



BE THE LENDER:

HOW TO LEND
(YOUR OWN)
PRIVATE MONEY

Legal Information Is Not the Same as Legal Advice

This booklet provides information about real estate investing; private money borrowing, lending, and / or brokering; and is designed to help users safely determine their own legal needs. Please understand that legal information is not the same as legal advice. The application of law varies with an individual's specific circumstances. Laws vary from state to state and are in constant change, and although we do everything we can to make sure our information is accurate and useful, we recommend you consult a lawyer if you want professional assurance that this information, and your interpretation of it, is appropriate to your particular situation.

All rights reserved.

© Copyright 2016 by Secured Investment Corp

All rights reserved. No portion of this book may be reproduced in any manner, mechanical or electronic, without written permission from the publisher, except for brief portions, which may be quoted in articles or reviews.

Printed and bound in the United States.

TABLE OF CONTENTS

AHA Moments	Pg 1
Originating Your Own Paper	Pg 3
Lending Through a Fund	Pg 55
Buying 3 rd Party Notes	
FCI Lender Services, Inc	Pg 65
Scotsman Guide	Pg 68
PeerStreet	Pg 69
COGO Capital	Pg 73
Using IRA Funds	Pg 101
Notes	Pg 107



*Be strong enough to stand alone, smart enough to know when
you need help, and brave enough to ask for it.*



Servicing	
Lake City Servicing	Pg 111
FCI Lender Services, Inc	Pg 112
Do it Yourself Servicing	Pg 114

TABLE OF CONTENTS

What Happens When Things Go Bad?	
Slow Pays	Pg 135
If the Borrower has Section 8 Rents	Pg 135
Selling your Bad Paper	Pg 142
Deed In Lieu	Pg 143
Foreclosure	Pg 144
Notes	Pg 155



“An investment in knowledge always pays the best interest.”

Ben Franklin



Liquidity & Marketing	
Staging the Property	Pg 157
To market, To Market	Pg 160
Other Marketing Consideration	Pg 162
HUD Inspection Checklist	Pg 163
COGO Capital Scope & Sequence	Pg 171
COGO Capital Contractor Questionnaire & Docs	Pg 193
Tying It All Together	Pg 211
Follow-Up	Pg 215

All documents provided are **SAMPLES** only. As with any **SAMPLE** document, you should consult an attorney as to their applicability for any particular purpose and for compliance with the laws of the state in which you reside. You acknowledge that no legal advice has been provided to you nor is any legal advice being provided to you by way of these **SAMPLE** documents being provided to you. Secured Investment Corp, Cogo Capital and The Lee Arnold System of Real Estate Investing make no claims or warranties as to these **SAMPLE** document's fitness for any particular purpose whatsoever. By using these **SAMPLE** documents, you are specifically assuming all liability for their use and agreeing to fully indemnifying Secured Investment Corp, Cogo Capital and The Lee Arnold System of Real Estate Investing from any liabilities, suits, claims, demands, causes of actions, damages, losses, costs and expenses result from your use of these **SAMPLE** document.



ORIGINATING YOUR OWN PAPER

The following information about real estate investing, private money borrowing, lending, and / or brokering is designed to help users safely determine their own legal needs. Please understand that legal information is not the same as legal advice. The application of law varies with an individual's specific circumstances. Laws vary from state to state and are in constant change, and although we do everything we can to make sure our information is accurate and useful, we recommend you consult a lawyer if you want professional assurance that this information, and your interpretation of it, is appropriate to your particular situation.

Formation of an Entity

For your protection and the protection of your family it is strongly recommended that all business investments be conducted through some form of business entity structure. This is imperative to shield your personal assets from your business assets. Different entity structures have both strengths and weaknesses that should be discussed with your personal legal counsel.

Entity Types

S Corporation

An "S-Corporation" is a regular corporation that has between 1 and 100 shareholders and that passes-through net income or losses to shareholders under in accordance with Internal Revenue Code, Chapter 1, Subchapter S. Corporations must meet specific eligibility criteria, and they must notify the IRS of their choice to be taxed as an S-Corporation within a certain period of time.

An S-Corporation is not subject to corporate tax rates. "Generally, an S corporation is exempt from federal income tax other than tax on certain capital gains and passive income," according to the Internal Revenue Service.

Instead, an S-Corporation passes-through profit (or net losses) to shareholders. The business profits are taxed at individual tax rates on each shareholder's Form 1040. The pass-through (sometimes called flow-through) nature of the income means that the corporation's profits are only taxed once at the shareholder level. The IRS explains it



ORIGINATING YOUR OWN PAPER

this way: "On their tax returns, the S corporation's shareholders include their share of the corporation's separately stated items of income, deduction, loss, and credit, and their share of nonseparately stated income or loss." S-Corporations therefore avoid the so-called "double taxation" of dividends.

S-Corporations, like regular C Corporations, can decide to retain their net profits as operating capital. However, all profits are considered as-if they were distributed to shareholders. Thus an S-Corporation shareholder might be taxed on income they never received. (Whereas a shareholder of C-corporation is taxed on dividends only when those dividends are actually paid out.)

What makes the S corp different from a traditional corporation (C corp) is that profits and losses can pass through to your personal tax return. Consequently, the business is not taxed itself. Only the shareholders are taxed. There is an important caveat, however: any shareholder who works for the company must pay him or herself "reasonable compensation." Basically, the shareholder must be paid fair market value, or the IRS might reclassify any additional corporate earnings as "wages."

Forming an S Corporation

Before you form an S Corporation, determine if your business will qualify under the IRS stipulations [Download Adobe Reader to read this link content](#).

To file as an S Corporation, you must first file as a corporation. After you are considered a corporation, all shareholders must sign and file Form 2553.

Once your business is registered, you must obtain business licenses and permits. Regulations vary by industry, state and locality. You should search for and acquire a listing of federal, state and local permits, licenses, and registrations you'll need to run a business.

Advantages of an S Corporation

Tax Savings. One of the best features of the S Corp is the tax savings for you and your business. While members of an LLC are subject to employment tax on the entire net income of the business, only the wages of the S Corp shareholder who is an employee



ORIGINATING YOUR OWN PAPER

are subject to employment tax. The remaining income is paid to the owner as a "distribution," which is taxed at a lower rate, if at all.

Business Expense Tax Credits. Some expenses that shareholder/employees incur can be written off as business expenses. Nevertheless, if such an employee owns 2% or more shares, then benefits like health and life insurance are deemed taxable income.

Independent Life. An S corp designation also allows a business to have an independent life, separate from its shareholders. If a shareholder leaves the company, or sells his or her shares, the S corp can continue doing business relatively undisturbed. Maintaining the business as a distinct corporate entity defines clear lines between the shareholders and the business that improve the protection of the shareholders.

Disadvantages of an S Corporation

Stricter Operational Processes. As a separate structure, S corps require scheduled director and shareholder meetings, minutes from those meetings, adoption and updates to by-laws, stock transfers and records maintenance.

Shareholder Compensation Requirements. A shareholder must receive reasonable compensation. The IRS takes notice of shareholder red flags like low salary/high distribution combinations, and may reclassify your distributions as wages. You could pay a higher employment tax because of an audit with these results.

C Corporation

A regular corporation, sometimes called a "C" Corporation (after Subchapter C of the Internal Revenue Code), is taxed as a separate business entity. Corporations have their own tax form (1120) and their own tax rates (C Corp tax rates). Corporations may choose to retain their profits and earnings as part of their operating capital, or they may choose to distribute some or all of their profits and earnings as dividends paid to shareholders.

Dividends paid to shareholders are essentially taxed twice. They are taxed once at the corporate level (on the corporation's Form 1120), and again at the individual level (on the person's Form 1040).



ORIGINATING YOUR OWN PAPER

It's the most common type of corporation in the U.S. – and with good reason. C corporations offer unlimited growth potential through the sale of stocks, which means you can attract some very wealthy investors. Plus, there is no limit to the number of shareholders a c corp can have.

Advantages of a C Corporation

There are many benefits of a c corp. First and foremost is the Limited liability. This applies to directors, officers, shareholders, and employees. As long as you conduct all your business through the corporation your personal assets should be shielded from litigation.

C Corporations enjoy perpetual existence. This means that even if the owner leaves the company it still exists.

Having a corporate structure brings with it a level of enhanced credibility. You gain instant respect among suppliers and lenders.

C corporations enjoy unlimited growth potential. The sky's the limit thanks to the sale of stock.

There are no shareholders limit in a C corp, however, once the company has \$10 million in assets and 500 shareholders, it is required to register with the SEC under the Securities Exchange Act of 1934.

C corporations bring with them a package of tax advantages. Enjoy tax-deductible business expenses.

Disadvantages of a C Corporation

Having unlimited growth comes with a few minor setbacks including:

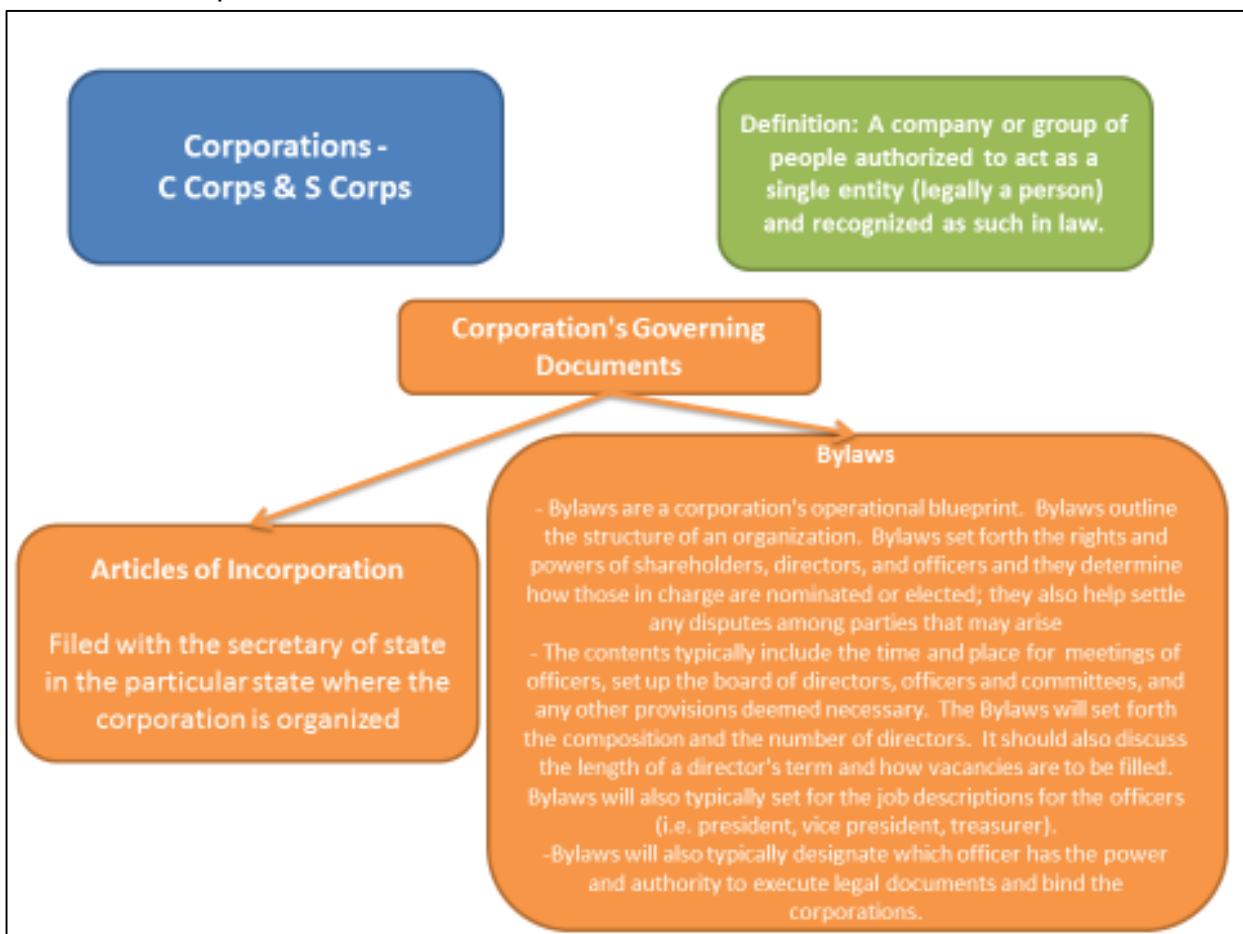
Double taxation. It's inevitable as revenue is taxed at the company level and again as shareholder dividends.

Expensive to start. There are a lot of fees that come with filing the Articles of Incorporation. And corporations pay fees to the state in which they operate.

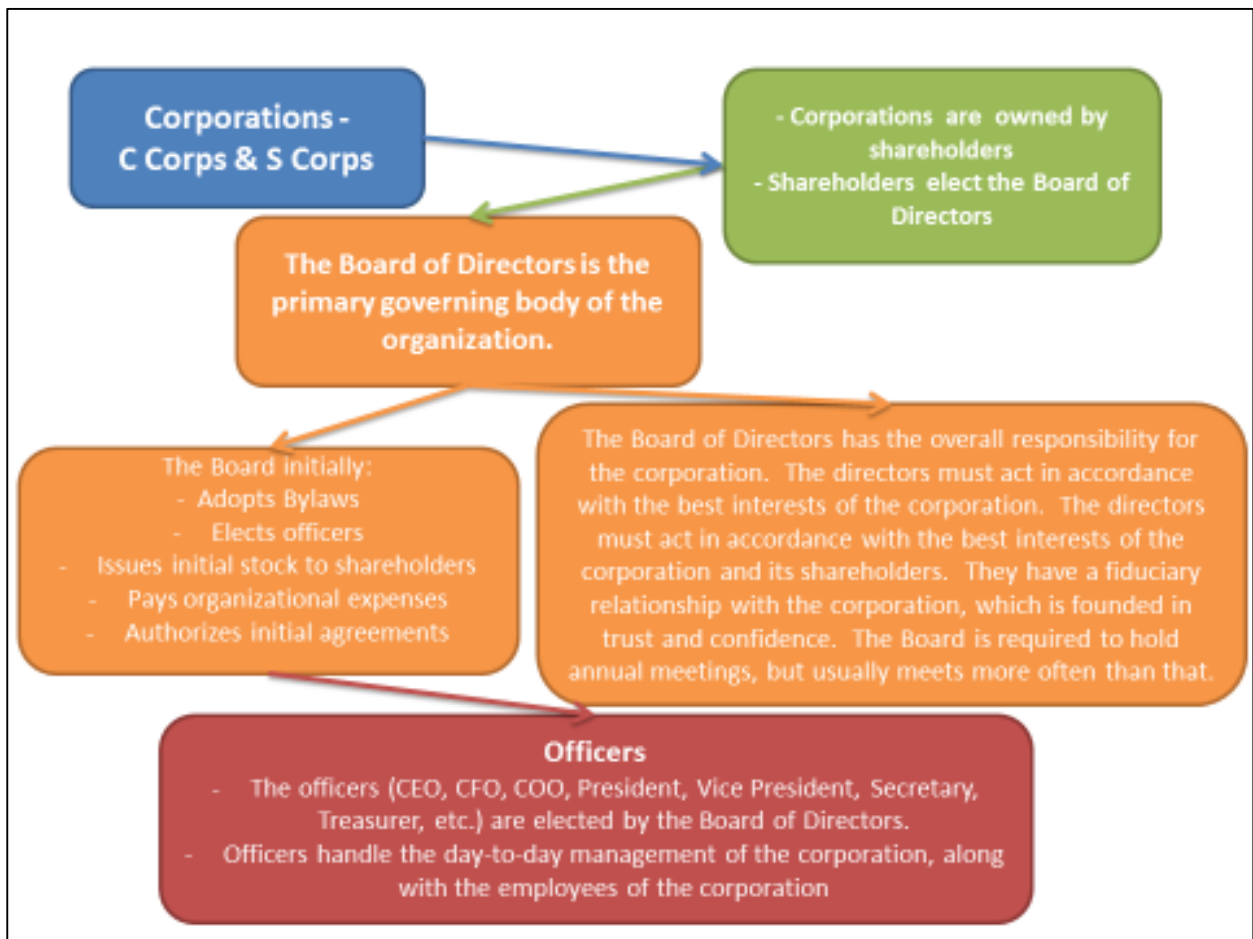
ORIGINATING YOUR OWN PAPER

Regulations and formalities. C corps experience more government oversight than other companies due to complex tax rules and the protection provided to owners from being responsible for debts, lawsuits, and other financial obligations.

No deduction of corporate losses. Unlike an s corporation, shareholders can't deduct losses on their personal tax returns.



ORIGINATING YOUR OWN PAPER



Limited Liability Company

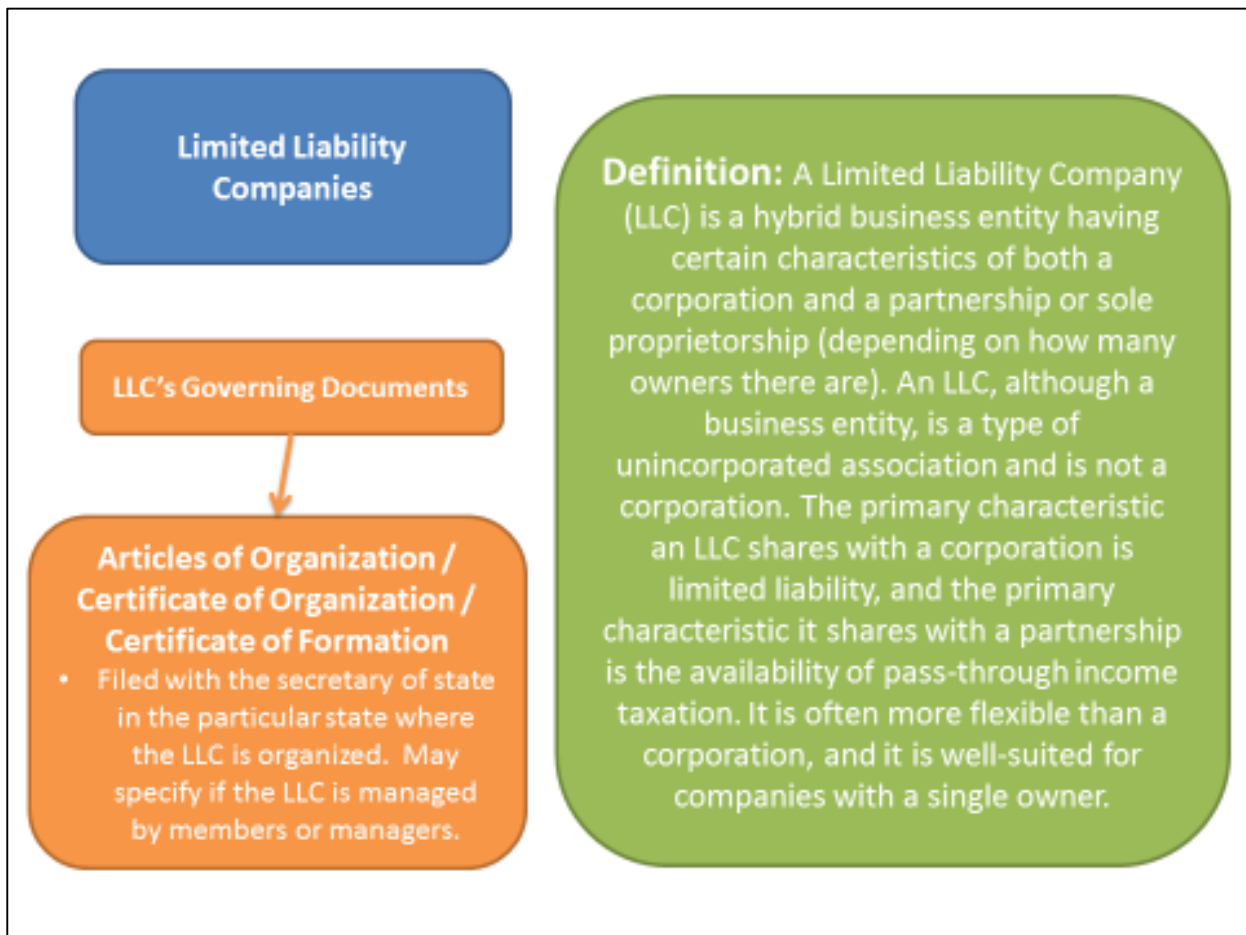
A limited liability company is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

The "owners" of an LLC are referred to as "members." Depending on the state, the members can consist of a single individual (one owner), two or more individuals, corporations or other LLCs.

