



Private Investing Frequently Asked Questions

WHAT IS PRIVATE INVESTING?

Our business acquires properties well under market value and give our private investors an opportunity to fund the purchase and rehab of the property and/or properties acquired. Investors can also earn high interest rates - generally 4 or 5 times the rates you can get on bank CDs and other Traditional Investment Plans or Savings Accounts.

HOW IS THE MONEY USED?

Any funds invested with our business is used on a new property purchases, required renovations, and all necessary requirements to ensure a smooth day to day operation of doubling and tripling your investment. 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, however the primary reason is, time and negotiation leverage. Many of the properties we are purchasing are in need of a quick sale, sometimes within 10-14 days. A traditional bank requires 30-45 days to close a loan. Also, our leverage is far greater when we purchase using cash funds. Many traditional property sales fall out of contract because of financing issues, and this allows us to negotiate a much lower purchase price and reduce our risk.

Investing guidelines are also continually changing. New requirements include applications, approvals, unnecessary junk fees, and strict investor guidelines. They also limit the number of investment properties that can be purchased by one company. Let's face it, traditional loans are a traditional headache

HOW CAN YOU AFFORD TO PAY SUCH HIGH RETURNS?

We make our money on the purchase. We may pay very high returns, however, 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: junk fees, mortgage broker fees, outrageous and unnecessary loan fees; and our attorney costs are lower because there is less work for them to review. That means MORE MONEY FOR US TO PAY YOU!

ARE YOU REALLY HELPING SELLERS?

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

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 1-2 months and will be sold in 4-5 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.

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WHAT INTEREST RATE DO YOU TYPICALLY PAY YOUR PRIVATE INVESTORS?

We currently pay 4-5 times what a typical bank CD is paying. Our rates will fluctuate very little all depending on the purchase price and rehab involved. Most of our investors are paid from 10%. The lower the purchase price, we can sometimes afford to pay a little higher rate to make sure our investors make it worth their time.

HOW LONG WILL MY FUNDS BE HELD?

The majority of our investments 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 PROPERTY 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 two options: we can either move the note to a new investment, or provide you with a minimum of 3 months interest. Most investors see the strength of our purchase ability at that point, and simply move the note to a new investment to continue making money.

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...except this time – YOU GET THE MONEY...not the bank!

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 property (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 properties 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.

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.

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WHO BUYS INSURANCE?

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

WHAT KIND OF INSURANCE POLICY DO YOU GET ON THE PROPERTY?

If we purchase a renovation, we purchase a builders 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.

HOW MUCH IS IT GOING TO COST ME TO INVEST AND START MAKING MONEY?

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, document preparation fees, notary fees, overnight mail fees, bank wire fees and recording costs. We do not charge any fees or commissions to our private investors. **YOU START MAKING MONEY IMMEDIATELY!**

WILL MY MONEY BE POOLED WITH OTHER INVESTORS?

No, we **ABSOLUTELY DO NOT** funds. Your funding and investment will be separate and apart from any other investments with our firm.

IF YOU DEFAULT ON THE INVESTMENT, HOW DO I ACQUIRE THE PROPERTY?

In this 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 investor. 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 the property to protect or recoup your investment.