

TOP TIPS

GENERAL DUE DILIGENCE

(Borrower and Lender Perspective)

- ✓ Due diligence is a step-by-step process to help protect your investment from fraud or potential loss of income and profit.
- ✓ The battle between risk and reward is fought on every private money loan.
- ✓ Lender research will uncover the facts about the borrower, the property, and the loan. Borrower research will uncover the same facts about the lender, the property, and the loan.
- ✓ Due diligence should be based on your pre-determined guidelines and criteria. Invest in people, places, and things you know.
- ✓ Make rational decisions, where you are fully informed. Avoid emotional decisions, where trust and friendship overwhelm your judgement.
- ✓ If risk is not apparent, either the investment is not legitimate, or you do not understand it. Be wary of guarantees and above average returns.
- ✓ Above average returns that are guaranteed, are by nature, risky investments. The odds are tilted against you.
- ✓ When seeking private money, a borrower's deal summary should be detailed but quite simple to explain and understand.
- ✓ The lender's loan program should be very simple to explain, document and understand for the borrower.