Unlike shareholders in a corporation, LLCs are not taxed as a separate business entity. Instead, all profits and losses are "passed through" the business to each member of the

ORIGINATING YOUR OWN PAPER

LLC. LLC members report profits and losses on their personal federal tax returns, just like the owners of a partnership would.



Forming an LLC

While each state has slight variations to forming an LLC, they all adhere to some general principles:

Choose a Business Name.

There are 3 rules that your LLC name needs to follow: (1) it must be different from an existing LLC in your state, (2) it must indicate that it's an LLC (such as "LLC" or Limited Company") and (3) it must not include words restricted by your state (such as "bank" and "insurance"). Your business name is automatically registered with your state when



ORIGINATING YOUR OWN PAPER

you register your business, so you do not have to go through a separate process. Your state website should have guidelines to help you choose your LLC name.

File the Articles of Organization.

The "articles of organization" is a simple document that legitimizes your LLC and includes information like your business name, address, and the names of its members. For most states, you file with the Secretary of State. However, other states may require that you file with a different office such as the State Corporation Commission, Department of Commerce and Consumer Affairs, Department of Consumer and Regulatory Affairs, or the Division of Corporations & Commercial Code. There may be an associated filing fee.

Create an Operating Agreement.

Most states do not require operating agreements. However, an operating agreement is highly recommended for multi-member LLCs because it structures your LLC's finances and organization, and provides rules and regulations for smooth operation. The operating agreement usually includes percentage of interests, allocation of profits and losses, member's rights and responsibilities and other provisions.

Advantages of an LLC

Limited Liability.

Members are protected from personal liability for business decisions or actions of the LLC. This means that if the LLC incurs debt or is sued, members' personal assets are usually exempt. This is similar to the liability protections afforded to shareholders of a corporation. Keep in mind that limited liability means "limited" liability - members are not necessarily shielded from wrongful acts, including those of their employees.

Less Recordkeeping.

An LLC's operational ease is one of its greatest advantages. Compared to an S-Corporation, there is less registration paperwork and there are smaller start-up costs.

Sharing of Profits.

There are fewer restrictions on profit sharing within an LLC, as members distribute profits as they see fit. Members might contribute different proportions of capital and

ORIGINATING YOUR OWN PAPER

sweat equity. Consequently, it's up to the members themselves to decide who has earned what percentage of the profits or losses.

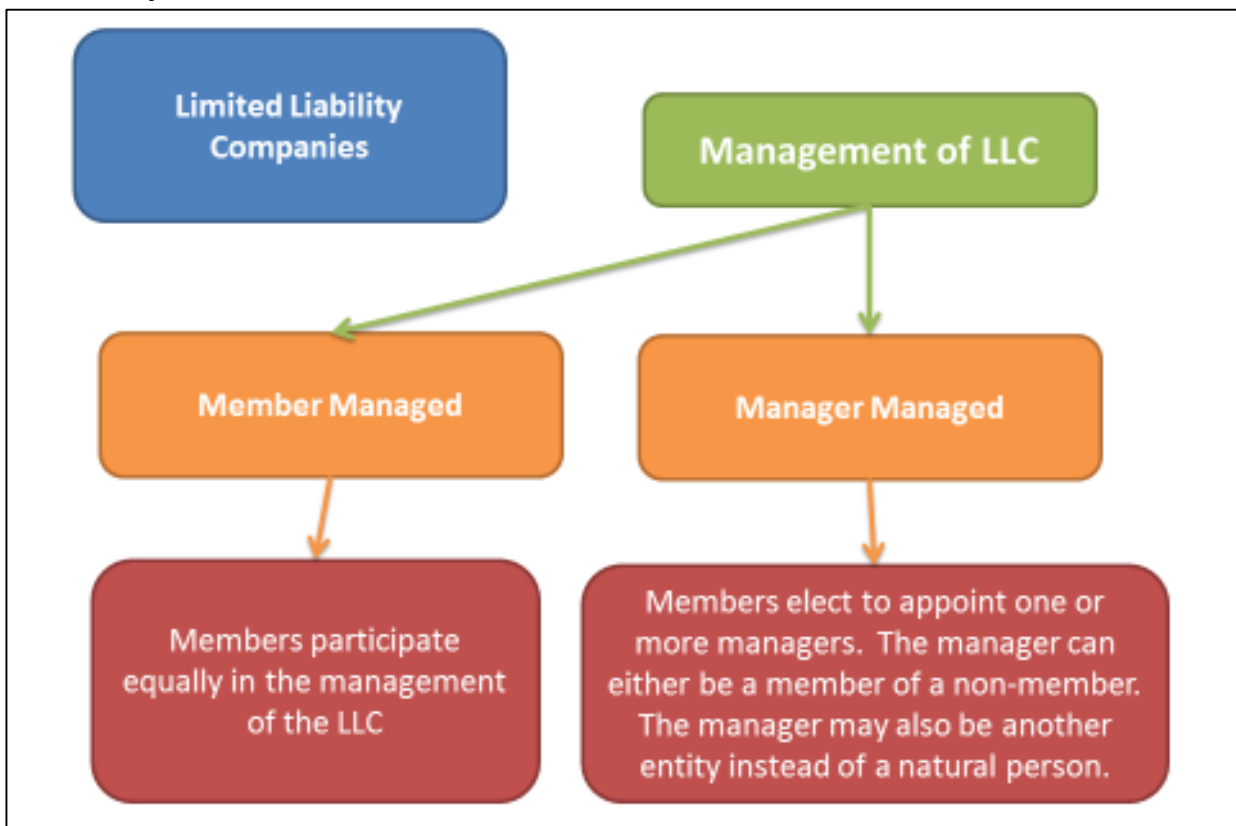
Disadvantages of an LLC

Limited Life.

In many states, when a member leaves an LLC, the business is dissolved and the members must fulfill all remaining legal and business obligations to close the business. The remaining members can decide if they want to start a new LLC or part ways. However, you can include provisions in your operating agreement to prolong the life of the LLC if a member decides to leave the business.

Self-Employment Taxes.

Members of an LLC are considered self-employed and must pay the self-employment tax contributions towards Medicare and Social Security. The entire net income of the LLC is subject to this tax.





ORIGINATING YOUR OWN PAPER

Partnerships

The federal government of the United States does not have specific statutory law governing the establishment of partnerships. Instead, each of the fifty states as well as the District of Columbia has its own statutes and common law that govern partnerships.

These states largely follow general common law principles of partnerships whether a general partnership, a limited partnership or a limited liability partnership. In the absence of applicable federal law, the National Conference of Commissioners on Uniform State Laws has issued non-binding model laws (called uniform act) in which to encourage the adoption of uniformity of partnership law into the states by their respective legislatures. This includes the Uniform Partnership Act and the Uniform Limited Partnership Act.

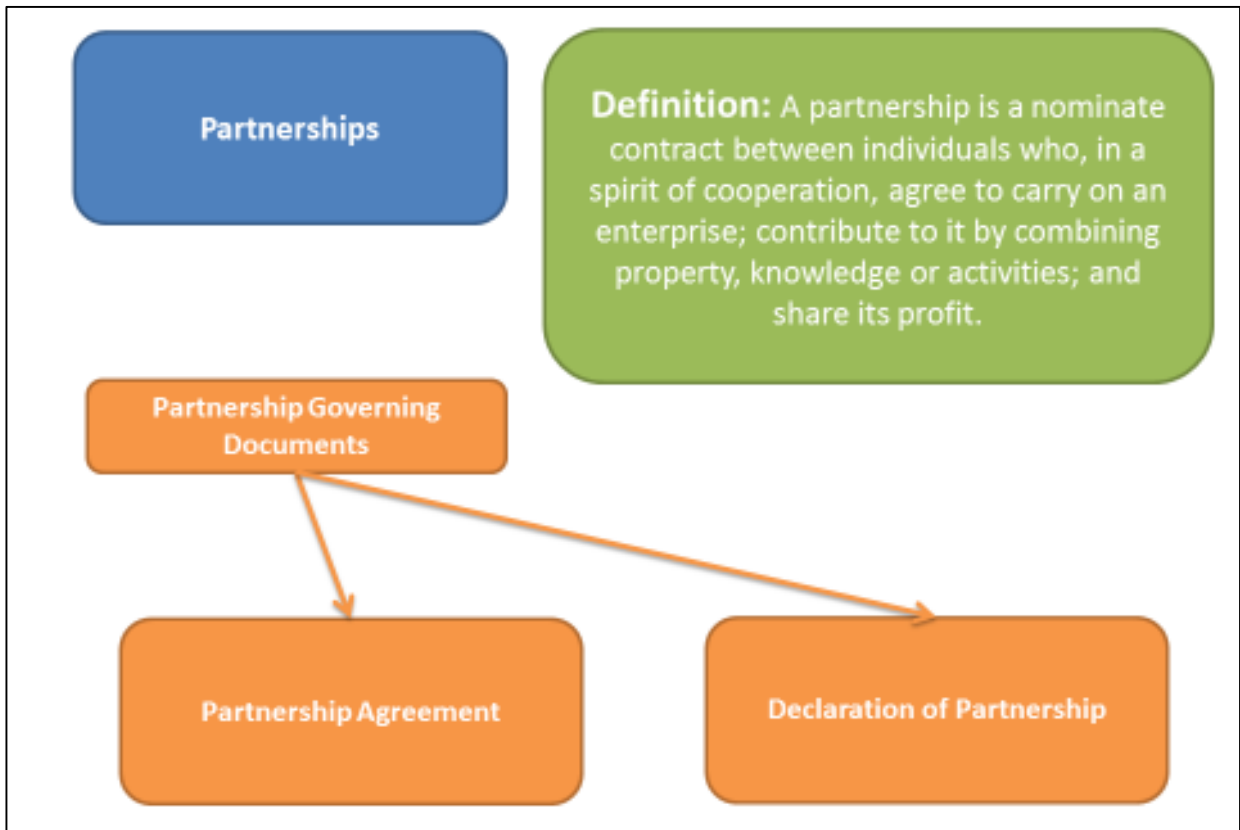
Although the federal government does not have specific statutory law for establishing partnerships, it has an extensive and hyper-detailed statutory scheme for the taxation of partnerships in the Internal Revenue Code. The IRC is Title 26 of the United States Code wherein Subchapter K of Chapter 1 creates tax consequences of such great scale and scope that it effectively serves as a federal statutory scheme for governing partnerships.

Unlike a limited liability company and a corporation, there are no documents to file with the state to begin the legal existence of a partnership. However, there are certain documents a partnership may need to complete to finalize the formation process, such as a partnership agreement.

Partnership Authority

Partnerships in states like California can file a statement of partnership authority with the secretary or department of state. A statement of partnership authority is not a document needed to form a partnership. It is an optional document that states the name and address of the business and the name and address of each business partner. Partnerships in places like Illinois do not have the option of filing a statement of partnership authority with the state. The fee to file a statement of partnership authority varies from state to state.

ORIGINATING YOUR OWN PAPER



Trade Name Application

A partnership automatically assumes the last name of each partner. A partnership that wants to use a business name other than each partner's last name must file a trade name, also known as a fictitious business name, with the county or city clerk's office where the company operates. The trade name application must contain the proposed trade name of the partnership, the location of the business and a description of the company's business activities. The cost to file a trade name application varies based on the city or county where the partnership operates.

Partnership Agreement

A partnership agreement is one of the most important documents when forming a partnership. A partnership agreement indicates the rules and regulations for operating the business. It indicates the roles and responsibilities of each partner, the financial contribution made by each partner and how the company will allocate profits and losses.



ORIGINATING YOUR OWN PAPER

The partnership agreement is vital when it comes to handling partners that die or decide to sell their ownership interest. Without a partnership agreement, the business may automatically terminate upon a partner's death or withdrawal.

Getting Organized

It is imperative that you define your processes as a private money lender. Use a checklist to make sure all of your requirements are met. These processes will change over time as you deal with issues and refine the process to meet current challenges. This is ok. Start with a process in place and refine it as needed.

Take some time to identify your target deal. What range of loan size can you handle? What loan size do you want to deal with? What kind of loans will you make? Where will you make loans? How long will you write the loans for? What range of points and rates will you use? All of these become your loan criteria. Write it out and use it as you consider loaning your money.

As you define your loan criteria make sure you spend some time what LTVs you are comfortable with. This should also be clearly defined. Will you lend on As-Is value or ARV value? What will affect your rates? Are there any compensating factors that will raise or lower your standard rates?

Through this training you should begin to develop your loan criteria and be able to articulate it to others.

Understanding the Purchase and Sale Agreement

One of the first things you need to ask when approached by a potential borrower is whether or not they have the property under contract. Without a contract you are wasting time discussing the deal with them. There is no deal until they have it under



ORIGINATING YOUR OWN PAPER

contract. Once the property is under contract you should verify a few things to make sure you can move forward.

What to look for on the Purchase and Sales Agreement

Identify the parties

The full name of the parties must be on the contract. In a sales contract, the parties are the seller(s) and the buyer(s). If there are any real estate agents brokering the sale, they are typically listed also as the real estate brokers/agents who would earn the commission from the sale.

Identify the real estate (property)

At least the address, but preferably the legal description must be on the contract.

Identify the purchase price

The amount of the sales price or a reasonably ascertainable figure (an appraisal to be completed at a future date) must be on the contract.

Include signatures

A real estate contract must be entered into voluntarily (not by force), and must be signed by the parties, to be enforceable.

Have a legal purpose

The contract is void if it calls for illegal action.

Involve competent parties

Mentally impaired, drugged persons, etc. cannot enter into a contract. Contracts in which at least one of the parties is a minor are voidable by the minor.

Reflect a meeting of the minds

Each side must be clear and agree as to the essential details, rights, and obligations of the contract.

Include Consideration



ORIGINATING YOUR OWN PAPER

Consideration is something of value bargained for in exchange of the real estate. Money is the most common form of consideration, but other consideration of value, such as other property in exchange, or a promise to perform (i.e. a promise to pay) is also satisfactory.

Understanding the Offer and Acceptance

As may be the case with other contracts, real estate contracts may be formed by one party making an offer and another party accepting the offer. To be enforceable, the offers and acceptances must be in writing (Statute of Frauds, Common Law) and signed by the parties agreeing to the contract.

Often, the party making the offer prepares a written real estate contract, signs it, and transmits it to the other party who would accept the offer by signing the contract. As with all other types of legal offers, the other party may accept the offer, reject it – in which case the offer is terminated, make a counteroffer – in which case the original offer is terminated, or not respond to the offer – in which case the offer terminates by the expiration date in it.

Before the offer (or counteroffer) is accepted, the offering (or countering) party can withdraw it. A counteroffer may be countered with yet another offer, and a counteroffering process may go on indefinitely between the parties. To be enforceable, a real estate contract must possess original signatures by the parties and any alterations to the contract must be initialed by all parties involved.

Understanding Contingencies

Contingencies are conditions which must be met if a contract is to be performed. Contingencies that suspend the contract until certain events occur are known as "suspensive conditions". Contingencies that cancel the contract if a certain event occurs are known as "resolutive conditions".

Most contracts of sale contain contingencies of some kind or another, because few people can afford to enter into a real estate purchase without them. But it is possible for a real estate contract not to have any contingencies.



ORIGINATING YOUR OWN PAPER

Types of Contingencies

Some types of contingencies which can appear in a real estate contract include:

Mortgage contingency – Performance of the contract (purchase of the real estate) is contingent upon or subject to the buyer getting a mortgage loan for the purchase. Usually such a contingency calls for a buyer to apply for a loan within a certain period of time after the contract is signed. Since most people who buy a house require financing to complete their purchase, mortgage contingencies are one of the most common type of contingencies in real property contracts. If the financing is not secured, the buyer may unilaterally cancel the contract by stating that his or her condition has not or will not be satisfied or allow the contract to expire by declining to waive the condition within the specified time period.

Inspection contingency – Purchase of the real estate is contingent upon a satisfactory inspection of the real property revealing no significant defects. Contingencies could also be made on the satisfactory repair of a certain item associated with the real estate.

Another sale contingency – Purchase or sale of the real estate is contingent on a successful sale or purchase of another piece of real estate. The successful sale of another house may be needed to finance the purchase of a new one.

Appraisal contingency – Purchase of the real estate is contingent upon the contract price being at or below a fair market value determined by an appraisal. Lenders will often not lend more than a certain percentage (fraction) of the appraised value, so such a contingency may be useful for a buyer.

Understanding Date of Closing

A typical real estate contract specifies a date by which the closing must occur. The closing is the event in which the money (or other consideration) for the real estate is paid for and title (ownership) of the real estate is conveyed from the seller(s) to the buyer(s). The conveyance is done by the seller(s) signing a deed for buyer(s) or their attorneys or other agents to record the transfer of ownership. Often other paperwork is necessary at the closing.



ORIGINATING YOUR OWN PAPER

The date of the closing is normally also the date when possession of the real estate is transferred from the seller(s) to the buyer(s). However, the real estate contract can specify a different date when possession changes hands. Transfer of possession of a house, condominium, or building is usually accomplished by handing over the key(s) to it. The contract may have provisions in case the seller(s) hold over possession beyond the agreed date.

