

# Real Estate Investor News

**Roger W. Herrick**  
Direct 949-205-4287  
RHerrick@C2CLG.com

**Victor E. Siegel**  
Direct 949-205-4098  
Victor@C2CLG.com

Coast to Coast Lending  
Group, Inc. 

**www.C2CLG.net**

BRE#01484165 NMLS #11882

## WHAT IS A PRIVATE MONEY LENDER?

Private Money Lender (PML) is a highly skilled entrepreneur who is your connection to private loans in which you'd like to invest. Think of the private money lender/broker as the CEO of your loan transaction: guiding and directing the other players to meet your specified goals. The private money lender will work with you to evaluate your investment preferences and will work to match you up with private loan investment opportunities that meet your criteria. Private money lenders can be an excellent link to other professionals such as attorneys, CPAs, IRA custodians, etc that have specific knowledge in private note investing can be a key component in your investment strategy. Let's look at the various tasks coordinated by the private money lender.

**Broker** - creating the borrower's loan package, including the application, income, credit, and asset documents. gathering and reviewing title information as required. providing the borrower with applicable federal and state disclosures. ordering and reviewing an appraisal or other asset valuation on the property. coordinating title and escrow services. keeping you advised of the loan status. coordinating funds transferred from you or your custodian to the title or escrow company. determining the loan servicer and transferring information at the end of the transaction to the servicer. creating final loan documents and coordinating loan settlement or closing. providing and reviewing agreements between yourself as the investor and the PML.

**Borrower** - This is the entity or individual(s) that will borrow money against a real estate asset they own or are purchasing. Typically, the PML will communicate with the borrower(s) on your behalf. The attributes (credit history, asset reserves, business experience, etc.) of the borrower you prefer in your investments can be outlined with your PML to facilitate the best match for your investment preferences. In more sophisticated transactions, you may wish to have more involvement with the borrower which the PML will facilitate. Title Insurance Company/ Escrow Company or Settlement Services Title and escrow go hand-in-hand, and in most western states would be performed by two different

**THE SUMMER  
MARKET IS  
HEATING UP!**

departments of the same company.

**Title Insurance Company** - Provides a title report on the subject property being offered as collateral for the loan. This report is compiled by searching the county records for all information, liens, judgments, easements, etc against the property as well as the borrower and related entities. The PML will use this report to determine if the property can be insured. If it can, the transaction continues and the title company will issue an offer to issue a title policy in favor of the investor which will bind upon the recording of the loan security document. It is critical to work with an experienced attorney to draft and/or review instructions to title regarding the type of policy and endorsements you will require. Title insurance is not like homeowners insurance where all you have to select is the deductible and amount of coverage. There are many different types of title policies and many different endorsements available to go along with the title policy. Obtaining a title policy as an investor without endorsements is like driving a car without air in the tires. It is important to understand that title insurance is an indemnity policy and will protect you only if there is an actual loss that is covered under the policy.

**Escrow Company or Settlement Services Provider** - Is a neutral 3rd party that collects and disburses the funds as directed by you, oversees the final signing of all applicable deeds and loan documents and

records executed documents with the appropriate county office. It's usually this company's office where you and the borrower will sign final loan documents, also referred to as "closing" the loan.

**Appraiser** - A licensed professional who provides an appraisal report that includes an opinion of value on the subject property. This report is for the exclusive use of you and the PML and is not a matter of public record. Interestingly, an appraisal is not always required for a private money transaction. In many cases, you may visit the property and make the assessment yourself as to the value. In other cases you may ask for a "broker price opinion" or "BPO." This is similar to an appraisal, but is an abbreviated statement of value from a local real estate broker's perspective. BPOs are often less expensive than an appraisal, and if conducted by an experienced broker, are often a more accurate reflection of market value.

Value is best determined by looking at multiple inputs; your own drive by, a professional appraisal, interviews with neighboring property owners, etc.

