



Private Lending Frequently Asked Questions

What is private lending?

When we have isolated a home well under market value, or a home that is a perfect fit for one of our parents in our Program **Hard-Working People Deserve a Chance**, we give our private lenders an opportunity to fund the purchase and/or rehab of the home. Lenders can also earn high interest rates - generally 6-10 times the rates you can get at any bank and other Traditional Investment Plans.

How is the money used?

On a new home purchase requiring renovations. The cost will be allocated to the purchase price, renovations, carrying costs, cost to resell, and also a small buffer for unexpected expenses.

Why don't you get a traditional loan?

There are many reasons, but the primary reason is, time and negotiation leverage. Many of the homes we are purchasing are in need of a quick sale within 14-20 days. A traditional bank requires 35-45 days to close a loan. Also, our leverage is far greater when we purchase using cash funds. Many traditional home sales fall out of contract because of financing issues, and this allows us to negotiate a much lower purchase price and reduce our risk.

Lending guidelines are also continually changing. New requirements include applications, approvals, ridiculous junk fees, and strict investor guidelines. They also limit the number of investment properties that can be purchased by one company.

How can you afford to pay such high returns?

We make our money on the purchase. We may pay very high returns, but it allows us purchase 20-30% below a retail purchaser. That instantly creates thousands of dollars in equity. Also, typically we cut out the middleman in transactions, such as: mortgage broker fees, loan fees; junk fees, and our attorney costs are lower because there is less work for them to review.

Are you really helping sellers?

Absolutely. With your cash funding we can offer something very few buyers can. We are buying on their timeline, at times, in as little as 10-14 days. Knowing that we're going to renovate the home and buying in as-is condition is a very important factor to most sellers of distressed property. Most Realtors request that they make repairs before they will list the property. They also won't have to pay any additional fees.

What if the market gets worse and values go down?

This is a great question and valid concern. However, our strategy is not to speculate 3 years down the road. Our goal is to purchase quickly and sell even faster. Most of our projects are complete in 2-3 months and will be sold in 4-6 months. The market doesn't tend to shift that dramatically in a matter of months - it's typically a longer process for an area to decline. Remember, we're buying in strategic areas where inventory is already low and demand is high; this greater minimizes our risk and yours.





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What interest rate do you typically pay your private lenders?

We currently pay 6-10 times what a typical bank is paying. Our rates will fluctuate very little all depending on the purchase price, whether or not a rehab is involved, and the duration of the residual income. Most of our lenders are paid from 6.5-10%. The lower the purchase price, we can sometimes afford to pay a little higher rate to make sure our lenders make it worth their while.

How long will my funds be held?

The majority of our loans are set up on an 8-12 month note, but it depends on the size of the project. If we are doing a teardown and rebuild, we will have to wait on the county inspectors for approvals. This will cause delays. But, we account for all of those details upfront and will give you estimated time frame for the return on your investment.

What if I'm on a short-term note and sell the home after only 1 month?

It's extremely important to us that we do not waste your time. However, occasionally, situations may occur where we find a buyer immediately. In this scenario, we provide you with options: we can move the funds to another rehab property, or provide you with a more long term investment that's guaranteed for 12 months or more with our passive income opportunities through our *Hard Working Parents with Children Program*. This program allows us to purchase homes for displaced families or families who have slumlords and just want a decent home. Check out the link in the menu above! Most investors see the strength of our purchase ability at that point, and simply reinvest in one of these two ways.

When will I receive payments?

Typically, we pay one large lump sum at closing on a short-term note. This is much easier to manage for both of us, especially if we're working out of a retirement account. On a longer note, we will pay monthly, just like a typical mortgage.

Is there a Guarantee on your investment?

No. There is no government backed guarantee on these privately held real estate notes. You're deriving protection from the equity in the real estate. If at any time we were to default on the note, you have legal right to take the home (essentially foreclose on us). Many investors laugh about this one and say, "I hope you're a day behind on payments I'd gladly take this one off your hands". You have to remember we plan for the worst, and our homes have thousands of dollars of equity in them; and worse case scenario, often times is we don't make "as much" as we hoped for, but that never changes what the Lender makes.

Is the IRS approved to use retirement accounts in this manner?

Yes, these are established tax guidelines, and it is completely legal. However, we always recommend the services of a custodian to invest retirement funds tax deferred or tax-free.

Who buys Insurance?

We do. We pay for a title search and also a title policy on the home, just as we would in a typical transaction.





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What kind of insurance policy do you get on the home?

If we purchase a renovation, we purchase a builder's risk policy (Vacant Dwelling Policy). In case of any damage, insurance distributions would be used to rebuild or repair the property, or used to pay you off. If we purchase a buy and hold property, we will purchase a policy with the same special form coverage as builder's risk, however, it also includes monthly payments if a tenant falls on a hardship, equipment breakdown and many other options to protect the home, the investor, and the lender. We also ensure that the Seller provides a 2-10 Home Warranty for ALL of our buy and hold properties to ensure ALL major items are covered, i.e. plumbing, electrical, hvac, roof, etc.

How much is it going to cost me to lend to you?

It is our policy to pay for all the closing costs so that your entire investment goes to work for you. We will pay for the closing agent, with the Owner's legal background, we prepare the promissory note, personal guarantee, and deed to secure the debt and/or guarantee agreement. Although the attorneys review the documents before they are signed, this saves the lender and investor \$350-\$500 in document preparation fees. We pay the notary fees, overnight mail fees, bank wire fees and recording costs. We do not charge any fees or commissions to our private lenders.

Will my money be pooled with other investors?

No, we do not pool funds. Your funding will be tied to one piece of property secured by a deed of trust and/or guaranty agreement.

If you default on the LOAN, HOW do I acquire the property?

In this very unlikely scenario, we would simply transfer ownership of the property to you, if possible. If for any reason we did not (or could not), then you have all the legal rights of a secured lender. The best way to legally protect your interest in case of a default would be to hire an attorney. They normally would seek to get your investment back, any unpaid interest, any collection costs, all your attorney fees and maybe even more. A legal representative could advise you if it makes sense to foreclose or seek ownership of the property to protect or recoup your investment.