The contract can also specify which party pays for what closing cost(s). If the contract does not specify, then there are certain customary defaults depending on law, common law (judicial precedents), location, and other orders or agreements, regarding who pays for which closing costs.

Understanding Property

A real estate contract may specify in what condition of the property should be when conveying the title or transferring possession. For example, the contract may say that the property is sold as is, especially if demolition is intended.

Alternatively there may be a representation or a warranty (guarantee) regarding the condition of the house, building, or some part of it, such as affixed appliances, HVAC system, etc. Sometimes a separate disclosure form specified by a government entity is also used.

The contract could also specify any personal property (non-real property) items which are to be included with the deal, such as washer and dryer which are normally detachable from the house. Utility meters, electrical wiring systems, fuse or circuit boxes, plumbing, furnaces, water heaters, sinks, toilets, bathtubs, and most central air conditioning systems are normally considered to be attached to a house or building and would normally be included with the real property by default.

Understanding Riders

Riders (or addenda) are special attachments (separate sheets) that become part of the contract in certain situations.

Understanding Earnest Money



ORIGINATING YOUR OWN PAPER

Although it is not absolutely required for a valid real estate offer or a contract, an earnest money deposit from the buyer(s) customarily accompanies an offer to buy real estate. The amount, a small fraction of the total price, is listed in the contract, with the remainder of the cost to be paid at the closing.

Typically the earnest money deposit represents "Consideration". If no other type of consideration is given, earnest money is required to fulfill this element of the contract.

Understanding Addendums

Any changes to buyer's financing contingencies, closing dates, etc. must be done through an addendum and signed by all parties.



ORIGINATING YOUR OWN PAPER

Underwriting

Good underwriting starts with good paperwork. Your process should begin with an application. Here are the key components to a complete loan application.

The four main components to a complete application are:

- Residential Loan Application
- Schedule of Real Estate Owned
- Authorization to Release Information and Credit Authorization
- Zero Tolerance Loan Fraud Policy

All of these forms need to be filled out correctly and signed by the borrower. Here is the process we follow.

Residential Loan Application:

The Borrower is always the business entity. This is a business to business loan therefore both the lender and the borrower need to be a business. Look for the following on all your applications:

- Complete entity name and address is correct (as recorded with the Secretary of State).
- Federal EIN #
- State ID # (found on Secretary of State websites)
- Residential Loan Application: Guarantor 1/Guarantor 2 – 40% or more ownership of the entity.
- Full legal name and date of birth as found on acceptable identification cards
- Must provide a physical address
- All contact information provided (email, home phone, cell phone)
- Social security number is essential
- Employer information
- Indicate all property types applicable



ORIGINATING YOUR OWN PAPER

- Transaction type must be indicated
- If Purchase – need the following:
 - Closing Date
 - Purchase Price
- Must have a Loan Amount requested
- Explain where the cash contribution is coming from (Personal funds, gap funder, equity partner, 2nd mortgage, etc.)
- Length of loan term must be indicated

Assets and Financials

3 months reserves of all combined monthly loan payments on subject property and with the company - needed for every file in addition to funds required to close

Acceptable asset verification:

- Bank Statements – 2 months (or 60 day printout) from any and/or all checking, savings, money market, cd, etc. accounts
- MUST INCLUDE ALL PAGES AND BE UNALTERED
- Must include financial institution name, account name, and account number
- Investment/Brokerage statements (stocks, bonds, mutual funds, etc.)
- Retirement statements (401k, 403b, annuities, etc.)
- Equity partner and/or Gap Funder funds must include a letter of commitment and asset verification as outlined above

Property Information

- All property addresses must be filled in
- Disclose original cost of home (Refinances only)
- Give an estimated market value
- Indicate if the property is currently generating income and if so, how much?
- Mark if there is a current appraisal and what the value is
- Loan Summary Overview – How will the funds be used?
- Give a complete description of the transaction, how the borrower will be using the loan proceeds. The more detailed and complete information given the easier it will be to get the loan funded and sold.

Exit strategy – How do they intend to pay off the loan?

Gives a chance for the borrower to instill confidence in the lender that they have a clear plan on paying their loan off. Again, this should be detailed as they can get it. The more information the quicker the loan will get funded.



ORIGINATING YOUR OWN PAPER

Schedule of Real Estate Owned

This form must be completed and signed by the guarantors on every transaction (if no property owned, have the borrower mark N/A and still sign the form). This form is used for many purposes for the loan process. It tells the underwriter and the investor key information about the borrower.

This form can really add value to the loan. It can also help in determining possible compensating factors for the loan file that may help with the approval process. Borrower signature is required from all guarantors on the file.

Here are some examples of information gathered from the Schedule of Real Estate Owned:

- Real estate experience - Does the borrower own other homes that are being rehabbed or rented out?
- Property locations – Does the borrower know the area they are investing in? Do they own other homes in that area?
- Cash flow – Does the borrower maintain positive cash flows from their existing properties?
- Lending experience – Is the borrower comfortable paying back loans? Do they use financing as part of their real estate acquisitions?

Borrower Authorization to Release Information and Pull Credit

This form is needed to gather information needed from third parties for the loan file (insurance binder, verification of funds, credit bureau report, etc.). All applicable fields must be completed and filled in.

Business Entity

This section needs to be completed with all of the borrowing entities information. Must include the name of the entity, federal EIN, complete address, member/manager/officer/owner of entity signature, and date.

Guarantors

All guarantors are required to complete and sign this document. Must include the guarantors name, social security number (or TIN), complete address, signature, and date.

Zero Tolerance Loan Fraud Policy

Used as our first line of defense for loan fraud. Any violations to this policy will result in being placed on the list of ineligible borrowers with the company.



ORIGINATING YOUR OWN PAPER

This form requires the borrowing entity's name to be filled in, dated, and signed by the member/manager/ officer/owner of entity and all guarantors.

Loan Fraud (owner occupancy):

- Guarantor IDs, bank statements, or business entity address matches subject property.
- A new issued ID outside of the expiration date.
- Appraisal notes subject property is occupied, but no lease is provided or no tenant or rent information is given on the schedule of real estate owned.
- Hazard insurance provided is not a rental or course of construction policy.
- Appraiser comments don't match information provided by the customer.

Documentation Fraud:

- Look for offset type, inconsistency in fonts, and different ink consistency throughout a document.
- Bank statements have transactions missing or whited out.
- Evidence of white out used by a shadow created around type.
- Customer signatures are inconsistent on documents and ID.
- Bank statement ending balance of one month doesn't match the beginning balance of the next month.
- Bank statement average balance doesn't match.
- Bank statement page numbers are not consecutive.
- Bank statement transactions don't add up to the totals or missing transaction days.
- Bank statements are missing the name of the bank or information.
- Website printouts are missing the site stamp.
- Leases don't match schedule of real estate.
- Dates of leases don't make sense, example not signed two years prior.
- Occupancy listed on the appraisal matches schedule of real estate and a lease provided.
- Leases signed and presented after appraisal, but deposit or rent amount does not show on a bank statement.
- Seller listed on a Purchase and Sale Agreement is the vested owner or documented representative listed on the preliminary title report.
- LLC or Corporation documents don't match the state registry website information (dates, members, officers, etc.).



ORIGINATING YOUR OWN PAPER

Property Value Fraud:

- Appraisal provided by customer is inconsistent with values from website estimates.
- Appraisal missing appraiser's license or is not signed

Property Requirements

- Non-Owner Occupancy only
- Property types – SFR, Duplexes, Triplexes, 4-plexes, Condos, Townhouses, MFH's
- Clear title is required
- 1 year of hazard insurance premiums paid at closing (including flood insurance, when applicable)
- A 3rd party independent appraisal by approved national company ordered internally – “As-Is” values accepted only, no older than 120 days
- Private utilities must be inspected and certified (well, septic, etc.)
- Property must be habitable or funds are held in escrow between 100% to 150% of licensed contractor bid for repair and released on draws
- Purchase Loan to Value cannot exceed the lesser of 65% or 80% of the purchase price(LTV lowered to 50% if loan amount is less than \$25,000
- Property Requirements
- Refinance Loan To Value cannot exceed 65% - LTV lowered to 50% if more than 10% of loan amount is received by borrower at closing
- Lease agreements required on all subject properties that are rented
- Licensed contractor bids are required on all repair work needed
- No seasoning requirements on refinances, unless acquired by gift or Quit Claim in the last 12 months - then Max LTV is 50%
- Cross-collateralization - LTV's remain the same when all properties are the same transaction type, Multiple transaction types require LTV's to be calculated separately for each property.

Title Policy

Understanding Title Policy

Title insurance is principally a product developed and sold in the United States as a result of an alleged comparative deficiency of the U.S. land records laws.



ORIGINATING YOUR OWN PAPER

Title insurance is meant to protect an owner's or a lender's financial interest in real property against loss due to title defects, liens or other matters.

It will defend against a lawsuit attacking the title as it is insured, or reimburse the insured for the actual monetary loss incurred, up to the dollar amount of insurance provided by the policy.

What is Title Search

A detailed examination of the historical records concerning the property. The purpose of the search is to verify the seller's right to transfer title (purchase transactions) or the borrower's vested interest in the property (refinance). This information is gathered through county auditors, county and city treasurers, and the Federal Bankruptcy Court.

There are two types of policies - owner and lender. Just as lenders require fire insurance and other types of insurance coverage to protect their investment, nearly all institutional lenders also require title insurance [a loan policy] to protect their interest in the collateral of loans secured by real estate. Although, some mortgage lenders, especially non-institutional lenders, may not require title insurance.

Buyers purchasing properties for cash or with a mortgage lender often want title insurance [an owner policy] as well. A loan policy provides no coverage or benefit for the buyer/owner and so the decision to purchase an owner policy is independent of the lender's decision to require a loan policy.

Owner's Policy

The owner's policy assures a purchaser that the title to the property is vested in that purchaser and that it is free from all defects, liens and encumbrances except those listed as exceptions in the policy or are excluded from the scope of the policy's coverage. It covers losses and damages suffered if the title is unmarketable.

It provides coverage for loss if there is no right of access to the land. Although these are the basic coverage's, expanded forms of residential owner's policies exist that cover additional items of loss.

The liability limit of the owner's policy is typically the purchase price paid for the property. As with other types of insurance, coverage's can also be added or deleted with an endorsement. There are many forms of standard endorsements to cover a variety of common issues. The premium for the policy may be paid by the seller or buyer, as the parties agree but usually by the seller. Title insurance coverage lasts as long as the insured retains an interest in the land insured and typically no additional premium is paid after the policy is issued.



ORIGINATING YOUR OWN PAPER

Lender's Policy

This is sometimes called a loan policy and it is issued only to mortgage lenders. Generally speaking, it follows the assignment of the mortgage loan, meaning that the policy benefits the purchaser of the loan if the loan is sold. For this reason, these policies greatly facilitate the sale of mortgages into the secondary market.

The American Land Title Association ("ALTA") forms are almost universally used in the country though they have been modified in some states. An "ALTA" policy is required by Cogo and we recommend that you do as well. In general, the basic elements of insurance they provide to the lender cover losses from the following matters:

- The title to the property on which the mortgage is being made is either:
 - Not in the mortgage loan borrower,
 - Subject to defects, liens or encumbrances, or
 - Unmarketable
- There is no right of access to the land
- The lien created by the mortgage:
 - is invalid or unenforceable,
 - is not prior to any other lien existing on the property on the date the policy is written
 - is subject to mechanic's liens under certain circumstances

As with all of the ALTA forms, the policy also covers the cost of defending insured matters against attack.

Elements 1 and 2 are important to the lender because they cover its expectations of the title it will receive if it must foreclose its mortgage. Element 3 covers matters that will interfere with its foreclosure. Of course, all of the policies except or exclude certain matters and are subject to various conditions.

There are also ALTA mortgage policies covering single or one-to-four family housing mortgages. These cover the elements of loss listed above plus others. Examples of the other coverage's are loss from forged releases of the mortgage and loss resulting from encroachments of improvements on adjoining land onto the mortgaged property when the improvements are constructed after the loan is made.

Construction Loan Policy

In many states, separate policies exist for construction loans. Title insurance for construction loans require a Date Down endorsement that recognizes that the insured



ORIGINATING YOUR OWN PAPER

amount for the property has increased due to construction funds that have been vested into the property.

Schedules A

- Covers effective date, should be within 60 days of closing.
- Type of policy to be issued
- Interest in the land
- Fee simple
- Leasehold
- Vested Interest – the legal owner of the property
- Legal description

Schedules B, B1, B2, and C

Cover general exceptions, special exceptions, and closing requirements for the title insurance company to provide the policy.

General Exceptions include:

- Premium payment
- Recording of deeds, both quitclaim and warranty
- Liens, encumbrances, easements, etc. not recorded in public record

Special Exceptions: always going to be recorded through the county auditor's office

- Recorded liens (taxes, mortgages, private, etc.)
- General real estate taxes
- Deeds of trust
- Judgments against
- Property restrictions
- Covenants, Conditions, and Restrictions (CC&R's)
 - Homeowner's associations bylaws
 - Condo-owner's associations bylaws
- Closing Requirements
 - Loan instruments signed and recorded
 - Surveys
 - Matters relating to the ALTA policy have been cleared



ORIGINATING YOUR OWN PAPER

- In general, any specific parameters that the insurance company will not cover

Ordering the Appraisal: Top 12 Things We Look For

- Fill out form
- Customer name: First and last name of Guarantor #1
- Property address(es): Subject address or addresses; street number, street name, City, State, Zip
- Contact phone: whomever Nationwide will be contacting
- Contact Email: whomever Nationwide will be emailing
- Property type: ex: SFR/Duplex/Condo/Commercial (Be specific on commercials)
- Purpose: Market value – all appraisals are ordered market value
- Broker name (your name)
- Submit to Processor to order via email
- Watch for paid email to submit documents to processing

If commercial or Rush appraisal, specify at top of appraisal order form

1. Owner of the Property

For a refinance appraisal, ensure that the owner of the property is the entity which is borrowing the money.

Smith-1121G
File No. 130507043

Uniform Residential Appraisal Report

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address 1121 Douglas Ave	City Nashville	State TN	Zip Code 37206
Borrower Edward Smith III	Owner of Public Record Ly Smith	County Davidson	

ORIGINATING YOUR OWN PAPER

2. Occupant

If the loan is a refinance, make sure that the “Owner” is not checked in the Occupant line.

SUBJECT	Assessor's Parcel #	072-13-0-418.00		
	Neighborhood Name	Sharpe & Horns		
	Occupant	<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<input checked="" type="checkbox"/> Vacant
	Property Rights Appraised	<input checked="" type="checkbox"/> Fee Simple	<input type="checkbox"/> Leasehold	<input type="checkbox"/> Other
	Assignment Type	<input type="checkbox"/> Purchase Transaction	<input type="checkbox"/> Refinance Transaction	

3. Zoning

The “Zoning compliance” must be marked “Legal” or “Legal Nonconforming.”

Dimensions	50' x 170'	Area	8712 sf	Shape	Rectangular
Specific Zoning Classification	R-9	Zoning Description	Residential		
Zoning Compliance	<input checked="" type="checkbox"/> Legal	<input type="checkbox"/> Legal Nonconforming (Grandfathered Use)	<input type="checkbox"/> No Zoning	<input type="checkbox"/> Illegal (describe)	
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?					<input checked="" type="checkbox"/> Yes

4. Utilities, Water, and Sewer

If water and Sanitary Sewer are marked “Other” and the description is “Private,” a water and sewer certification must be ordered

SITE	Utilities	Public	Other (describe)	Public	Other (describe)
	Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Water	<input checked="" type="checkbox"/> <input type="checkbox"/>
	Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/> None	Sanitary Sewer	<input checked="" type="checkbox"/> <input type="checkbox"/>

5. FEMA Special Flood Hazard Area

If this box is checked “yes” then flood insurance must be purchased.

ORIGINATING YOUR OWN PAPER

SITE	Utilities	Public	Other (describe)	Public	
	Electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Water	<input checked="" type="checkbox"/>
	Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/> None	Sanitary Sewer	<input checked="" type="checkbox"/>
	FEMA Special Flood Hazard Area		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	FEMA Flood Zone <input checked="" type="checkbox"/>	
Are the utilities and off-site improvements typical for the market area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					

6. Page 1 Review

Review page one for any health and safety problems that are identified in the notes and determine whether additional items will be needed before approval of the property is obtained by underwriting.

Gas	<input type="checkbox"/>	<input checked="" type="checkbox"/> None	Sanitary Sewer	<input checked="" type="checkbox"/>	Alley	<input type="checkbox"/>	None	<input type="checkbox"/>
FEMA Special Flood Hazard Area		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	FEMA Flood Zone <input checked="" type="checkbox"/>		FEMA Map #	470040-0228F		
FEMA Map Date		11/21/2002						
Are the utilities and off-site improvements typical for the market area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe.								
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, describe. <u>None known</u> or observed. Subject site based on current tax records.								

PRO	Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).		C4; No updates in the prior 15 years; At the time of inspection the subject is undergoing an extensive renovation. Numerous items have been completed which include: new exterior paint, new replacement windows, new interior paint, new rear deck, and partial installation of new hardwood floors. The subject's original Kitchen has been removed in order to install new cabinets and countertops. The subject's Bathroom is also undergoing renovation and has been gutted (new bathtub installed). Additional work needed includes completion of hardwood floors < continued in addendum >	
	Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe. <u>See attached addendum. Please note this appraisal is not a home inspection. The appraiser only performed a visual observation of the accessible areas and the appraisal report cannot be relied upon to disclose conditions and/or defects in the property. Due to the subject's kitchen and bathroom undergoing renovation, the subject does suffer from functional obsolescence at present.</u>			
	Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe.			

7. Comparison Properties

Review for distance from the subject property and the time of the transactions. Also review the appraiser's definition of neighborhood. Determine that the comparison properties accurately reflect the subject property and its value.

FEATURE	SUBJECT	COMPARABLE SALE NO. 1	COMPARABLE SALE NO. 2	COMPARABLE SALE NO. 3
Address	1121 Douglas Ave Nashville, TN 37206	1614 Benjamin St Nashville, TN 37206	1525 Wayne Dr Nashville, TN 37206	1516 Wayne Dr Nashville, TN 37206
Proximity to Subject		0.48 miles SSE	1.51 miles E	1.46 miles E
Sale Price	\$	\$ 119,000	\$ 140,000	\$ 148,000
Sale Price/Gross Liv. Area	\$ 0.00 sq. ft.	\$ 108.08 sq. ft.	\$ 121.74 sq. ft.	\$ 139.10 sq. ft.
Data Source(s)		GNARMLS #1412462; DOM 26	GNARMLS #1422096; DOM 27	GNARMLS #1429001; DOM 39
Verification Source(s)		Doc# 201301070001539	Doc# 201303010020409	Doc# 2013042200039662
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
Sale or Financing Concessions	ArmLth Conv;0		ArmLth FHA;0	ArmLth Conv;4400
Date of Sale/Time	s12/12;c12/12		s02/13;c02/13	s04/13;c04/13
Location	N-Dec-	N-Dec-	N-Dec-	N-Dec-

ORIGINATING YOUR OWN PAPER

8. This Appraisal is made...

“As is” must be marked

DECLARATION

Most consideration given to the Sales Comparison Approach as it best indicates value in the marketplace. The Cost Approach was developed at the request of the client. The Income Approach was not developed for this report due to the age of the subject. ~~The Income Approach was not developed for this report due to the age of the subject.~~

This appraisal is made "as is," subject to completion per plans and specifications on the basis of a hypothetical condition that the repairs or alterations be made subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations be made

9. Appraiser's Signature

Ensure that the appraisal is signed by the licensed appraiser.