**Loan Servicer** - This is the entity that collects the monthly payment and remits funds to you if you choose not to service the loan yourself. The loan servicer may be the PML or one of the private money lender's related entities, or a dedicated loan servicer hired by you. The loan servicer is responsible for all aspects of servicing the loan including sending the borrower periodic statements, year-end tax reports on interest paid, and if taxes and insurance are collected monthly as part of the payment, the loan servicer will escrow the funds and pay them as they are due. As you can see, each player has an important and distinct role in originating, processing and finalizing your loan investment transaction. The better you know the players and their roles, the more you can leverage their expertise and conclude a transaction that works best for you. ♦

*Disclaimer and Limitations of Use*  
The contents, text, images, data, forms, articles, questions and answers, discussions, legal and financial information and other materials ("Content") contained herein are for informational or educational purposes only and no Content or portion should be construed as, or relied upon as, legal, financial or investment advice.

## INSIDE THIS ISSUE

WHAT IS A PRIVATE MONEY LENDER?

WHERE THERE IS A WILL - THERE IS PEACE OF MIND

HIGH YIELD WITH LOW RISK INVESTING IN FIRST TRUST DEEDS

---

## WHERE THERE IS A WILL - AND MORE - THERE IS PEACE OF MIND

---

What is the state of your estate? Changes in federal estate tax law have significantly increased the amount at which federal estate tax is triggered. The individual exemption is \$5.45 million so a couple can accumulate almost \$11 million dollars of assets without federal estate tax depleting the value.

There are compelling reasons for having an estate plan, and three core documents you will need to create one: a power of attorney, a living will or health care proxy, and a will.

**Power of attorney** - A power of attorney is the document designating someone to make financial decisions for you, during a time when you are unable to conduct business in person, or are mentally incapacitated.

A power of attorney can be "springing" - going into effect after your incapacity - or "durable," meaning it goes into effect immediately. The challenge with a springing power of attorney is it can be subject to disagreement and dispute between the holder of the power and another family member. One solution is to require the incapacity be certified by a physician.

With the durable power of attorney, there is no basis for contesting whether the holder of the power can act. The risk is the holder has the immediate right and ability to access and take action with respect to the financial assets subject to the power.

A durable power of attorney is arguably less problematic, provided you are comfortable with the person you are choosing. The holder of the power has a legal obligation, as a fiduciary of the grantor, to act in the best interests of the grantor and not in his or her interests. It makes sense to have a power of attorney so you know your financial affairs will be attended to.

**Living will and health care proxy** - A "living will" ensures your health care wishes are acted upon if you are unable to make such decisions. It lets you describe the types of treatment you do or do not want under specific circumstances. The challenge is it is almost impossible to anticipate all possible scenarios to indicate what health care treatment you will want.

An alternative to a pure living will is a "living will and

*Continued on page 3*

*Coast to Coast Lending  
Group, Inc.*



***“Risks must be taken because  
the greatest hazard in life is  
to risk nothing.”***

*~ Leo Buscaglia*

## ARE YOU A REAL ESTATE INVESTOR?

*Why it makes sense to work with a  
Private Money Lender*

If you're a real estate investor, working with a private money lender makes a lot of sense. The many benefits of using private money loans mean that, despite their name, they can actually make things quite a bit easier for you.

### **Easier to get**

The application process for a private money loan is significantly easier than for a traditional loan. This is because of the way private money loans are structured: instead of looking at your credit to analyze your ability to pay the loan back, private money lenders estimate the value of the investment and base the decision to lend or not on the expected return on investment of the property. You still have to apply and qualify for the loan, as well as agree to the terms, but the overall process is less stringent and takes less time.

### **Less restrictive**

Private money loans are more open-ended in nature, so you can tailor them to the particular needs of the project. This includes varying the amount of the loan based on the property and funding any renovations or construction that the property needs. This increased flexibility, combined with private money loans being easier to qualify for, allows you to take advantage of opportunities that would have passed you by had you not worked with a private money lender.

Private money loans are faster, easier, and less restrictive, but more situation-dependent. The higher the expected profit-to-loan ratio, the more likely a private money lender is to agree to the loan. So what are the ideal times to go with a private money loan? Simply put, whenever the opportunity looks unusually promising.

Examples include:

- Foreclosures or short sales
- Vacant properties
- Properties needing significant renovations
- Unique opportunities (such as a discounted payoff)

Because of the structure of private money loans, they are beneficial for opportunities that have exceptionally high profit potential or that are particularly time sensitive. If you use private money loans properly, focusing on the above situations, you will be able to take advantage of all of the benefits working with a private money lender has to offer. ♦

*Consult your tax and legal advisors for advice concerning your particular circumstances.*

Coast to Coast Lending  
Group, Inc.



