



Private Lending Program

Created by Felipe Soares



What is private lending?

Q: What does it mean to become one of your private lenders?

A: When we have a want to borrow money against the equity in a property we own or a property we're buying, we give our private lenders an opportunity to make us the loan... and earn high interest rates that are double or triple the rates you can get on bank CDs in [today's market](#).

How is the money used?

Q: How will you be using my money?

A: As a professional real estate investor we need to fund new purchases, raise money to fix up, maintain and occupy our properties... plus cover the other costs associated with buying and selling houses.

For properties we already own and manage, there are times when we want to convert some of our equity into cash -- without selling the property. This cash may be used to fund our house buying business, pay off other real estate notes that come due and handle unexpected cash needs.

Why?

Q: Why don't you go to banks or mortgage lenders?

A: Banks and other lenders require applications, approvals and must follow guidelines imposed on the banking industry. Then there are limits to the number of loans they want to make to any one company or investor. On top of that, the time it takes for their approval process is never certain.

We can move much faster without these limitations by using private lenders. That allows us to negotiate more profitable deals while offering homeowners a quick and easy sale without new loan or deal breaking contingencies.

Q: How can you afford to pay double or triple CD rates?

A: We make our money by providing valuable services to the sellers, buyers, renters and private lenders we work with.

By cutting out the middlemen, we can avoid the costs normally paid out for real estate commissions, mortgage broker fees, loan fees and property management fees.

We also know how to get full appraised value from our buyers and avoid making price concessions. We can occupy house fast to avoid holding costs and we know how to fix up and maintain properties for less money than most people must pay.

We always formulate our purchase offers so that our buyers and sellers get a great deal. At the same time we establish a minimum profit of \$20,000 or \$30,000 earned or captured between the time we purchase an investment property and sell it down the road. We just won't buy a property unless it makes sense for everyone involved.

Please download our special report '[Does Buying a Home Have to Be So Difficult?](#)' to understand our acquisition process and address common questions that you might have on how we do business. Our acquisition's website is CasaDealsBuyers.com

Licensed and Regulations

Q: Are you licensed?

A: I am a licensed real estate salesperson through the [Texas Real Estate Commission](#), license #601219, I am also a member of the [Texas & National Association of Realtors](#), however I am the principal on my transactions whether I am buying it or selling it, you do not need a license to buy or sell your own property

Q: Is this Legal?

A: Yes I always follow all state and federal regulations. My company holds a certificate of good standing from the Texas Secretary of State. You can visit [U.S. Securities and Exchange Commission](#) for more information on this topic.

Help for sellers and buyers

Q: How do you help sellers?

A: A lot of sellers today are having trouble finding a buyer when they decide to sell. And there are typically a lot of hassles a seller must endure to get their home sold. Using a long-term investing approach, we can offer sellers an attractive price, close or take possession whenever they want... and give them an opportunity to avoid all the hassles of selling a house.

Q: How do you help buyers?

A: We offer several great programs and unique opportunities for buyers. This includes our owner financing program, our down payment assistance program and our sweat equity program. Buyers today are finding it more and more difficult to qualify for loans. Our programs help buyers get into a home they want to purchase quickly... allow them to start building equity for the future and help them avoid throwing their money away on rent.

Q: How do you help renters?

A: Tenants today face more restrictive rules and application requirements laid down by landlords and property management companies. We have positioned ourselves to be very flexible and creative in getting nice folks into our homes, thereby providing a much needed service. We can even rent to folks who recently had a bankruptcy or foreclosure.

Trust Deed and Common Terms

Q: What exactly is a trust deed and what are some terms used by the industry?

A: Note investing is buying a contract that promises to pay you a stream of payments. To keep things simple, although there are hundreds of kinds of notes, we specifically specialize in notes secured by real estate.

The Trust Deed or Mortgage is the security instrument that gives the investor "collateral" .

