ARV is conservative and well-supported by recent comps

Exit 2: Refinance Into Permanent Financing

The BRRRR strategy exit. After rehab, the property appraises at the new, higher value. You take out a conventional or DSCR loan at 70–80% of the new value, pay off the hard money loan, and keep the property as a rental. This works when:

- The property generates enough rental income to qualify for long-term financing
- The appraised value after rehab is high enough to cover the hard money balance
- You have a lender lined up for the permanent loan *before* you close on the hard money

Exit 3: Sell to Another Investor

Sometimes the best exit is wholesaling the deal or selling the property to another investor, especially if market conditions change or the project scope exceeds your capacity. Having a network of investor buyers gives you flexibility.

Exit 4: Pay From Other Capital

Some borrowers plan to repay the hard money loan from other business income, a separate property sale, or partnership capital. This is less common but viable if the capital source is reliable and documented.

THE GOLDEN RULE OF EXIT STRATEGIES

Always have a **Plan B**. If your flip doesn't sell in 60 days, can you rent it and refinance? If the refinance appraisal comes in low, can you bring cash to close the gap? Lenders want to see that you've thought through the "what ifs" — and so should you.

CHAPTER 10

The Lake Norman & Charlotte Market: Why Investors Are Active Here

North Carolina — and the Charlotte metro area in particular — has become one of the most active real estate investment markets in the Southeast. Here's why investors are paying attention.

Population Growth

The Charlotte metro area has been one of the fastest-growing metros in the United States, with the population expanding significantly over the past decade. Lake Norman communities like Mooresville, Cornelius, Davidson, and Huntersville have seen especially strong growth as families and professionals move north of Charlotte for quality of life, schools, and lake access.

Strong Employment Base

Charlotte is a major financial center (Bank of America, Truist, Wells Fargo), with growing technology, healthcare, and logistics sectors. The I-77 corridor connecting Charlotte to Lake Norman creates strong commuter demand and supports property values across the region.

Active Flip and Renovation Market

With housing stock that includes older properties in need of renovation alongside rapid new development, there's a steady pipeline of fix-and-flip opportunities. Buyer demand remains strong, keeping days-on-market reasonable for properly priced, well-renovated properties.

Rental Demand

Population growth drives rental demand. Investors using the BRRRR strategy find strong rental markets in areas like Mooresville, Huntersville, and the broader Charlotte metro — supporting refinance exits from hard money loans.

Why Local Lending Matters

A hard money lender who knows the Lake Norman and Charlotte market can evaluate deals faster and more accurately than a national lender working from a spreadsheet. We know which neighborhoods are appreciating, which contractors are reliable, which submarkets have the strongest buyer demand, and what realistic ARVs look like block by block. That local expertise translates to faster closings, more accurate underwriting, and better outcomes for borrowers.

Ready to Fund Your Next Deal?

We're a private money lender serving real estate investors across Lake Norman, Charlotte, and throughout North Carolina. We close in as little as 7–10 days, with competitive rates and flexible terms tailored to your deal.

Contact us for a free consultation and term sheet on your next project.

lakenormanprivatemoneylender.com/contact-us

This guide is for educational purposes only and does not constitute financial or legal advice. Always consult with qualified professionals before making investment decisions.