## Coast to Coast Lending Group Inc. www.C2CLG.net

- Interested in investing  
 Interested to see offerings  
 Interested in more information.

- Now     In three months  
 Giving you a referral  
 I have a question

Name \_\_\_\_\_ Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Telephone \_\_\_\_\_ / \_\_\_\_\_  
E-mail \_\_\_\_\_

This newsletter is for information purposes only and nothing herein is intended as advice. It is not intended as a solicitation if your home is currently listed with a broker. It is not our intention to solicit the offerings of other real estate brokers. We are happy to work with them and cooperate fully. All information deemed accurate but not guaranteed. Information in this newsletter may be obtained, in part or whole, from N.A.R., C.A.R., or other related sources. An Equal Opportunity Company. Equal Housing Opportunity. Some offices independently owned and operated. Contest is void where prohibited by law or regulation. Printed in the U.S.A., Copyright 2016, The Marketing Advantage, 1-800-655-6611.



## HIGH YIELD WITH LOW RISK INVESTING IN FIRST TRUST DEEDS

Trust deed investing might be one of the best, yet least known about investments available today. For the past 10 years Coast to Coast Lending Group Inc. has been creating an educational hub to help guide the conversation between seasoned trust deed investors and those new to the idea. We've seen trust deed investing benefit families and individuals for a decade, and we strongly believe that investing in trust deeds can be one of the safest ways to earn a reliable income.

To help you better understand why we're passionate about what we do, we would like to share with you four benefits of trust deed investing:

- 1. Income with the security of tangible real estate.** Investing in first trust deeds provides income with yields ranging from 6-10%. Typically, it provides consistent monthly cash flow you can rely on. If payments stop, the Investor recovers capital by foreclosing on the underlying valuable real estate.
- 2. A local "backyard" investment.** As stated above, first trust deeds typically pay between 6-10% interest. How can you generate returns like these? Conventional lending guidelines have tightened, leading would-be borrowers to look elsewhere for funding. By becoming a backyard banker to these individuals, an investor provides solutions to local borrowers and can earn an above market rate of return on their investment. Investors just need to know where to look to find quality trust deeds. Often times, trust deeds can be found in your own neighborhood. Using a licensed broker like us, Coast to Coast Lending Group will help you to locate local quality trust deeds that you may otherwise have never found.
- 3. Consistent returns in an unpredictable market.** Trust deeds are 100% Wall Street free! Unlike the ups and downs of many investments, trust deeds are stable and secured by real estate. Couple consistency with 6-10% returns and it creates a very desirable investment in a market of uncertainty.
- 4. Different investment options available to suit a variety of needs.** If you like to hand pick your investments, then direct trust deed investing may be right for you. If you're concerned that managing a portfolio of trust deeds will be time consuming, consider pooled trust deed investing for a hassle-free investment. ♦

*Continued from page 2*

health care proxy," wherein you designate an individual to make health care choices for you. The living will portion describes in general terms your health care philosophy, and the health care proxy allows you to name an individual to make health care choices for you consistent with that philosophy.

**Last will and testament** - A "last will and testament" serves several important purposes, including determining how your assets are distributed, who will care for your minor children and who will invest and distribute property held in trust for your children, grandchildren or other beneficiaries. The basic function of a last will and testament is to ensure your assets are distributed as you would want. Absent a will, your assets will be distributed in accordance with applicable state law. You will also designate the legal guardian, and possible successors, for any minor children who survive you and your spouse.

With the increase of the federal estate tax exemption and an individual's ability to use the exemption of a deceased spouse, trusts for federal estate tax planning have been made largely irrelevant for most individuals. However, if you have minor children who could take property if both you and your spouse die, you will probably need trusts to hold property for those beneficiaries.

Think you do not have a large enough estate to warrant setting up trusts for your beneficiaries? Consider even the most basic estate when you own a house, have retirement assets and maybe additional investments or property. Given the total value of these assets, you would probably want to hold them in trust for minor heirs. ♦

*Consult your tax and legal advisors for advice concerning your particular circumstances.*