APPRAISER

Signature *Gary S. Wiseman*

Name Gary S. Wiseman

Company Name Steve wiseman and Associates

Company Address 4816 Hopedale Dr

Nashville, TN 37211

10. Date of Appraisal

Ensure that the appraisal date falls within 90 days of submission of the loan file to underwriting.



COMPLIANCE CERTIFICATE

Client:	Private Money Exchange
File ID:	130507043
Subject Property:	1121 Douglas Avenue, Nashville, TN 37208
Appraisal Completion Date:	5/14/2013

ORIGINATING YOUR OWN PAPER

11. Pictures of the Property

Review the pictures of the property to determine if there is any safety or other issues with the property.



12. License and Insurance

Ensure that the appraisal package submitted includes the appraiser's active license and Errors and Omissions Insurance Certificate.





ORIGINATING YOUR OWN PAPER

Closing Procedures

The Closer will notify the Borrower that the loan has been committed to, when the funds will be coming in, and when the closing can be scheduled. The Borrower will then be required to schedule the closing and get closing info to the Closer about when the closing will be and who is doing the closing.

The Closer will be verifying that any prior-to requirements have been met (quit claim deeds, hazard insurance, special info required by title company such as tax payoffs, tax certifications, water bills, etc.)

The Closer will be drawing docs, verifying all info from borrower and actually sending closing package to escrow company or closing agent. Escrow will return estimated HUD for closing to the Closer. Estimated HUD will be reviewed to ensure that final numbers are correct for closing costs.

Once HUD is approved, the Closer will initiate the wire and release funds to closing for actual closing procedure. The Closer will wait for original docs to come back and will verify that all documents have been signed and all info is correct and authorize the recording.

UW CHECKLIST

Borrower: _____ LO: _____ Loan Type: _____

Property Address/es: _____

APPLICATION & DISCLOSURES

- D ___ PME/COGO Application
 - D ___ Blacklist / Watchlist
 - D ___ Repeat Borrower Payment History Printout from FCI / LCS
 - F ___ FCI / LCS Current Prior to Funding X _____
- D ___ Executed Schedule of Real Estate
- F ___ Executed PME / COGO Conditional Approval
- D ___ Credit/Borrower Authorization
- D ___ Zero Tolerance Fraud Policy
- D ___ Fee Agreement ___% Broker: _____

BUSINESS ENTITY INFORMATION

- D ___ State Registration of Entity Printout (State Website) State _____ Company ID# _____
- D ___ Federal EIN# _____
- D ___ Articles of Organization / Incorporation
- D ___ Operating Agreement (LLC) / Corporate Resolution & Bylaws (corporation)
 - Single Member
 - F ___ Authorized Signers _____

GUARANTOR INFORMATION (stack in order and repeat for each guarantor)

Guarantor 1 _____ Guarantor 2 _____ Guarantor 3 _____

- | | | |
|--|--|--|
| <input type="checkbox"/> D ___ Photo ID | <input type="checkbox"/> D ___ Photo ID | <input type="checkbox"/> D ___ Photo ID |
| <input type="checkbox"/> D ___ SS# _____ | <input type="checkbox"/> D ___ SS# _____ | <input type="checkbox"/> D ___ SS# _____ |
| <input type="checkbox"/> D ___ Credit Report | <input type="checkbox"/> D ___ Credit Report | <input type="checkbox"/> D ___ Credit Report |

ASSETS / FINANCIALS

- D ___ Financial Statements/Proof of Collateral:
 - Most current two months bank statements all pages Amount Required \$ _____
 - Other Liquid Assets _____ Amount Verified \$ _____

INSURANCE

- D ___ Hazard Insurance Binder in Business Entity Name with Annual Premium
 - D ___ Flood Insurance

CONTRACTS & TITLE

- D ___ Signed Purchase and Sale Contract (including all addendums) Expiration Date: _____
 - D ___ Lender Approved Short Sale Expiration Date: _____
- D ___ Earnest Money Deposit Verification—copy of check/money order/cash receipt \$ _____
- D ___ Preliminary Title Report with 24 mo. Chain of Ownership
 - F ___ Closing Protection Letter
 - D ___ Payoffs (liens, judgments, etc.) Total: \$ _____
 - D ___ Covenants, Conditions, & Restrictions
 - D ___ HOA / COA Bylaws

VALUATION

- D ___ Property Valuation: Appraised Value Accepted: _____ By: _____ LTV _____

Cost of Acquisition Value Accepted: _____ By: _____ LTA _____
- D ___ USPS Address Verification of Subject Property/s
- D ___ myFirstAm Printout (if not available, county assessor verification printout)
- D ___ Yahoo Real Estate Web Page Printout of Subject Property/s



ORIGINATING YOUR OWN PAPER

Usury Issues

Usury limits vary by loan amount, loan type and issuing institution, depending on the state. Some states apply uniform laws across all loan types. Other states impose different rates on judgments, written loan agreements, mortgages, business loans, educational loans and other loan categories. And they vary those limits based on whether the issuing institution is a state bank, savings association, credit union, licensed lender or other financing organization.

For the most part there are myriad exceptions to the legal interest rate, which may be tied to the character of the lender, borrower, loan amount, the nature of the contract, or the matter that is the subject of the contract. Effectively, legal interest rates are no more than general guidelines for all transactions rather than the specific limits placed on them.

Below you will find guidelines for each state. Please consult your own legal counsel.

State	Legal Maximum Rate of Interest	Usury Penalty	Judgments	Exceptions
ALABAMA	If agreed upon in writing, up to 8% per year, otherwise 6% per year (§8-8-1)	Forfeiture of all interest and interest paid deducted from principal (§8-8-12)	Other than costs, dollar judgments bear interest from date of entry at 12%; judgment on contract action bears interest at rate in contract (§8-8-10)	Loans over \$2000 (§8-8-5); debts under National Housing Act. Veterans' Benefits acts (§8-8-6); industrial development boards and medical clinic boards (§11-54-97, 11-58-15); bonds issued by public or non-profit organizations (§8-8-7); public housing bonds, State Board of Education Securities (§§24-1-32; 16-3-28); public hospital corporations (§22-21-6)



ORIGINATING YOUR OWN PAPER

ALASKA	Absent contract: 10.5%; express contract agreement: 5% over legal rate (§45.45.010)	One paying usurious interest may recover double amount thereof within 2 years (§45.45.030)	3% above 12th Federal Reserve District's discount rate on January 2nd of year in which judgment is entered, unless contract action, then use contract rate (§09.30.070)	Contract where principal amount exceeds \$25,000 (§45.45.010)(b)
<u>ARIZONA</u>	10% per year; any rate may be agreed and contracted upon (§44-1201)	Forfeit all interest (§44-1202); usurious payments deemed to be made toward principal; if payments exceed principal, judgment may be given in favor of debtor with interest at rate of 10% (§§44-1203, 1204)	At allowable rate or as agreed upon as long as not in excess of that permitted by law (§44-1201)	
ARKANSAS	Consumer and nonconsumer rate is 5% above Federal Reserve discount rate (consumer rate is capped at 17%) (Const. Art. XIX §13)	Contracts calling for more than lawful rate are void as to unpaid interest and debtor may recover twice amount of interest paid (Const. Art. XIX§13)	Rate of interest for contracts in which no rate of interest is agreed upon shall be 6% per annum. (Const. Art. XIX§13)	

ORIGINATING YOUR OWN PAPER

<p><u>CALIFORNIA</u></p>	<p>Loan/forbearance of any money, goods, or things in action, or accounts after demand—7% or contract rate (Const. XV §1) contract rate shall not exceed 12% (Civil Code §1916-1)</p>	<p>Contract or agreement for greater than 12% shall be null and void as to any agreement to pay interest (Civil Code §1916-2); debtor may recover treble amount paid; willful violation—guilty of loan-sharking, a felony and punishable by imprisonment in state prison for not more than 5 yrs. or county jail for not more than 1 yr. (Civil Code §1916-3)</p>	<p>Set by legislature at not over 10% rate; in absence of setting of such rate, rate of interest is 7% (Const. Art. XV §1)</p>	<p>Incorporated insurer (Ins. §1100.1); licensed broker-deals (Corp. §25211.5); indebtedness issued pursuant to corporate securities law (Corp. §25116); licensed business and industrial development corporation (Fin. §31410); state and national banks acting as trustees (Fin. §1504); foreign banks (Fin. §1716); bank holding companies (Fin. §3707); state and federal savings and loans (Fin. §7675)</p>
<p><u>COLORADO</u></p>	<p>8% (§5-12-101); maximum rate that may be contracted for is 45% (§5-12-103); interest on consumer loan may not exceed 12% unless made by supervised lender (§5-2-201)</p>	<p>Criminal penalty for knowingly exceeding 45%, Class 6 felony (§18-15-104)</p>	<p>8% if none specified in contract; if contract rate is variable, then at rate on day of judgment (§5-12-102[4])</p>	<p>Savings and loans (§11-41-115); mortgages (§5-13-101); business and agricultural loans (§5-13-102); small business loans (§5-13-103)</p>
<p><u>CONNECTICUT</u></p>	<p>12% (§37-4)</p>	<p>Loan is not enforceable (§36a-573)</p>	<p>Absent agreement to contrary, 8% (§37-1)</p>	<p>Loans before September 12, 1911; bank; savings and loan; credit union; certain mortgages; loan for motor vehicle; boat; loan for higher education (§37-9); pawnbroker and loan broker (§21-44)</p>



ORIGINATING YOUR OWN PAPER

<p><u>DELAWARE</u></p>	<p>5% over Federal Reserve discount rate; same maximum rate even if agreed upon in writing (Tit. 6 §2301)</p>	<p>Debtor not required to pay excess over legal rate; if whole debt is paid with interest over legal rate, debtor may recover 3 times amount of excess interest or \$500, whichever is greater, if action brought within 1 year (Tit. 6§2304[b])</p>	<p>5% over Federal Reserve discount rate; same maximum rate even if agreed upon in writing (Tit. 6 §2301)</p>	<p>No limit where loan exceeds \$100,000 and is not secured by mortgage on borrower's personal residence (Tit.6§2301(c))</p>
<p>DISTRICT OF COLUMBIA</p>	<p>In absence of agreement: 6%/yr. (§28-3302); by contract in writing: Up to 24% (§28-3301)</p>	<p>Forfeiture of interest; usurious interest paid may be recovered (§28-3303; 3304)</p>	<p>4% allowed on judgments against the District of Columbia, its officers, employees acting within scope of employment; where judgment is not against District of Columbia, its officers, or its employees acting within scope of employment or where interest is not fixed by contract the rate of interest shall be 70% of the rate set by the Secretary of Treasury (§28-3302, 26 USC§6621)</p>	<p>Federally insured bank or savings and loan and on direct motor vehicle installment loans (§§28-3308; 28-3601 to 3602)</p>



ORIGINATING YOUR OWN PAPER

<p><u>FLORIDA</u></p>	<p><u>Determined by comptroller of state by averaging the discount rate of the Federal Reserve Bank of New York for the preceding year and adding 500 basis points to the averaged federal discount rate (§55.03)</u></p>	<p>All interest forfeited and repaid double (§687.04); criminal usury: credit at rate of 25-45% is misdemeanor with penalty of up to 60 days in prison and/or \$500 fine; over 45% is 3rd degree felony; keeping the books/ records for loan at 25% is 1st degree misdemeanor, and if loan or forbearance is criminal, debt is not enforceable (§687.071)</p>	<p>Set yearly by the state comptroller by averaging discount rate of Fed. Reserve Bank of N.Y. for the preceding year and adding 500 basis pts. to the averaged discount rate (55.03)</p>	<p>If specifically licensed in business and making loan (§516.031); on sale of motor vehicles (§§520.01, et seq.)</p>
<p><u>GEORGIA</u></p>	<p>7% per year when rate not specified; higher than 7% must be in writing; maximum 16% where principal is \$3000 or less; no limit on rate if loan is between \$3000 and \$250,000 and must be in simple interest in written contract (§7-4-2)</p>	<p>Forfeiture of entire interest (§7-4-10); criminal penalty (§7-4-18)</p>	<p>Prime rate determined by Federal Reserve System plus 3% (§7-4-12)</p>	<p>Small industrial loans (§7-3-14)</p>
<p><u>HAWAII</u></p>	<p>10% (§478-2)</p>	<p>Creditor may recover principal only; debtor recovers costs;</p>	<p>10% on judgment for any civil suit (§478-3)</p>	

ORIGINATING YOUR OWN PAPER

		creditor fined up to \$250 and/or prison up to 1 year (§§478-5, 6)		
<u>IDAHO</u>	12% unless express contract (§28-22-104)	Plaintiff may recover amount of actual injury (§6-807, 1602)	5% plus annual average yield on U.S. Treasury securities as determined by Idaho state treasurer (§28-22-104)	
<u>ILLINOIS</u>	Determined by the laws applicable at the time the contract is made (815 ILCS 205/4)	Recipient subject to suit for twice total of all interest, charges, and attorney's fees and court costs (815 ILCS 205/6)	9% or 6% when judgment debtor is unit of local government, school district, or community college (735 ILCS 5/2-1303; 735 ILCS 5/12-109)	Under Consumer Installment Loan Act (205 ILCS 670/1); short-term loans (815 ILCS 205/4.1a); installment loans (815 ILCS 205/4a; 205 ILCS 670/15); pawnbrokers (§205 ILCS 510/2); reverse mortgage loan (205 ILCS 305/46)
<u>INDIANA</u>	21% for unsupervised consumer loan (24-4.5-3-201)	Class A misdemeanor for supervised lender to knowingly charge in excess of 24-4.5-3-508 for consumer loan (24-4.5-5-301); consumer has right to refund of amount paid in excess of statute and up to 3 times the amount in its discretion (24-4.5-5-202)	At contract rate not exceeding 8%, or 8% if there is no contract between the parties, beginning from the date of verdict or the finding of the court (§24-4.6-1-101); 6% beginning 45 days after judgment if against the state (§34-54-8-5)	Supervised loan is a consumer loan in which rate of loan finance charge exceeds 21% (24-4.5-3-501)

ORIGINATING YOUR OWN PAPER

<u>IOWA</u>	5% unless agreed upon in writing then not to exceed amount specified in §535.2(3) (§535.2(1))	Plaintiff may have judgment only for principal debt without interest or costs; forfeiture of 8% by the year of principal remaining unpaid at time of judgment (§535.5)	10% unless rate (up to §535.2 amount) expressed in contract (§535.3); (§668.13)	Loan for real property, business or agricultural loans (§535.2(2))
<u>KANSAS</u>	10% (§16-201); maximum rate at which parties may contract: 15% (§16-207)	Forfeit all interest; lose a sum of money to pay borrower's attorney fees (§16-207)	4% above federal discount rate as of July 1 preceding judgment (§16-204); where judgment on contract, contract rate controls (§16-205)	Business and agricultural loans; note secured by real estate mortgage; qualified plan loans (§16-207)
<u>KENTUCKY</u>	8% absent agreement otherwise; parties may agree to a rate not to exceed 4% above discount rate of Fed. Reserve Bank or 19% whichever is less for principal amount of \$15,000 (§360.010)	Borrower may recover twice amount paid (§360.020)	12% unless contract, then contract rate (§360.040)	Banks (§360.010(2)); credit union (§286.6-465); small loans (§286.4-530)
<u>LOUISIANA</u>	12% maximum (R.S. 9:3500)	Entire interest forfeited (§9:3501)	Legal interest (§13:4202); state agencies: 6% (§13:5112)	Secured by mortgage (§9:3504); borrowing for commercial/business purposes (§9:3509); obligation secured by a mortgage (§9:3504)

ORIGINATING YOUR OWN PAPER

<p><u>MAINE</u></p>	<p>6% unless otherwise agreed (Tit. 9-B §432)</p>		<p>Before judgment: U.S. Treasury Bill rate plus 6% unless contracted, then contract rate (Tit. 14 §1602-B); after judgment: U.S. Treasury rate plus 6% unless contracted, then contract rate (Tit. 14§1602-C)</p>	<p>Pawnbrokers (Tit. 30-A§3963); secured transactions (Tit. 11 §9-1201); consumer credit (Tit. 9-A §2-201)</p>
<p><u>MARYLAND</u></p>	<p>6% (Const. Art. III§57); up to 8% in written agreement (Com. Law §12-103)</p>	<p>Forfeit 3 times excess of interest and charges collected or \$500, whichever is greater (Com. Law§12-114)</p>	<p>10%; money judgment may carry contract rate until originally scheduled maturity date (Cts. & Jud. Proc. §11-106, 107, 301)</p>	<p>Mortgage secured loans (Com. Law §12-103); unsecured loans secured by other than savings (Com. Law §12-103); installment loans not secured by real property (Com. Law §12-103); open-end retail accounts (Com. Law §12-506); installment sales contract for motor vehicles and other consumer goods (Com. Law §12-609, 610)</p>
<p><u>MASSACHUSETTS</u></p>	<p>6% unless contract (Ch. 107§3)</p>	<p>Over 20%: criminal usury; usurious loan may be voided by Supreme Judicial or Supreme Court in equity (Ch. 271 §49)</p>	<p>12% torts (Ch. 231§6B); at contract rate if contract up to 12% (Ch. 231 §6C); sanctions defenses/counterclaims for frivolous or not in good faith actions (Ch. 231 §6F)</p>	<p>Small loans (Ch. 140 §96); open-end credit transaction (Ch 140 §114B); life insurance policy loans (Ch. 175 §142)</p>