We like secured notes because you have a degree of safety if you are smart. You have recourse to sell the collateral to protect your investment if the payments aren't paid to you as agreed.

Below are some handy definitions used in the industry:

Performing notes: They are by definition a note where the borrower is making payments on the note as agreed.

Non-performing notes: These are notes where the borrower is not paying according to their agreement & in many cases are in default.

BPO: Brokers Price Opinion-an opinion of property value from a real estate broker. This differs from a full appraisal used by lending institutions.

FMV: Fair Market Value- an opinion of value if marketed properly to the general public

LTV - ITV%- Loan to Value or Investment to value-typically expressed as a percentage. How much an investor would pay for a note as a percentage of the value of the asset.

UPB: Unpaid Principal balance – the remaining balance due on the note that the borrower owes the lender

Market conditions

Q: Aren't you concerned about housing prices going down today?

A: We're prepared to hold the properties we buy for 5, 10 even 15 years. That way we're not as concerned about near term price fluctuations in home prices as other investors are. Most of our investing plans are determined by the income we expect the property to produce now and in the future. If we think a property may do down in value then we make any adjustments needed upfront... before making an offer to buy.

Rate and term

Q: What interest rate do you pay your private lenders?

A: We currently pay between 2 and 3 times rates offered on 5 year, FDIC insured CDs. As of June 2009, the national average for a 5 year CD is about 3%. We currently offer our lenders 8% to 11% interest on notes secured by real estate. You can research nationwide CD rates by visiting www.bankrate.com and selecting the "CDs & Investments" tab. You'll always now exactly what interest rate you will be locking in with us prior to making any investment.

Q: What determines whether you pay me 8%, 10% or 11% interest?

A: We currently pay 8% on a mortgage in first lien position, 10% on a second or junior lien position and 11% on a 3rd lien.

Q: How long will my investment funds be tied up?

A: Most of our private loans are setup on a 5 year term. However it depends on what you want and need... and what we want and need. So depending on our plans for the property, we might be able to offer you a 6 months, 12 months, 24 months, 3 year term... or we may ask if you're willing to commit to a 7 or 10 year plan... if that's our preference. Regardless, you'll always decide what term works for you on any note invest in.

Q: What if I don't want to go longer than 3 years?

A: Then we'd have to wait for a special opportunity where that would work for both of us.

Q: What if I commit to 10 years and then need my money sooner?

A: Real estate notes are illiquid investments. However, our policy is to pay off (or replace) any private lender who requests an early payoff whenever we can. Sometimes a partial early payoff meets the lenders needs, allowing the rest of their money to continue to earn the high rates. We ask that you give us advance notice, preferable 60 days, so we can do whatever we can to meet your request. We would attempt to meet such a request by refinancing the property, selling the property or, most likely, finding another one of our private lender who'd like to take over your position.

Q: Do you guarantee my interest for 10 years if I get into a 10 year note?

A: Your interest is fixed and locked for as long as the note is out. However we may sell or refinance the property before the full term is up. You'll always earn your note interest until it's paid in full. But we do have the right to pay you off early.

Q: What if you pay me off only a month after I invest with you?

A: We understand that you might be liquidating investments or foregoing another investment program to get our high rates of returns. Therefore we agree in writing, spelled out in your note, that you'll receive minimum of 6 months interest. So if we needed to pay you off sooner than expected, we would either give you the opportunity to move your mortgage to another property, or pay you off in full including a minimum of 6 months of interest earned.

Q: Will I receive monthly payments?

A: In most cases you can receive monthly payments of principal and interest, or interest only. Interest only payments keep your entire initial investment working for you each month.

Q: Can my interest accrue and grow if I don't want payments?

A: In many cases yes, but it depends on the deal. Sometimes we prefer to make monthly interest payments to maintain a protective cushion of equity in the property over time. However, on smaller second mortgages, we may prefer to let the interest accrue if that works for you. That way we can simplify our bookkeeping and at times avoid a negative cash flow.

