How does a hard money loan differ from a traditional investor loan?

It's sort of like comparing apples and oranges. The two loans serve different purposes.

Hard money loans are designed for quick turn-arounds and repair/rehab situations. Conventional financing is used for your traditional rentals and long-term scenarios.

Although, it is not uncommon to see real estate investors using hard money loans to quickly secure investment opportunities and make the necessary rehabs, and then transition into a traditional loan.

Additional Differences:

Access to Capital

Hard money loans can be funded quickly. Most closings occur within 10-14 days of signed contracts. Therefore, they provide real estate investors access to capital to quickly grab investment opportunities.

Down Payment

Hard money loans typically require a smaller down payment than a traditional loan would require. An investor may be able to use hard money financing for the purchase and repairs and then flip the property without having to use too much of his own pocket cash.

Loan Term

Hard money loans are typically for 3-12 months depending on the situation. They are not designed for long-term use as is conventional financing.

Credit Score

Hard money loans are more collateral-based, meaning they place high value on the investment property. They will still likely do a credit check, not necessarily for credit scores, but to check for bankruptcies, foreclosures and collections to ensure your ability to repay the loan.