ORIGINATING YOUR OWN PAPER

MICHIGAN	5%; maximum rate with written agreement: 7%§438.31	Loss of all interest, official fees, delinquency or collection charge, attorney's fees or court costs (§438.32)	Rate of interest equal to 1% plus the average interest paid at auctions of 5-yr. U.S. treasury notes during the 6 months preceding July 1 and January 1 (§600.6013)	Small loans (§493.1); credit union loans (§490.14)
MINNESOTA	6% legal rate; written contract up to 8% (§334.01)	Contract for greater interest void (§§47.20; 334.03); payor may recover full interest and premiums paid with costs (§334.02); usurious interest by banks, savings and loans and credit unions results in forfeitures of all interest and payor may recover twice interest paid (§48.196)	Determined on or before December 20 of prior year by state court, administrator based on secondary market yield (§549.09)	State banks/savings associations (§48.195); state credit union (§52.14); dealers under Securities Exchange Act (§334.19); mortgage loans (§47.204); business and agricultural loans (§334.011). Plans subject to provisions of Employee Retirement Income Security Act of 1974 (§334.01); loans secured by savings accounts (§334.012)
MISSISSIPPI	8% (§75-17-1[1]); contract rate not to exceed greater of 10% or 5% above discount rate (§75-17-1[2])	Forfeit all interest and finance charge; if rate exceeds maximum by 100%, any amount paid (principal or interest) may be recovered; person willfully charging usurious rates guilty of misdemeanor and	Judgments at contract rate if contract exists; otherwise at per annum rate set by judge (§75-17-7)	Residential real property loan (§75-17-1); mobile homes (§75-17-23); partnership, joint venture, religious society, unincorporated assoc. or domestic or foreign corp. (75-17-1 [3])

ORIGINATING YOUR OWN PAPER

		fine up to \$1000 (§75-67-119)		
MISSOURI	Absent agreement, 9% (§408.020); contract rate not to exceed 10% except when market rate is higher (§408.030)	If usury collected, excess over legal rate applied to principal or debtor may recover (§§408.050, 060); debtor may recover twice amount of interest paid, costs of suit, and attorney's fees (§408.030)	9% or higher rate lawfully stipulated (§408.040)	Loans to corporations, general partnerships, limited partnerships, or limited liability companies; business loans of \$5000 or more; real estate loans other than residential real estate of less than \$5000 secured by real estate used for agricultural activity or loans of \$5000 or more secured solely by certificates of stock, bonds, bills of exchange, certificates of deposit or other commercial paper pledged as collateral for repayment of loan (§408.035)
MONTANA	10% (§31-1-106); 15% maximum rate by written agreement, up to 6 percentage points above prime rate of major New York banks (§31-1-107)	Forfeiture of double interest received (§31-1-108)	10% or contract rate (§25-9-205)	Regulated lenders and the finance operation that finances transactions between merchants (§31-1-112)



ORIGINATING YOUR OWN PAPER

NEBRASKA	Up to 16% for contract (§45-101.03); otherwise legal rate, 6% (§45-102)	Only principal recoverable (§§45-105, 110); principal plus interest not exceeding legal contract rate (45-110)	2% above bond equivalent yield; rate of contract; or specifically provided by law (§45-103)	Loans by Department of Banking, loan to any corporation; principal over \$25,000; loan guaranteed by state/federal government on securities, open credit accounts; savings and loans; business or agricultural purpose loans; installment contract for goods and services; loan to any corporation, partnership or trust (45-101.04)
NEVADA	No limit for what parties may contract; otherwise prime rate of Nevada's largest bank plus 2% (§§99.040, 050)		Contract rate or prime rate at largest bank in Nevada plus 2% (§17.130)	Licensee may lend at any interest rate (§677.730)
NEW HAMPSHIRE	10% unless differently stipulated in writing (§336:1)		Determined by state treasurer as the prevailing discount rate of interest on 26-week U.S. treasury bills at the last auction preceding September in each year, plus 2% points rounded to the nearest tenth (§336:1)	Educational institutions (§195-F:15); public utility (§374-C:14); pawnbrokers and small loans (§399-A:3); home mortgage loan (§399-A:2); consumer credit (§358-K:1)

ORIGINATING YOUR OWN PAPER

NEW JERSEY	6% or up to 16% for contract (§31:1-1); loans in excess of 30% or 50% in limited liability to corporations are not permitted (§2C:21-19)	Only amount lent may be recovered (§31:1-3); guilty of criminal usury and up to \$250,000 fine (§2C:21-19)		Loan for over \$50,000; savings and loans; banks; Department of Housing and Urban Affairs and other organizations authorized by the Emergency Home Finance Act of 1970; state or federal government or quasi-governmental organizations (§31:1-1)
NEW MEXICO	15% in absence of contract fixed rate (§56-8-3)	Forfeiture of all interest and if paid, borrower may recover twice amount (§56-8-13)	8¾% unless judgment is on a contract, in which case interest on recovery will be the contract rate, but if the money judgment is for tortious conduct, interest on judgment will be 15% (§56-8-4)	Corporations and limited partnerships (§56-8-9, §56-8-21); pawn brokers (§56-12-13)
NEW YORK	6% (Gen. Oblig. §5-501(1)); Banking §14-a)	Usurious notes void (Gen. Oblig. §5-511(1)); borrower may recover any amount in excess over legal rate (Gen. Oblig. §5-513); if bank, savings and loan, or trust company, interest forfeited and recovery of twice interest paid (Gen. Oblig. §5-511(1))	9% (Civ. Prac. L. & R. §5003, 5004)	See Gen. Oblig. §§5-501, <i>et seq.</i> ; debit balance on customer accounts with a broker or dealer (Gen. Oblig. §5-525)

ORIGINATING YOUR OWN PAPER

NORTH CAROLINA	8% (§24-1); may contract for higher rate if under \$25,000; if over \$25,000, may contract any rate (§24-1.1)	Forfeiture of all interest; party paying may recover double interest paid (§24-2)	8% (§24-1) or at contract rate (§24-5)	Home loans secured by mortgage or first deed of trust (§24-1.1A); savings and loan associations (§24-1.4); loans to corporations (§24-9); equity lines of credit (§24-1.2A)
NORTH DAKOTA	6% (§47-14-05); if contract in writing, up to 5.5% higher than average interest on treasury bills, but maximum must be at least 7% (§47-14-09)	Forfeit all interest and 25% of principal (§47-14-10); Class B misdemeanor (§47-14-11); if interest paid, twice amount paid may be recovered (§47-14-10)	Contract rate, otherwise prime rate published in Wall Street Journal plus 3% (§28-20-34)	Loans to corporations; agency funded by state/federal government; amount over \$35,000; loans to partnerships/limited partnerships (§47-14-09)
OHIO	8% (§1343.01)	Excess interest applied to principal (§1343.04)	Contract rate (§1343.02), otherwise 10% (§1343.03)	Amount exceeds \$100,000; broker/ dealer registered; secured by mortgage or deed of trust; business loan (§1343.01)
OKLAHOMA	6%, or by contract (Tit. 15§266)	Forfeiture of entire interest; if amount over legal interest is paid, it may be recovered double (Const. Art. XIV §3); if a bank is guilty of loaning at usurious rate, cancellation of bank charter and liquidation of assets of bank (15 §272)	At contract rate or 4 percentage points above average treasury bill rate for preceding year, not to exceed 10% in action against state/ political subdivision (Tit. 12 §727)	Pawnshops (Tit. 59§1510); small loans and retail installment (Uniform Consumer Credit Code) (Tit. 14A §3-201)



ORIGINATING YOUR OWN PAPER

OREGON	Unless otherwise agreed, 9% (§82.010)	Forfeit interest on loan but borrower must repay the principal (§82.010)	9% unless contract, then contract rate (§82.010)	Business or agricultural loan; loan under \$50,000 (§82.010); financial institution or trust company as defined under §706.008, consumer finance license defined under Ch. 725, pawnbroker licensed under Ch. 726, lender approved under the National Housing Act, loans secured with real property, loan secured through U.S. government, securities or commercial paper, broker-dealers registered under the Securities Exchange Act of 1934 (§82.025)
PENNSYLVANIA	6% (Tit. 41 §§201, 202)	Borrower not required to pay amount over legal rate and may recover triple the amount in excess; attorney's fees may be awarded and an intentional violation is 3rd degree misdemeanor (Tit. 41 §§501, et seq.)	Interest at lawful rate (Tit. 42§8101)	Federal Housing Administration, Veteran's Administration or other department/agency of U.S. government (Tit. 41 §§301, 302); business loans in excess of \$10,000; unsecured; noncollateralized loan in excess of \$35,000; obligation to pay a sum of money in an original bona fide principal amount more than \$50,000 (41 §301)
RHODE ISLAND	12% absent agreement otherwise (§6-26-1); otherwise, 21% (§6-26-2)	Contract shall be void; knowing violation is criminal usury with imprisonment up to 5 years (§6-26-3); borrower may recover twice	12% unless otherwise already agreed upon rate (§9-21-10)	Pawnbroker (§19-26-18); persons licensed (§6-26-2); revolving or open-end credit plan; finance charge for retail sales (§6-27-4)

ORIGINATING YOUR OWN PAPER

		amount of usurious interest paid (§6-26-4)		
SOUTH CAROLINA	8 ¾% (§34-31-20)	Usury penalty laws repealed June 25, 1982, but old law may apply to transactions before then (formerly §34-31-50)	Prime rate published in Wall Street Journal plus 4% (§34-31-20)	See South Carolina Consumer Protection Code (§37-1-101 <i>et seq.</i>)
SOUTH DAKOTA	Absent agreement, 12% (§54-3-4); various official state interest rates:	Penalties repealed July 1982	10% (§54-3-5.1)	Real estate mortgages; Uniform Credit Code security agreements; revolving charge accounts (§54-11-5); regulated lenders §(54-3-13)
TENNESSEE	10% (§47-14-103)	Contract unenforceable; if found unconscionable, lender must refund charges, fees, and commission fees and successful plaintiff may recover reasonable attorney's fees (§47-14-117); willful collection is a Class A misdemeanor (§47-14-112)	10% or at contract rate (§47-14-121)	Installment loans (§45-2-1106); loans under \$1000; (§47-14-104); savings and loans (§45-3-705); single payment loans §(47-14-104)



ORIGINATING YOUR OWN PAPER

TEXAS	When not specified, 6% (Finance§302.002)	The greater of 3 times the amount computed subtracting the amount of interest allowed by law from the total amount of interest contracted for, charged, or received; or \$2000 or 20% of the amount of principal, whichever is less (Finance§305.001 to 305.003); creditor who is liable is also liable for reasonable attorney's fees (Finance§305.005); each offense is a misdemeanor with fine of up to \$1000 (Finance §305.008)	If contract rate, then lesser of the contract rate or 18% (Finance§304.002)	Small loans (Finance 342.004); secondary mortgage loans (Finance 342.006)
UTAH	10% absent contract (§15-1-1)	Felony of the 3rd degree (§76-6-520)	Fed. postjudgment interest rate as of Jan. 1 of each year plus 2%; judgment on contract shall conform to contract and shall bear interest agreed to by parties (§15-1-4)	Pawnbroker (§11-6-4)



ORIGINATING YOUR OWN PAPER

VERMONT	12% (Tit. 9§41a)	Lender knowingly charging in excess of legal rate may forfeit all interest, all expenses of collection, and reasonable attorney's fee; first offense: fined not more than \$500 and/or imprisoned for not more than 6 months; subsequent offenses: fined not more than \$1,000 and or imprisoned for not more than 1 year (Tit. 9§50)	12% (Tit. 12§2903)	Retail installment contract (Tit. 9 §§41a, 2405); municipal bonds (Tit. 24 §1761); loan secured for recreational vehicle, aircraft, water craft, and farm equipment (Tit. 9 §41a)
VIRGINIA	6% unless contract specifies (§6.1-330.53)	Borrower may recover twice interest paid, court costs, and unreasonable attorney's fees (§6.1-330.57)	6% or at contract rate, whichever is higher (§6.1-330.54)	Revolving credit accounts (§6.1-330.64); private college/university (§6.1-330.66); state or national banks; savings and loans; credit unions (§6.1-330.48); secured by mortgage or deed of trust (§6.1-330.71); installment credit plan (6.1-330.77)
WASHINGTON	12% absent written contract rate (§19.52.010(1))	Debtor entitled to costs, attorney's fees, and twice amount paid in excess of what lender is entitled to (§19.52.030(1))	Contract rate as long as within statutory limit or maximum rate; child support, 12% (§4.56.110)	Broker dealers (§19.52.110); retail installment contract or transaction (§19.52.100, §19.52.130); sales contract providing for deferred payment (§19.52.120); financing of mobile homes (§19.52.160)



ORIGINATING YOUR OWN PAPER

WEST VIRGINIA	6% absent written agreement otherwise (§47-6-5); 8% maximum contract rate (§47-6-5(b))	Void as to all interest and debtor may recover 4 times all interest agreed to be paid with \$100 minimum (§47-6-6); if supervised lender willfully makes excess charge it is guilty of misdemeanor (§46A-5-103); court may award reasonable attorney's fees (§46A-5-104)	7-11% (§§56-6-31; 46A-3-111)	Life insurer (§33-13-8); consumer credit sales (§46A-3-101); installment sale for business purposes; loans for business purposes (§47-6-11)
WISCONSIN	5% unless otherwise agreed in writing (§138.04)	Lender intentionally violating fined \$25 to \$500 and/or prison up to 6 months (§138.06(2))	12% (§815.05(8))	State-chartered banks, credit unions, savings and loans, etc. (§138.041); residential mortgage loans (§138.052(7)); loans to corporations (§138.05(5)); installment contract on auto (§218.0142)
WYOMING	7% absent agreement otherwise or provision of law (§40-14-106)		10% unless agreement (§1-16-102(a)); late child support or maintenance which becomes a judgment shall not bear interest (§1-2-102(c))	Extensions of credit to government or governmental agencies; credit sales, loans or leases for agricultural purposes (§40-14-121)



LENDING THROUGH A FUND

This document does not constitute an offer or solicitation for the purchase or sale of interests in Secured Investment High Yield Fund, LLC or any other fund. This presentation is for information purposes only, is confidential, and may not be reproduced or redistributed. This document is not to be construed as a substitute for a Private Offering Memorandum and should be considered only in conjunction with a Private Offering Memorandum, the Limited Liability Company Operating Agreement, and the Subscription Documents; all of which should be considered as a whole, and thoroughly reviewed, prior to making an investment decision.

Real Estate Investment Trusts (REITs)

What are REITs?

Real estate investment trusts (“REITs”), are an investment vehicle for real estate that are comparable to a mutual fund. They allow individuals to invest in large-scale, income-producing real estate. The REIT (a company in and of itself) allows small and large investors to acquire ownership in real estate ventures, own and in some cases operate commercial properties such as apartment complexes, hospitals, office buildings, timber land, warehouses, hotels and shopping malls.

Unlike other real estate companies, a REIT does not develop real estate properties to resell them. Instead, a REIT buys and develops properties primarily to operate them as part of its own investment portfolio.

REITs are required by law to maintain dividend payout ratios of at least 90%, making them a favorite for income-seeking investors. REITs can deduct these dividends and avoid most or all tax liabilities, though investors still pay income tax on the payouts they receive. Many REITs have dividend reinvestment plans (DRIPs), allowing returns to compound over time.

Why would somebody invest in REITs?

REITs provide a way for individual investors to earn a share of the income produced through commercial real estate ownership – without actually having to go out and buy commercial real estate.



LENDING THROUGH A FUND

What types of REITs are there?

There are three main types of REITs, equity REITs, mortgage REITs and hybrid REITs. Equity REITs own, operate and trade hard real estate assets; Mortgage REITs trade commercial and residential mortgages; hybrid REITs are a combination of equity and mortgage REITs. The majority of revenue associated with equity REITs come from real estate property rent, while the revenue associated with mortgage REITs is generated from interest through mortgage loans.

Many REITs are registered with the SEC and are publicly traded on a stock exchange. These are known as publicly traded REITs. Others may be registered with the SEC but are not publicly traded. These are known as non-traded REITs (also known as non-exchange traded REITs). This is one of the most important distinctions among the various kinds of REITs. Before investing in a REIT, you should understand whether or not it is publicly traded, and how this could affect the benefits and risks to you.

What are the benefits and risks of REITs?

REITs offer a way to include real estate in one's investment portfolio. Additionally, some REITs may offer higher dividend yields than some other investments.

But there are some risks, especially with non-exchange traded REITs. Because they do not trade on a stock exchange, non-traded REITs involve special risks:

Lack of Liquidity:

Non-traded REITs are illiquid investments. They generally cannot be sold readily on the open market. If you need to sell an asset to raise money quickly, you may not be able to do so with shares of a non-traded REIT.

Share Value Transparency:

While the market price of a publicly traded REIT is readily accessible, it can be difficult to determine the value of a share of a non-traded REIT. Non-traded REITs typically do not provide an estimate of their value per share until 18 months after their



LENDING THROUGH A FUND

offering closes. This may be years after you have made your investment. As a result, for a significant time period you may be unable to assess the value of your non-traded REIT investment and its volatility.

Distributions May Be Paid from Offering Proceeds and Borrowings:

Investors may be attracted to non-traded REITs by their relatively high dividend yields compared to those of publicly traded REITs. Unlike publicly traded REITs, however, non-traded REITs frequently pay distributions in excess of their funds from operations. To do so, they may use offering proceeds and borrowings. This practice, which is typically not used by publicly traded REITs, reduces the value of the shares and the cash available to the company to purchase additional assets.

Conflicts of Interest:

Non-traded REITs typically have an external manager instead of their own employees. This can lead to potential conflicts of interests with shareholders. For example, the REIT may pay the external manager significant fees based on the amount of property acquisitions and assets under management. These fee incentives may not necessarily align with the interests of shareholders.

How to buy and sell REITs

You can invest in a publicly traded REIT, which is listed on a major stock exchange, by purchasing shares through a broker. You can purchase shares of a non-traded REIT through a broker that participates in the non-traded REIT's offering. You can also purchase shares in a REIT mutual fund or REIT exchange-traded fund.

SIC High Yield Funds

With the realization that things differ from fund to fund depending on how they are set up, we will look at SIC High Yield funds and make generalizations from there. Make sure you do your due diligence prior to investing in any investment fund. Ask to see the Private Placement Memorandum (PPM.)



LENDING THROUGH A FUND

The SIC High Yield Funds give accredited investors the advantage of instant diversification and the security of loans collateralized against real property. SIHYF II specializes in investing in short-term secured loans, which provides a consistent and healthy return to its members.

Overview

Secured Investment High Yield Fund, LLC (the "Fund") is a **\$10M, 60-month debt-fund** that capitalizes on the economic disequilibrium created by the demand for **single-family real estate** and dearth of financing available for investment properties. The Fund's strategy is to create attractive risk-adjusted returns by funding a diverse **pool of short-term, high-yield, real estate loans** newly originated by Secured Investment Corp (the "Manager"), a national private money mortgage broker.