Q: If I want my interest to build up without getting payments, will you pay me a compounded rate of return?

A: No. Unless you are investing using your retirement funds. If your main goal is growth then there's nothing like compounded interest. The amount of interest you earn grows larger each month as the outstanding balance on your original investment grows each month. This can be quite attractive when it compounded for many years.

Q: Can You Breakdown Your Exact Terms that Are available to Me?

A: We offer the following terms; 6 months, 12 months, 24 months, 36 months, 5 years, 7 years, 10 years and 15 years. The interest rate paid to you is the same regardless of the term but it varies on lien position. I pay 8% for first lien, 10% for second lien and 11% for third lien. Maximum LTV on all liens are 75% of the home market value.

Q: Will I receive monthly statements?

A: If you choose to have monthly payments paid to you, you will receive monthly statements. If you choose to let your loan accrue, you will receive quarterly statements

Q: If I choose to receive monthly payments as oppose to let my interest accrue when would I get paid?

A: We pay our private loans on the 15th of every month

IRAs and Self Directed IRAs

Q: Can I use my retirement funds?

A: Absolutely! That is a very popular practice by our private lenders, specially to take advantage of tax benefits. We exclusively use [Equity Trust](#) as a third party custodian. They offer start up guides on [Real Estate IRAs](#) visit their website and request free information.

Attorney

Q: Do you use an attorney for these creative real estate transactions and securities?

A: Yes. Our attorney is Mark Torok from [The Torok Law Firm P.C.](#) He represents small business entrepreneurs for real estate, asset protection, securities, business matters and estate planning. Mark and his office have

closed over 800 transactions and represents some of the largest investors in Texas, as well as several hard money lenders. He is an active real estate investor and currently owns over 700 units in and around Texas. He holds active Texas and Pennsylvania admissions to practice law, a real estate salesperson's license, an escrow agents license and works with Providence Title to provide superior title services to his clients.

Minimum

Q: What is your minimum investment?

A: We prefer to borrow at least \$5,000 when working with our private lenders. If a deal needs less than that then it may be easier for us to just use our cash reserves.

Maximum

Q: What is your maximum investment?

A: At least to start we will not use more than \$1MM, it also depends on how many deals we have working and In need of funding, since every single \$1 is backed and secured by real estate we have to allocate the funds accordingly

Guarantee

Q: Do you personally guarantee my investment?

A: Yes I will have a promissory note issued to you personally guaranteed by me and all my assets as well as the property that will be secured and backed by it.

Q: Is your investment program insured by the government?

A: No. There is no government backed guarantee on these privately held real estate notes. Your main protection and security is the amount of equity in

the property that secures the note. With enough equity a lender can use a legal or voluntary process of taking ownership of the collateral and then (if desired) sell the property to recapture the money invested plus any costs incurred in doing so.

Q: What if you get run over by a bus the day I give you my money?

A: In case of death I have a special life insurance policy of \$1 MM to be paid out to my private investors and creditors. I have directives in my will for my beneficiaries to work with my private investors replacing myself or get cash out for your properties.

Q: Do you have insurance on the properties that are purchased with my funds?

A: I always have hazard insurance on my properties in case of a catastrophe and to protect my private investor, they are on the policy

Approved

Q: Has the IRS approved your program for retirement accounts?

A: The IRS does not approve or endorse investment programs but they do establish guidelines that must be followed in order for you to invest in real estate notes tax deferred or tax free. You may need the services of a custodian to invest retirement funds tax deferred or tax free. We have been pleased working with Equity Trust Company in Ohio (www.trustetc.com) and there are others like Entrust. We'll be glad to answer questions about this or help get you setup right.

Q: Will I be taxed on my gains?

A: Yes we report all expenses and gains to our investors via 1098 and/or 1099 at the end of the year. Please contact your CPA or tax advisor for more on this topic. If you are using a Self Directed IRA your investment is tax free

Loan to value

Q: How do I know if there's enough value or equity in the property to sufficiently protect my investment?