Moreover, **the Fund simultaneously addresses three of the largest pains currently observed in the market:**

Market Pain	The Fund's Strategy
<p>Fixed Income</p> <p>Investors are realizing reduced yields across the board, exposing them to inflation and interest rate risks</p>	<ul style="list-style-type: none"> Invests primarily in senior secured notes with interest rates surrounding 15% Produces returns that create minimal volatility and low correlation with equities Protects capital by maintaining a conservative underwriting process
<p>Investment in Single Family Homes</p> <p>Institutional funds have found difficulty deploying capital into the highly desirable real estate market</p>	<ul style="list-style-type: none"> Leverages the Manager's existing deal-flow and operations, allowing the Fund to deploy over \$5M per month, immediately putting capital to work Extends the Manager's partnerships and relationships with proven, <i>on-the-ground</i> operators
<p>Access to Capital</p> <p>Financing options for regional real estate investors and developers are virtually nonexistent</p>	<ul style="list-style-type: none"> Utilizes the Manager's operational capacity to efficiently process loans from a complete application to funding in approximately one week Provides the borrower sufficient flexibility without compromising investment integrity

The Fund is structured similar to a commercial real estate syndicate in that it provides a preferred rate of return and maintains a low percent-of-assets-under-management fee. The fund will distribute interest income on a quarterly basis.

Here are a few reasons to invest in High Yield Funds:

Secured Investments:

The Fund II consists of multiple private loans with low Loan to Values (LTV) that are secured by first and second lien positions and collateralized by real property.



LENDING THROUGH A FUND

Diversification:

The risk is diversified in many ways including geography, loan size and property types. This diversification helps reduce the risk while enhancing the consistent return to the Fund's members.

Strong Returns:

The Secured Investment High Yield Fund I, also managed by Secured Investment Corp, has historically made its members a rate well above the preferred rate of 9%. The annualized return for Q2 2014 was 17.8%. Returns are paid to investors on a quarterly basis.

An Experienced Fund Management Team:

The Lee Arnold System of Real Estate Investing has been perfected over decades. We are the only company that combines education with funding so that clients can actually finance their purchases of real estate and put into practice all that they have learned and envisioned.



We have over 95 years of experience in real estate and corporate fund raising and management. This is a team of seasoned real estate experts, lending executives, CPAs, accountants, loan processors, escrow officers, attorneys, and bankers providing solutions and guidance for processing, underwriting and funding loans.

Our clients' needs are met with passion to help individuals successfully navigate the Circle of Wealth. Because of this, we have implemented strict funding guidelines and strong internal controls to minimize risk and maximize returns for Fund members.

The Fund II was created with a philosophy and belief that what we are doing will make a significant improvement in the lives of real estate investors – both lenders and borrowers. In short, we believe that we are restoring the middle class, aiding the economy, and helping real estate investors everywhere.

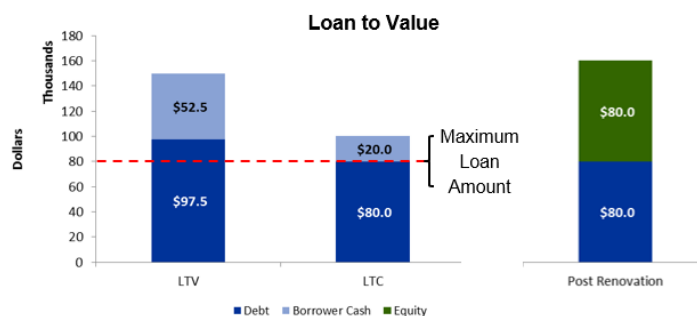
LENDING THROUGH A FUND

Conservative Underwriting Process

Because many of the properties are purchased at a significant discount and require rehabilitation, the Manager mitigates risk by underwriting investments not to exceed 65% of loan to as-is value as determined by a third-party, national appraiser.

Example Property

- Single-family, non-owner-occupied investment property
- Appraised at an "as is" value of \$150,000
- Purchased at \$100,000
- Post Renovation value of \$160,000



At present, the Manager does not broker or fund deals for the following types of properties: owner occupied, earth and dome homes, timeshares, houseboats, log homes, and properties located on Indian reservations that lack adequate tribal foreclosure procedures.

The Manager's conservative underwriting process sufficiently protects investor capital upfront and leaves a large equity cushion post renovation.

Service:

A significant amount of resources has been dedicated to streamline loan origination, processing, underwriting, funding and to increase efficiency, note quality and to maintain open and complete communication with our borrowers and lenders. This all leads to excellent customer service and focus.

Investment Objectives

The Secured Investment High Yield Fund strategy is to create attractive risk-adjusted returns by funding a diverse pool of short-term, high-yield, real estate loans. The Fund offers the benefits of trust deed investing without the barriers to entry inherent with trust deed investing, including real estate experience and time commitment. The

LENDING THROUGH A FUND

Fund intends to invest in first trust deeds secured by non-owner occupied residential properties with one to four (1-4) units ("Target Assets").

Strategy



The SIHYF's business is that of a mortgage lender to fund Target Assets, resell the notes, and then re-deploy the capital into additional Target Assets as often as possible during its 5-year period, unless extended. Target Assets include Senior and Junior Debt instruments. Senior Debt instruments are loans made by the Fund to real estate investors by way of a promissory note secured by a first position deed of trust or mortgage on non-owner occupied real property assets. Junior Debt instruments are loans secured

by either a second or junior position deed of trust or mortgage.

Each Target Asset is underwritten by the Manager's underwriting department in compliance with the Underwriting Guidelines established.

The Funds are audited annually. SIC currently has 3 years of recorded documentation showing favorable audits. These audits are available to current investors in the fund as well as potential future investors.

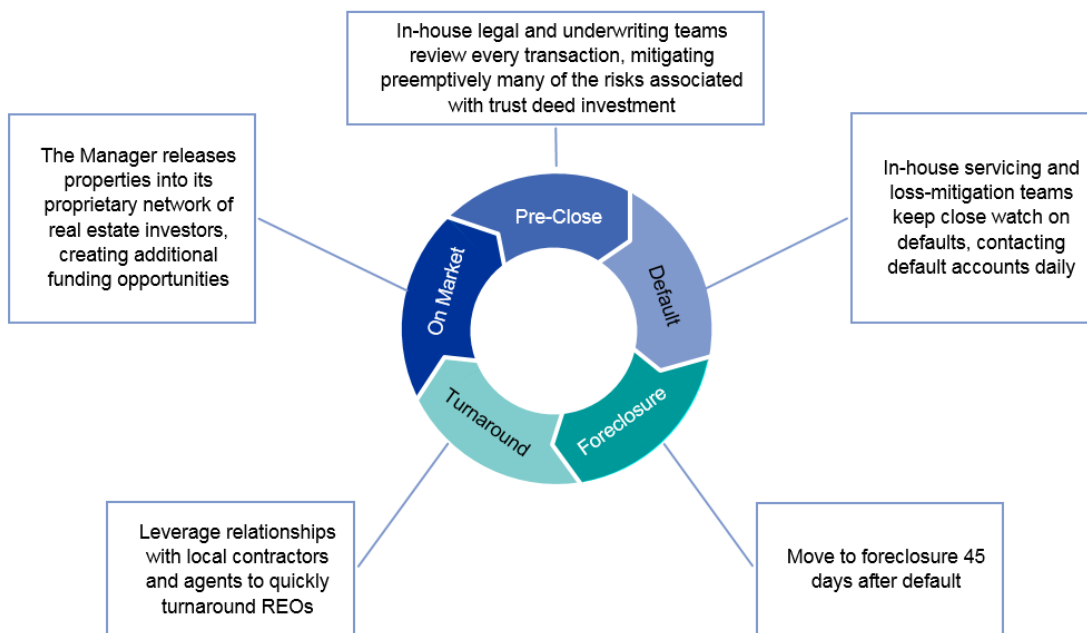
The fund Manager also works with certain affiliates to provide service, including:

- Lee Arnold System of Real Estate Investing for educating real estate investors
- Cogo Capital for origination of Target Assets
- Lake City Servicing for monthly processing

LENDING THROUGH A FUND

Asset Management

The Manager has set into place the necessary people, processes, and technology to efficiently handle the inevitable problems inherent within the asset class. The Manager believes that its **capacity to turnover troubled assets quickly** is another major component of its competitive advantage.



Industry

The SIHYF has a potential high yield due to the nature of the industry in which it is making promissory notes. Notes are only made on a short-term basis to purchasers or owners of non-owner residential occupied real estate that they intend to buy/refinance, fix up, and sell for a substantial gain. Therefore the high interest rate is less important to the borrower for the short duration of the loan than missing an opportunity to buy and execute their rehabilitation vision.

Current Rates & Terms:

Borrower pays all loan fees up front - including underwriting fees, points up to 6%, interest up to 18% and loan servicing fees. Term up to 24 months. Monthly interest only payments are made for the term of the loan, principal due at maturity.



LENDING THROUGH A FUND

How Does The Fund Earn Income?

The fund earns income in several different ways:

1. Gross Origination Fees

The Fund receives 20% of the origination points on any loan it funds.

2. Promissory Note Interest

The Fund earns the interest rate on the promissory note until it is sold. This has historically been around 15%.

3. Interest Spread

After sale of the note, the Fund receives an annualized interest spread of 1-5% of the face value of the note. This has historically been about 3%.

Note: To earn these full amounts the entire Fund needs to be invested in Target Assets 365 days a year. Due loans paying off and lag time before new loans are funded there does exist short periods of time when some funds are waiting to be deployed

4. Fund Investment

Fund II also has the ability, through the fund manager, to use up to 25% of its assets to purchase investment property directly. These funds are used to purchase property at auction and wholesale or flip for profit.

Case Study

In 2015, a married couple filing a joint tax return expects to have an Average Gross Income (AGI) of \$150,000 and a net worth (excluding their home) of \$1.0 million, which their CPA verified. They reviewed the PPM and filled out the subscription documents.



LENDING THROUGH A FUND

They wired \$100,000 into the SIHYF as of December 15, 2015. It is considered borrowed by the Fund until the end of December and a 9% interest rate is accrued for their benefit. On January 1st the purchase of their membership is recorded. During the first quarter of the year the Fund earns, on an annualized basis, 34% after expenses and management fee on an accrual basis, and after the preferred return of 9% to Fund investors and the investors' share of the 50/50 split, the investor earns 21%.

On a cash basis the investors receive a distribution of 10% roughly 15 days after the end of the quarter. The reason for the difference between the accrued amount earned and the amount paid to the investors is that when a note is resold all of the residual earnings in the future must be accrued and recognized in the month the Target Asset is resold, even though the actual payments come uniformly per month until the note matures. The investor will get the full participant earnings if they stay in the Fund because the residual amounts become cash over time.

In the 2nd, 3rd and 4th quarters assume the Fund made 25% in total each quarter on an accrual basis and after the preferred returns and the 50/50 split the investors earned 17% on an annualized basis. Because more of the residual amount accrued in the first quarter turned into cash payments, the cash distribution each quarter was 15%. Each quarter can be higher or lower than a prior quarter, and past results do not guarantee future results.

This case study gives illustration of how Fund I works based upon the limited actual quarterly results previously achieved. Results will vary primarily based upon the amount of Fund dollars invested in Target Assets and the number of times the Fund turns per year.

DISCLOSURE: THIS CASE STUDY IS FOR ILLUSTRATIVE PURPOSES ONLY. The figures used in this case study are based upon previously achieved, actual results. This case study does not create a guarantee that the results described can or will be achieved. Results from quarter-to-quarter and year-to-year can and may vary based upon numerous factors, including, but not limited to, SIHYF's default rate, general market conditions, ability to sell loans on the secondary market, and other risk factors described in the PPM.

BUYING 3RD PARTY NOTES

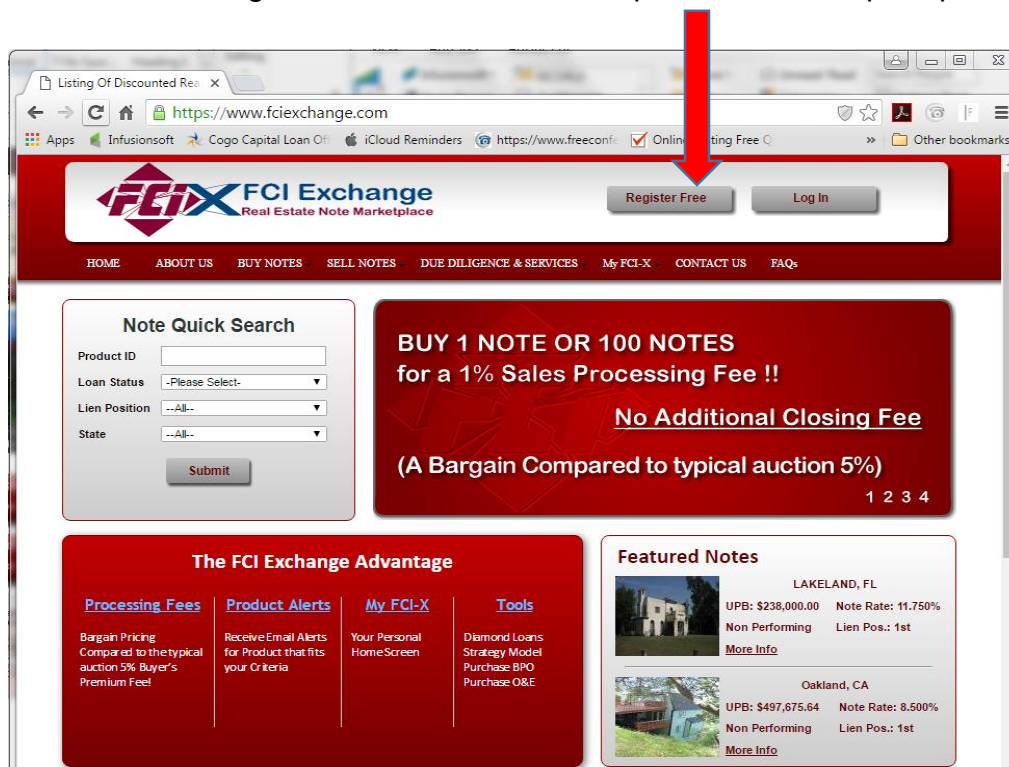
FCI Exchange

FCI EXCHANGE is a loan trading platform where Buyers and Sellers can trade privately with the oversight of FCI closely monitoring all aspects of the transaction. They help Sellers put together compliant full disclosure packages for sale that encourage and give confidence to Buyers. They provide Buyers data, for a fee, including live servicing data, to use for their investment decisions. FCI EXCHANGE commits to be there after the sale to assist with any issues.

FCI Exchange is **not** an auction site demanding immediate participation, forcing rushed decisions and possible missteps.

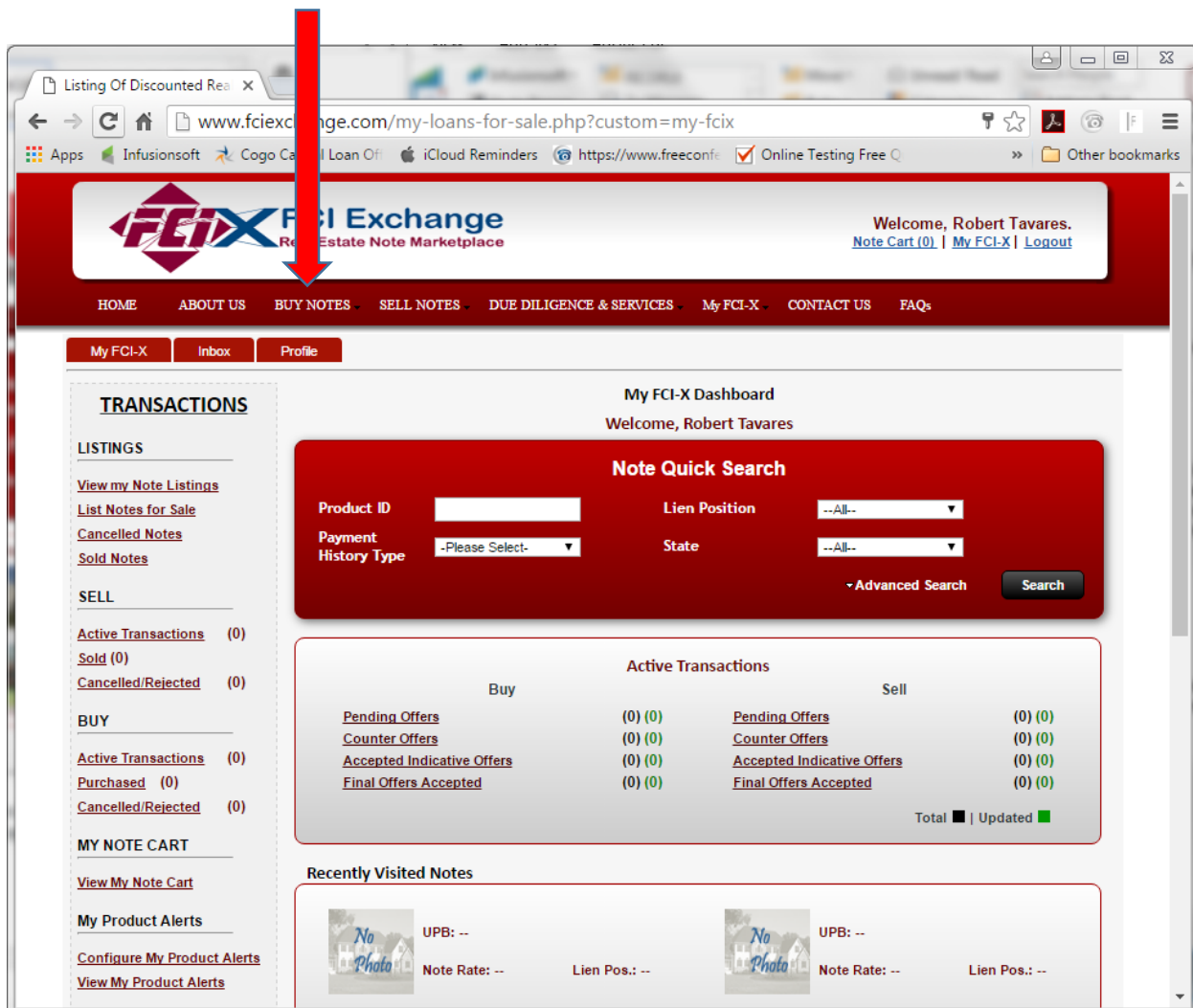
Accessing the FCI Website

Much of the process of buying notes through FCI Exchange can be accomplished online. Go to FCIExchange.com. From here you will set up your free account so go ahead and click the “Register Free” button at the top and follow the prompts.



BUYING 3RD PARTY NOTES

Now that you are registered you should see the following screen. Click on the link that says, "Buy Notes." A drop down menu should appear that will give you several options including, exploring the FCI process of note buying, viewing all the note FCI has for sale, or viewing a variety of subsets of the for sale list.





BUYING 3RD PARTY NOTES

Buy Performing Loans, Delinquent Loans or Newly Originated Loans

FCI Exchange offers Performing Loans, Non Performing Loans, or Newly Originated Loans for sale. FCI can be your designated servicer for these purchases if the loans are already serviced by us. The servicing will simply continue after the purchase with no disruption to the borrower.

Loan Status

Newly Originated Loan:

A Loan of any type that has just been made and just closed. The originating Broker/Company may have funded the Investor in at the closing, or the Broker/Company may have funded the loan themselves and will assign (or sell) the note to an Investor later. The originating Broker/Company may have a Note Rate and a Sold Rate. For example the note was originated at a Note Rate of 12% and is being sold to the Investor at a Sold Rate of 11% with the Broker/Company keeping 1% as additional monthly compensation (also known as a “Spread”). The Broker/Company will typically continue to monitor the loan through the servicer, and provide guidance to the investor.

Performing Loan:

Any loan that is current, one or two months delinquent, according to its original or modified terms.

Non Performing Loan:

Any loan that is three months or more delinquent. The known situation for each loan should be disclosed.

Loan Pools:

A group of loans that may be Performing, Non Performing or mixed. The situation for each loan in the pool should be disclosed.



BUYING 3RD PARTY NOTES

If you buy Non Performing Loans, FCI has a Loan Servicing department designed to effectively turn delinquent loans and loan pools into cash. FCI is one of the oldest Specialty Servicers in the country. We also offer pre purchase evaluation to assist in analyzing the purchase and determining value.

Scotsman Guide

You may know Scotsman Guide as the go-to site for finding lenders of all shapes and sizes. What many do not know is that Scotsman Guide also has a platform for purchasing notes. On Scotsman Guide Loan Post, brokers find the right lender for the client and lenders find leads. There are two Loan Post bulletin boards — residential and commercial. Mortgage brokers post residential or commercial loan scenarios for free. Lenders who advertise in Scotsman Guide are able to post replies.

Residential Loan Post

Look here for Prime, FHA/VA/Govt, Alt-A, Subprime, Hard Money, Construction and Other/Niche residential loan scenarios. Residential Loan Post includes vacation homes, non-owner-occupied residential properties and any residential properties with 1 to 4 units.

Commercial Loan Post

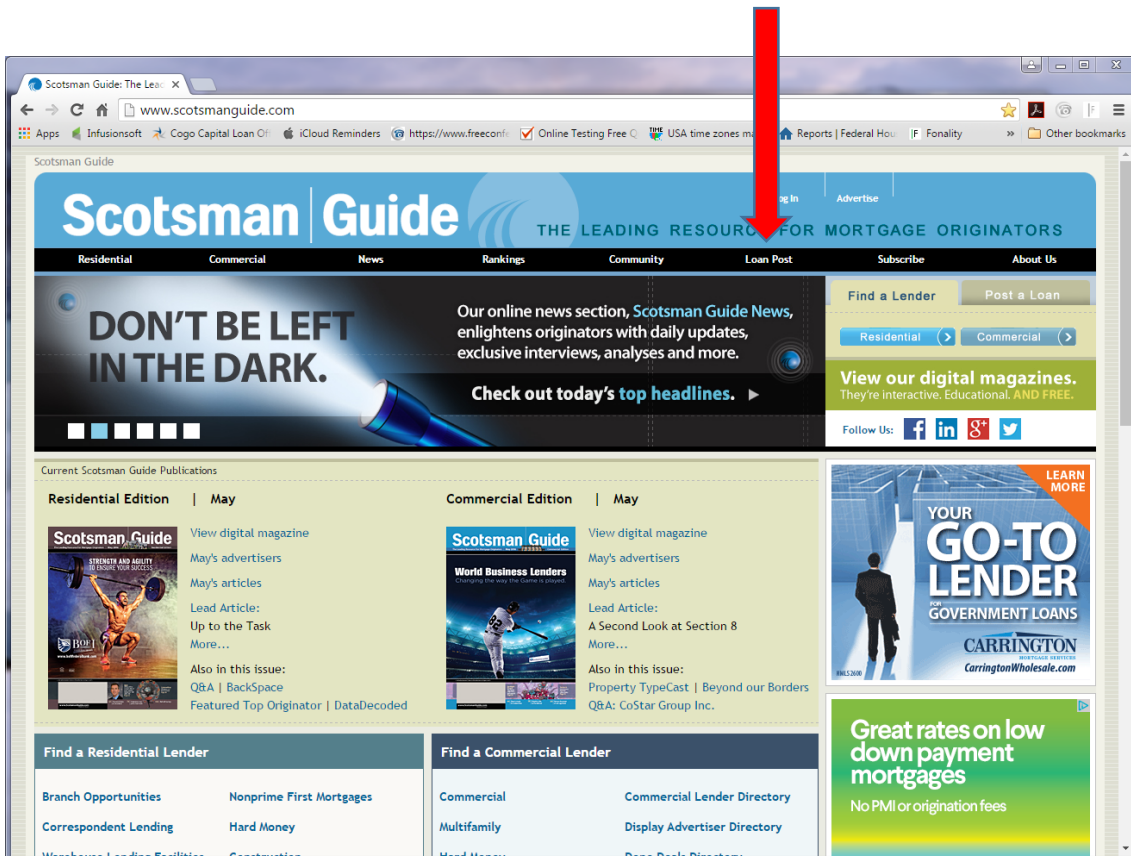
Look here for Commercial, Multifamily, Hard Money, Construction and Other/Niche commercial loan scenarios. Commercial Loan Post includes any properties that are income-producing and residential properties with 5+ units.

Exploring the Scotsman Guide Website

More about the options available can be found at the Scotsman Guide website, scotsmanguide.com. Once you are on the home page, click the tab that says, “Loan

BUYING 3RD PARTY NOTES

Posts.” You should see a drop down menu that gives you several options, View Residential, Post Residential, View Commercial, Post commercial, and Broker FAQ. From here you explore what Scotsman Guide has to offer.



PeerStreet

What is PeerStreet?

PeerStreet is a marketplace where accredited investors can invest in high-quality private real estate loans. They provide access for accredited investors, funds and institutions to a historically difficult-to-access asset class.



BUYING 3RD PARTY NOTES

PeerStreet is not a direct lender. They work with existing lenders and offer a secondary market for existing loans that the lenders have originated. Even though PeerStreet does not lend in and of itself they may be able to refer borrowers interested in financing options to a lender in their network of lenders.

What's the general profile of a PeerStreet loan?

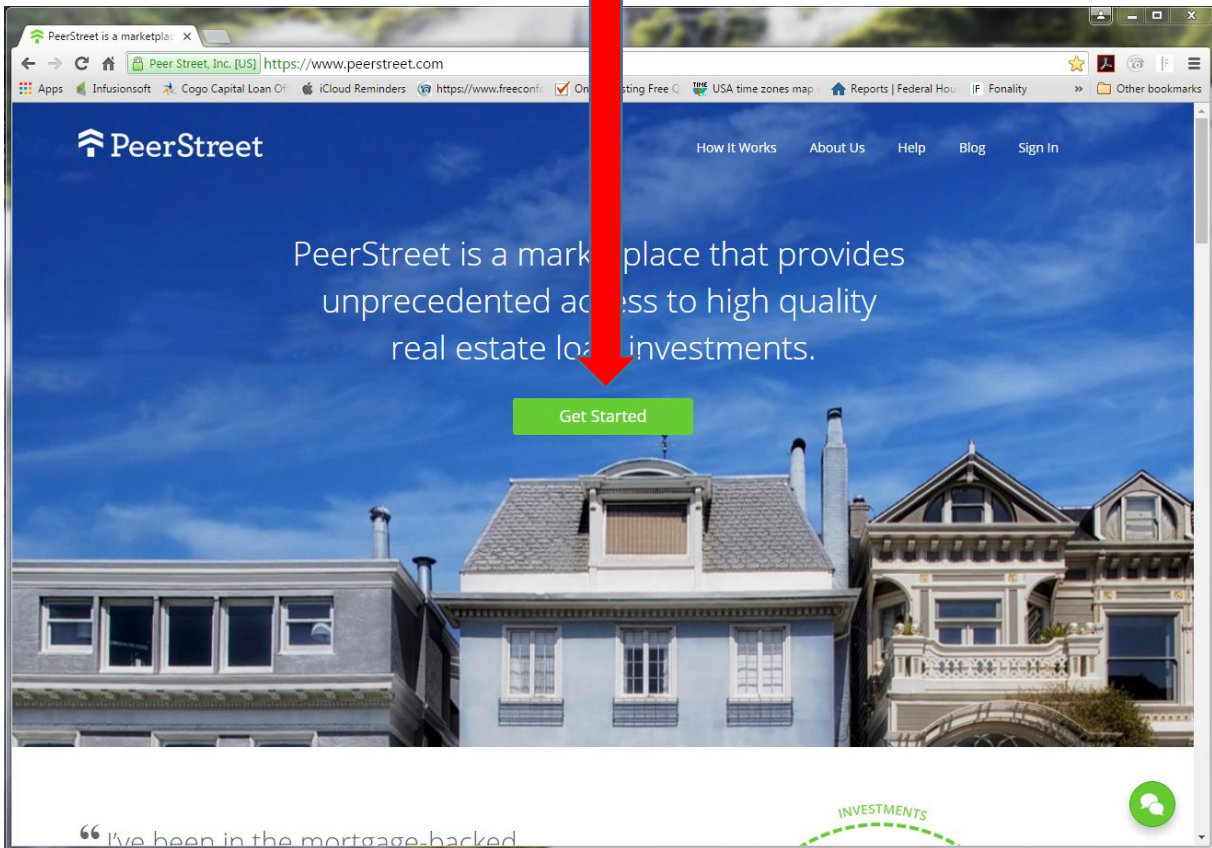
PeerStreet loans are generally secured by first liens on real estate. PeerStreet partners with top-tier originators across the country and carefully vets their loans before making an offering to their investors. Most loans are short in duration (6-24 months) with LTVs typically below 75%. PeerStreet's range of offerings provides investors the opportunity to build a diverse portfolio of loans across property type, geography, maturity, LTV, originator, among other characteristics.

Exploring the PeerStreet Website

Obviously the place to start is at the PeerStreet homepage, peerstreet.com. You should find the PeerStreet website very simple to use. The pages and the graphics should walk you through everything you need to know and do to set up an account and begin lending through their platform.

You will need to begin by setting up an account. From the homepage click the, "Get Started" button. The site will walk you through everything you need to do from here.

BUYING 3RD PARTY NOTES





BUYING 3RD PARTY NOTES



BUYING 3RD PARTY NOTES

SIC & COGO Capital 1st Lien Private Money Notes



Secured Investment Corp (SIC) and its wholly owned subsidiary Cogo Capital, a brick and mortar loan origination center, originate private money loans secured by non-owner occupied residential and commercial properties. All SIC loans are evaluated with asset-based

standards as opposed to conventional standards utilized by banks and other institutions. As a private money lender working with SIC, we provide you the opportunity to review how we evaluated the property according to our underwriting criteria so you can compare it to your own thorough due diligence efforts. This allows you to make a fully informed lending decision prior to funding a particular loan.



Information/Disclosures For Secured Whole Note Lending Introduction

The purpose of this document is to provide basic information which you should know before you fund private money loans secured by a first position lien on real estate (hereinafter referred to as a "Loan"). The funding of a Loan is a decision which involves some risk. Only those persons who can afford such risk should fund Loans.

Secured Investment Corp doing business as Private Money Exchange (may be referred to herein as "we," "us" or "our") will supply you with all necessary information it received and reviewed during our underwriting process. This information with respect to the Loan will give you the best opportunity to make a sound decision on the funding of a Loan. Secured Investment Corp and its affiliates and employees are not registered investment advisors, and as such, do not hold themselves out to be. We do not render financial or investment advice. If you are seeking financial or investment advice, please consult a competent financial or investment advisor. You should not make any decision about funding Loans without first conducting your own independent due diligence on the specific Loan you are interested in funding.

Neither we nor our agents, employees, representatives, officers, directors, shareholders or affiliates can guarantee that you will not lose money on a Loan. Therefore, it is

BUYING 3RD PARTY NOTES

essential that you have adequate financial reserves to cover advances for legal fees, foreclosure fees, fix up, and maintenance costs should a property revert back to you at a trustee's sale or via a judicial foreclosure after a borrower defaults.

Funding a Loan is an uncertain endeavor. The future is unpredictable even to those who profess to have exceptional forecasting abilities. Therefore, property values cannot be assured to stay the same or appreciate. During periodic down cycles in real estate, prices can and do fall, sometimes significantly. Nobody can guarantee you such price declines will not occur nor can they guarantee the length of the down cycle. Historical data would suggest that these cycles occur on a somewhat natural timetable and it is only a matter of time before they return to or exceed previous price levels.

Any claims, representations or statements of fact made by agents, employees, representatives, officers, directors, shareholders or affiliates of us should be verified independently by you before funding Loans.

Prior to funding Loans, you should be able to answer the following questions:

1. What is a "promissory note?"

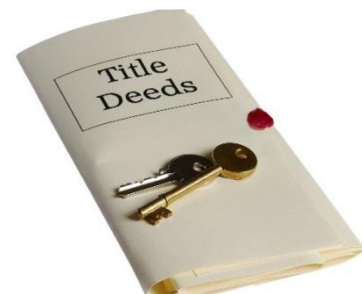


A promissory note is a written promise to pay or repay a certain amount of money at a certain time, or in a certain number of installments, or on demand to a named person. It usually provides for payment of interest, and its payment can be secured by a mortgage, deed of trust or security deed (hereinafter, the "Security Instrument").

The person receiving the Loan proceeds (the borrower) becomes obligated to repay the debt by signing a promissory note which specifies: (1) the amount of the loan (principal); (2) the interest rate (interest); (3) the amount and frequency of payments (debt service); (4) when the borrower must repay the principal (due date); and (5) the penalties imposed if the borrower fails to timely pay or tender a payment (late charge) or decides to pay a portion or all of the principal prior to the due date (prepayment penalty). The promissory note identifies the borrower and the person who will receive the payments (lender or note holder).

2. What secures your promissory note?

Your funding of a Loan is secured by a Security Instrument recorded against the title of the borrower's property. Unlike deposits in a bank or savings and loan, which are generally insured by a





BUYING 3RD PARTY NOTES

federal agency (such as FDIC) and may usually be withdrawn with limited notice, the promissory note: (1) involves some risk to principal; (2) establishes a specific and predetermined period of time for the repayment of your Loan amount; and (3) does not benefit from insurance issued by a federal agency. We require all loans to be made to business entities and all loans are for business or commercial purposes and not for consumer, family or household use. We obtain a personal payment guaranty from the principal owner of the borrower entity; however, to enforce the personal payment guaranty additional legal action may be required.

Depending upon the method of foreclosure (based upon the specific state laws where the subject property is located), the nature of the Loan, the circumstances of origination, and the value of the property, you may or may not be able to recover your entire principal Loan amount. For example, if a third party bids at a non-judicial foreclosure sale an amount equal to or greater than the amount you are owed (including fees, costs, and expenses of the foreclosure), your principal Loan amount would be fully paid.

On the other hand, if you bid the full amount that is owed to you, including all foreclosure fees, costs, and expenses (full credit bid) and there are no third-party bids, you will generally be limited to the property and its value as the source of repayment of your principal Loan amount. If the

Loan is a non-purchase money mortgage and the property's value is insufficient to recover all you are owed, a judicial foreclosure coupled with an action for a deficiency judgment may be the only way to recover your principal Loan amount; i.e., collect any difference between the amount received at the foreclosure sale and the amount of money the borrower owes you. In most cases a deficiency judgment can only be obtained by pursuing judicial foreclosure rather than non-judicial foreclosure. Judicial foreclosure is a more lengthy and more costly foreclosure process than non-judicial foreclosure.

Types Of Vesting

You have multiple methods of listing yourself as the lender on your Loan. For example, you can hold title as an individual, by a self-directed IRA or in an entity. Below are examples of how to take title under different vestings:

BUYING 3RD PARTY NOTES



1. *Husband and Wife.* A husband and wife may hold property as joint tenants or tenants in common, as community property, or as community property with a right of survivorship. If the property is designated community property, each spouse owns one-half of the Loan, regardless of the source of the funds.

Community property with right of survivorship results in one spouse's interest being passed directly to the other in the event of death. Without the right of survivorship, the decedent's property will pass to his/her heirs or estate. If spouses use joint tenants with right of survivorship or tenants in common, then the rules set forth below apply. In the case of a married couple, there is no practical difference between community property with right of survivorship and joint tenants.

2. *Married, sole and separate property.* Identifies that the property belongs to one spouse only. This typically involves the use of funds from one spouse's separate property, but could also constitute a change in the nature of the property from community property to sole and separate.

3. *Unmarried/Single/Widow.* Used to confirm that there is no community property interest on behalf of an undisclosed spouse.

4. *Trust.* This is typically either a family trust, testamentary trust or an irrevocable trust. The Loan is owned by the trust and controlled by the trustee who must be authorized by the trust document to enter into and manage the transaction.



5. *Joint Tenants with right of survivorship.* All interests are undivided and equal, meaning that if there are x number of owners, each owner owns a 1/x interest in the property. Joint tenants have the right of survivorship. When one owner dies, his/her interest goes to the other joint tenants, not his/her heirs, who then own a 1/(x-1) interest.

6. *Tenants in Common.* Unequal, divided interests with no right of survivorship. Any tenant can own any percent as long as total of all tenants is equal to 100%. Each tenant's interest can pass on to his or her heirs.

BUYING 3RD PARTY NOTES



7. *General Partnership.* A partnership in which all partners can bind the partnership and all partners are liable for partnership debts if the partnership itself fails to pay.

8. *Limited Partnership.* One general partner and many limited partners. Only the general partner can bind the partnership and is liable for partnership debts if the partnership itself fails to pay.

9. *IRA.* An IRA that allows a person to save and invest money for use in retirement while deferring taxes on the account's earnings. Vesting must always be in the name of the custodian or trustee.



10. *Limited Liability Company.* A limited liability company is composed of members, and is either managed by one or more of the members or a separate manager (who is not a member) with authority to contractually bind the limited liability company.

11. *Corporate Pension Plans.* Invest the retirement funds of their participants and take title in the name of the pension plan.

12. *Corporation.* Funding of a Loan by a corporation requires a copy of the Articles of Incorporation, bylaws, and a corporate resolution authorizing the transaction.

Elements To Consider When Evaluating Funding Loans

1. *Market Value / Appraisal.* The sale price or the value to a specific owner does not necessarily represent the market value of the property. A market value opinion requires consideration of comparable sales and other market data by a competent professional.



The market value conclusion should be presented in the form of an appraisal. Valuation approaches include (i) replacement cost approach; (ii) market or sales approach; or (iii) income approach. The borrower customarily pays for the cost of the appraisal. We require an appraisal of all secured property prior to underwriting the loan package.

BUYING 3RD PARTY NOTES

2. *Loan to Value*. The loan against the property divided by the market value of the property determines the loan-to-value ratio and is expressed as a percentage. For example, if a borrower has requested a loan in the amount of \$55,000.00 and the



property is valued at \$100,000.00, the loan-to-value ratio is 55% (\$55,000.00 divided by \$100,000.00 = 55%).