A: It's our policy not to borrow more than 75% of the value of a property using private lender money. That leaves at least a 25% cushion of equity. We will provide you with full details on the value, status and condition of the property whenever we present you with an opportunity to lend to us.

Cost and insurance

Q: Do you provide title insurance?

A: You can always buy title insurance if you want. We will buy you a lender's title policy if you get involved in funding one of our new purchases. However, if we are refinancing a property we already own then we don't usually offer title insurance.

Q: What are the upfront costs involved in investing with you?

A: 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, doc prep fees, notary fees, overnight mail fees, bank wire fees and recording costs. We do not charge any fees or commissions to our private lenders.

Q: What happens if the property burned down?

A: We'll always keep a valid hazard insurance policy on the property to protect against casualties. You'll be named as a mortgagee and notified if the insurance was ever not kept in full force. Insurance distributions would be used to rebuild or repair the property, or used to pay you off.

Loan positions

Q: Will my money be pooled with other investors?

A: No. We do not pool funds. Your funds will fully fund one real estate note secured by a deed of trust on a property with sufficient equity as protection.

Q: What is a junior lien?

A: It's a loan secured by real estate that is positioned behind a senior mortgage. In the case of a default, a lender can seize the property through a simple deed transfer or through the legal foreclosure process. Junior lien holders need to payoff or protect any senior lien holders in order to protect their position.

Q: How do you protect a senior lien?

A: You can either pay them off in full or bring their loan current (making up any back payments if needed) and then making any other payments that come due. This helps to stop or prevent a senior lender from foreclosing, allowing the junior lender to foreclosure from their position.

Q: What happens if I don't protect a senior lien holder?

A: If the senior lien holder forecloses then junior lien holders could lose their secured position on the property, putting their entire investment at risk. This added exposure to a junior lender is why we offer a higher interest rate. Many lenders are fine being in junior positions because they get higher interest, are protected by the equity cushion and typically have enough faith in the borrower to take such risks.

Common concerns

Q: If you default and don't keep all your promises, how do I get the property?

A: We can't make any guarantees but if we were in a position where we could not keep our agreements, we'd simply transfer ownership of the property to you if possible. If 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.

Q: If you rent the property out, what happens if your tenants trash it?

A: We're the property owners and it's our responsibility to protect our property as well as to protect your collateral. We'd fix it or take care of it and you should never have to get involved in such an incidence. It would only affect you if we were in default and you repossessed the property to protect your interests.

Next step

Q: What happens next if I want to get started?

A: Once we know how much you want to begin getting a higher rate of return on, and when those funds are available, we will begin looking for a deal for you. When we select one that meets your goals and investment needs, we'll give you all the details and then you can decide to pass or play. Please fill out our [Private Investor Questionnaire Here](#).

Q: Can you work with people I know that might be interested in your program?

A: It is our policy only to work with people that we have an existing relationship with, like yourself. You can certainly refer potential lenders to us and we will be happy explain the program and begin to learn more about their investment needs and goals. Once we get to know them more then there is a good chance they can also become on of our private lenders. We pay out 1 point or 1% the total amount borrowed from your referral as a marketing incentive. Please note that this is not a referral fee, this is a marketing fee.

Q: How Can I Find Discounted Properties for Myself?

A: Properties that we decide not to hold or redevelop ourselves can be found at [CasaDeals.com](#) those are generally wholesale properties that can be purchased cash. My company also offers [specialized marketing](#), [professional property management](#) and [realty services](#) for your investing needs.

Q: I don't have any money to invest but I want to learn how to be an active real estate investor?

A: I do have a JV coaching program available in which I teach you how to find deals and we work them together, please visit CasaDealsCoaching.com for more information. I also have a finders program, in which I train you on how to birdog properties for us, you can go to CasaDealsFinders.com for details.

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