The lower the loan-to-value ratio and the greater the borrower's equity, the more incentive for the borrower to protect the equity in the property (i.e.,

sell or refinance the property if unable to make payments under your promissory note) or for a third-party bidder to purchase the property at a foreclosure sale. We do not generally broker loans with a loan to value exceeding 65% of the current appraised value.

3. *Lien Priority*. Lien priority is determined by the date and time of recording at the county recording office in the specific county where the property is located. All loans we originate are in first position. There is greater security because first position security instruments are not subject to any senior liens.

4. *Preliminary Title Report*. The preliminary title report is prepared by a title company and is an offer to insure and does not provide conclusive information about the status of title. Title insurance companies offer different types of coverage. You should not consider a preliminary title report as providing you with reasonably current information unless it is dated within 90 days of your examination of the report. The current preliminary title report should provide the following information regarding the property: (i) the name(s) of the owner(s); (ii) legal description, street address (if available), and the assessor's parcel number; (iii) assessor's plat map, which illustrates the configuration, dimensions, and general location of the property; (iv) assessed valuation; (v) existence and priority of liens and encumbrances; (vi) the name of the owner(s) of existing lien(s); (vii) requests for notices concerning status of the liens, notices of default ("NOD"), and notices of trustee's sale ("NOS"); (viii) notice of a lawsuit or bankruptcy affecting the property; and (ix) potential off-record interest of a spouse or other party.



BUYING 3RD PARTY NOTES

In reviewing the current preliminary title report for the above information, be alert to various problems which might affect the market value and equity of the property and the security for your Loan. For example, (i) the borrower is not the owner, or the borrower is only one of the owners of record, or a person other than the borrower has an unrecorded interest in (or claim against) the property and does not execute the Loan documents; (ii) the ownership (estate) is other than fee title (e.g., a leasehold estate), or there is an exception noted regarding the deed transferring title to the property to the present purported owner of record; (iii) the property does not have direct access to a public road, has only easement access, or is unusually configured; (iv) there is a substantial difference between assessed and appraised value, or the assessed valuation does not include improvements while the appraisal report includes both land and improvements; (v) there are: (a) taxes, assessments, or association dues unpaid or delinquent; or (b) deeds of trust, judgment liens, claims, or bonds which may or may not be discharged from the proceeds of the loan; (vi) there is an NOD or NOS which will remain because the lien is not being removed by the proceeds of the Loan.

NOTE: A default may indicate that the borrower's capacity and desire to repay the Loan is in question and/or that the security for your Loan may be impaired unless the notice of default or notice of sale of the senior lien which is to remain is rescinded; (vii) there are encumbrances remaining that have not been explained or considered; or (viii) there are unresolved lawsuits and active bankruptcies.



5. *Credit Considerations.* The borrower's ability to repay the loan involves the "capacity" and "desire" to make the loan payments. The borrower's capacity is measured by: income; job position and stability; and overall financial standing, including assets, liabilities, and net worth, and any profit or losses incurred as the result of any business or investment activity. We may or may not obtain a credit report for any

borrower, principals of any borrowing entity or any guarantor.

Loan Servicing

Servicing of a Loan, subject to your approval, will occur through Lake City Servicing or FCI Lender Services pursuant to a separate loan servicing agreement. Loan servicing activities will



BUYING 3RD PARTY NOTES

include, amongst other things, the following: (i) collecting monthly payments; (ii) collecting late fees; (iii) communicating with borrower and lender at various stages of the loan; (iv) coordinating loan payoff procedures and reconveyances; and (v) sending payment notices and past due payment notices.

Risk Factors

Funding Loans involves certain risks. The following is a summary of the more significant risk factors generally applicable to funding Loans.

1. *Not Insured.* Security Instruments and the corresponding promissory notes are not insured by the FDIC or any other governmental agency.

2. *Lack of Liquidity.* Although your note may be prepaid, it is not redeemable from the borrower prior to its maturity date. The liquidity of your note may be affected by present uncertainties and future unfavorable determinations concerning investments. You must be prepared to bear the risk of holding your note to maturity. If you need to liquidate your note you may have to discount the note if for some reason you need to liquidate it quickly. Further, your note will not be registered under the Securities Act of 1933 or the securities laws of any state or other jurisdiction.



3. *Suitability of Notes.* Funding of a Loan does involve risks and uncertainties and should be considered only by purchasers who, either alone or with their financial, tax and legal advisors, (i) have the expertise to analyze the information in the promissory note, Security Instrument, title insurance policy, and accompanying materials, (ii) have the expertise to analyze the prepayment, reinvestment, default and market risks, tax consequences and other attributes of funding a note and the interaction of these factors, and (iii) who are familiar with asset-based Loans.

4. *Enforcement Risks of your Note.* The enforcement of promissory notes, secured by a Security Instrument, is generally subject to equitable principles under foreclosure or other proceedings. These equitable principles are generally designed to relieve the mortgage borrower from some or all of the legal effect of default under the loan documents.

BUYING 3RD PARTY NOTES



5. *Balloon Loans.* Your note may be a Loan that has a required balloon payment. Balloon loans pose a special payment risk because the borrower must pay a large lump sum payment of principal at the end of the loan term or at such earlier time as the balloon payment is due. If the borrower is unable to pay the lump sum or refinance the amount and the collateral for your note is insufficient you may suffer a loss.

6. *Location of the Real Property.* Your note will be secured by real property. The following conditions could have a negative impact on the real property and your note in general: (i) weak economic conditions in the state where the property is located, which may or may not affect real property values, may affect the ability of borrowers to repay their promissory notes on time; (ii) declines in the real estate market in the state the property is located or nationally may reduce the values of properties, which would result in an increase in the loan-to-value ratios of the related promissory notes; (iii) mortgaged properties in certain regions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as floods, wildfires and other natural disasters; and (iv) natural disasters affect regions of the United States from time to time and, if one should occur in the state where the property is located, the value of the real property securing the note may be affected.

7. *Environmental Considerations.* As a lender there are risks associated with foreclosing on a Security Instrument, and the value of a subject property can be reduced in whole or in part by releases or threatened releases of hazardous substances. In addition, the borrower may be liable, as an "owner" or "operator," for costs of addressing releases or threatened releases of hazardous substances at a mortgaged property which with respect to your note may affect the borrower's ability to make scheduled payments under your note or the borrower's ability to refinance your note.



8. *General Industry Risk and Economic Uncertainties.* Real estate is characterized by periods of economic uncertainty. The global and U.S. economies experienced a rapid decline in 2008. The real estate and other markets suffered unprecedented disruptions, causing many major institutions to fail or require government intervention to avoid failure, which has placed severe pressure on liquidity and asset values. These

BUYING 3RD PARTY NOTES

conditions were brought about largely by the erosion of U.S. and global credit markets, including a significant and rapid deterioration of the mortgage lending and related real estate markets. The current issues regarding the lending markets and the real estate markets throughout the United States, including the increase in foreclosures may cause a further economic downturn in the U.S. This downturn may affect the real property that is securing your note and ultimately affect its value and the value of your Loan.



9. *Appraisals for Real Property.* An appraisal will be obtained on the subject property that your note is secured against. However, an appraisal is only one person's opinion of value and there is no certainty that the real property is, or will be, worth the appraiser's opinion of value. Consequently, we cannot assure that the Loan to value ratio will be as stated at the time of your purchase of a note or that the ratio will not change over time as a result of an adverse impact on the value of the real property from other factors such as changes in the supply and demand for real property, the availability of financing for real estate projects, the prevailing interest rate levels, and other factors.

10. *Liquidation Proceeds.* You could encounter substantial delays in connection with the liquidation of your note if delinquent. Reimbursement of any advances made by the servicer and liquidation expenses such as legal fees, real estate taxes, and maintenance and preservation expenses may reduce the portion of liquidation proceeds payable to you. Further, you could incur a loss if a mortgaged property fails to produce adequate liquidation proceeds.

11. *Seniority of your note.* Your Security Instrument is not senior to a lien for real estate taxes and assessments or other charges imposed under any governmental powers or authority and may also be subject to other liens in jurisdictions in which the real property is located.



12. *Federal, State and Local Laws.* Applicable state laws generally regulate interest rates and other charges, and may require the licensing of mortgage brokers and mortgage bankers. These laws typical, but not

BUYING 3RD PARTY NOTES

always, apply to owner occupied residential properties. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices could apply to the origination, servicing and collection of your note. Violations of certain provisions of federal law may limit the ability to collect all or part of the principal or interest on your note. However, we would like to add that these laws were created to protect consumers from losing their equity in their homes and do not apply to the lending on investment properties.

13. *Ability of Borrower to Make Payments.* A material factor relevant to funding Loans is the ability of the borrower to pay interest on the note and to repay its principal upon maturity. Both of these issues will be directly affected by the income of the borrower. In turn, the income of borrowers will be affected by a wide variety of factors, substantially all of which will be outside of our and your control. In particular, adverse general economic events, such as a recession, or a borrower's financial failure may have an adverse effect on the ability of borrowers to repay their loans.

14. *Bankruptcy of Borrower.* If the borrower enters bankruptcy, either voluntarily or involuntarily, an automatic stay of all proceedings against the borrower's property will be in effect. If the Loan is in default, this stay will prevent foreclosure on the property until relief from the stay can be obtained from the bankruptcy court. No guarantee can be given that the bankruptcy court will lift the stay, and significant legal fees and costs may be incurred in attempting to obtain such relief, although such fees and costs are generally recoverable as additional obligations secured by the Loan. Further, in certain bankruptcy reorganization plans, the bankruptcy court may modify the terms of the Loan as part of a reorganization plan of the debtor.



15. *Risk of Underwriting Standards and Procedures.* Our underwriting standards and procedures are more lenient than conventional lenders in that the mortgage loans that we originate will be from borrowers who may not be required to meet the credit standards of conventional mortgage lenders, which may create additional risks to your return. We approve mortgage loans more quickly than other conventional mortgage lenders. Due to the nature of loan approvals, there is a risk that the credit inquiry we perform will not reveal all material facts pertaining to the borrower.



BUYING 3RD PARTY NOTES

16. *Risk of Incurring Uninsured Losses.* We require borrowers to maintain insurance of the kind that is customarily obtained for similar properties. However, certain disaster-type insurance (covering events of a catastrophic nature, such as earthquakes) may not be available or may only be available at rates that are prohibitive. In the event that an uninsured disaster should occur to the real property underlying the Loan, or in the event a borrower does not maintain the required insurance and a loss occurs, you could experience difficulty recovering the principal amount of the loan and any interest due thereon.

17. *No Significant Public Market for Notes and Security Instruments.* We do not expect the Loans to be marketable and we do not expect a secondary market to develop for them. As a result, you will generally bear the risk until the promissory note matures.



TRANSPARENT

STABLE

TRUSTED

SECURE

TANGIBLE

SELF-DIRECTED

GENERAL APPLICATION REQUIREMENTS

- Borrower must be a validly existing US business entity (LLC, Corporation, Partnership, Trust, etc.). No Individual borrowers; any exceptions must be approved by legal counsel
- Personal Guarantor required (all owners owning more than 40% of borrowing entity)
- US Business entity with foreign national ownership is permitted to borrow
- Background checks on personal guarantors may be required.

BASIC LOAN

- 1st lien position lending only.
- Credit used only as a compensating factor.
- Monthly Payments of Interest only required.
- Minimum loan amount = \$15,000.
- 3 to 24 month terms.
- No pre-payment penalty.
- Financial condition - down payment, construction/rehab costs, closing costs, and three months reserves required.
- Cross-collateralization allowed.

PROPERTY REQUIREMENTS

- Non-Owner Occupancy only
- Property types - Single Family Residence, Duplex, Triplex, 4-plex, Condo, Townhouse, and Manufactured Homes
- Clear title required
- 1 year of hazard insurance premium paid at closing (including flood insurance where applicable)
- We will order a third party, independent appraisal, "As-Is" values accepted only. Appraisal cannot be older than 90 days
- Private utilities must be inspected and certified (well, septic, etc.)
- Property must be habitable. If repair work is required, funds totaling between 100% and 150% of expected rehab costs will be held in escrow
- Expected rehab costs required on all repair work needed, unless borrowers are doing the work themselves
- Loan amount will not exceed the lesser of 65% of the "As-Is" value or 80% of the purchase price. Loan to value (LTV) lowered to 50% if loan amount is less than \$25,000
- Refinance LTV cannot exceed 65%. LTV lowered to 50% if more than 10% of loan amount is received by borrower at closing
- No seasoning requirements on refinances, unless acquired by gift or Quit Claim from third party in the last 12 months. Then, max LTV is 50%
- Lease agreements required on all subject properties that are rented
- There are additional requirements for commercial investment properties in order to provide a more complete due diligence package addressing the more complex nature of commercial property funding.

THE LENDER EXPERIENCE



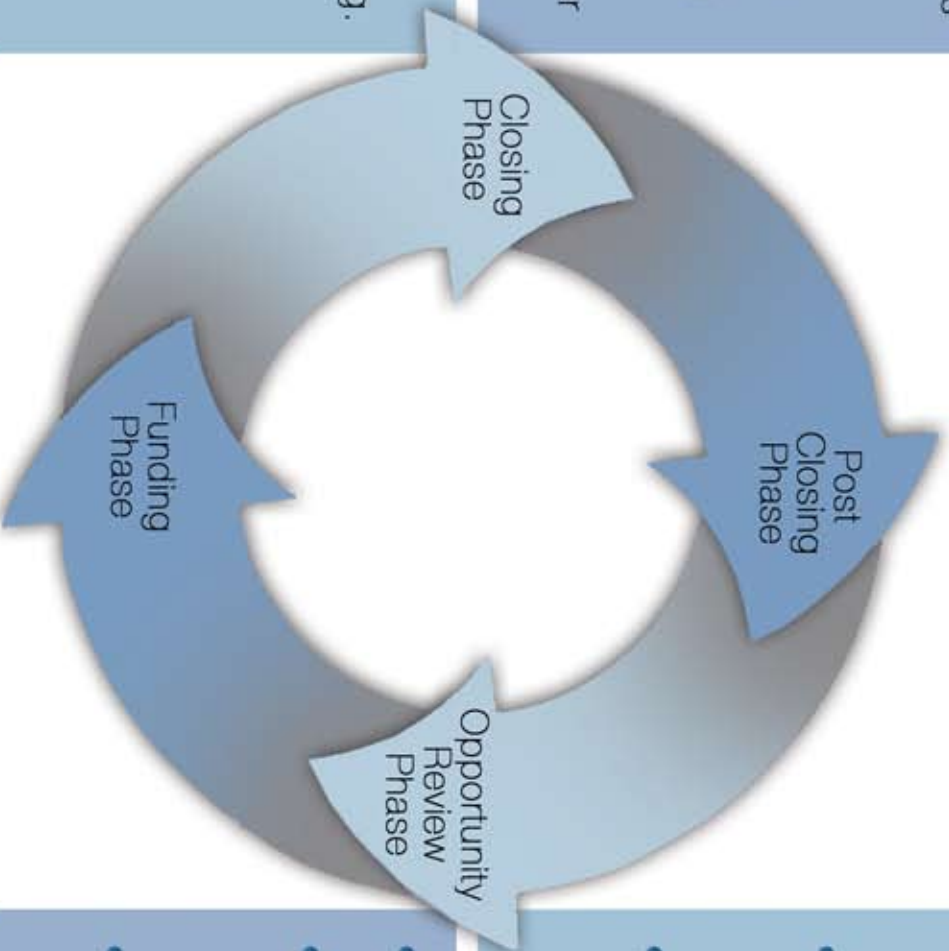
SECURED INVESTMENT CORP



Lender indicates interest in funding loans with SIC by signing and returning the NCND and the New Funder Form.

- Post-Closing Department sends closing documents to Lender.
- Account is set up with Servicing Company to begin receiving interest payments.
- Payoff quote requested for lender approval.
- Loan is paid off.
- Funds returned to Lender for redeployment.

- SIC schedules and coordinates loan closing.
- Upon closing, signed, notarized documents returned to Closing Department.



- Lender is sent full due diligence packet on borrower, guarantor, and property.
- Lender reviews due diligence packet and accepts or declines the opportunity to fund.
- Upon Lender's commitment, funding phase begins.

- Lender reviews, signs, and returns Lender docs.
- Lender initiates wire transfer to third-party escrow company upon notification by SIC.
- Upon receipt of funds, email notification provided to Lender.



BUYING 3RD PARTY NOTES

Frequently Asked Questions

WHAT IS A DEED OF TRUST OR MORTGAGE?

A deed of trust or mortgage is a legal document that provides a lender with a lien on real state. The connotation of "first" position deed of trust or mortgage signifies that the lender's lien on the property has a first priority status, which means the lender has the primary right to collect in the event of foreclosure.

WHAT IS A PRIVATE MORTGAGE?

Private money is capital lent by private citizens or companies throughout the United States. Private Money usually has shorter terms and a clearly defined repayment schedule. Terms will vary from lender to lender and will depend upon the experience level of an investor, as well as the value of the asset securing the loan.

IS PRIVATE MONEY LENDING RIGHT FOR EVERYONE?

Private money lending is best for individuals who can fund real estate transactions that are not easily liquidated. These individuals have sufficient monthly cash flow to support themselves without needing to access the money used to fund real estate transactions.

WHAT IF THE BORROWER STOPS MAKING PAYMENTS?

Ultimately, if the borrower defaults, the lender's remedy is to foreclose on the property. In many circumstances, the lender will be the highest bidder during the foreclosure process and thereby become the legal owner to the property. This is why the beginning equity position is so important. Our underwriting guidelines require a minimum of 35% equity spread in the property at the time the loan is originated. The 35% equity position is based on the "As-Is" value of the property, as verified by an independent appraisal.
1121 E. Mullan Ave., Coeur d'Alene, ID 83814 • p. 800.473.6051 • f. 888.897.0237
securedinvestmentcorp.com

WHY ARE PEOPLE FUNDING TRANSACTIONS ORIGINATED BY SIC AND ITS AFFILIATES (i.e. Cogo Capital)?

Healthy Returns With Shorter Terms:

Many investment vehicles, such as stocks and bonds are earning lower than desired, or simply unpredictable, returns. Private money mortgages are a solid source of healthy short-term returns.



BUYING 3RD PARTY NOTES

Tangible Security:

Unlike investing in stocks and bonds, when you invest in Private money mortgages, you are investing in tangible assets.

Hands Off Investing:

We research, review, assemble and provide you, the lender, with all of our due diligence materials to compare and contrast to your own due diligence, so you can make a fully informed decision regarding funding a specific transaction.

Monthly Cash Flow:

During the course of the loan, the borrower will make monthly interest-only payments to the lender.

Diversification:

Private lending provides an opportunity for individuals to add diversification to their financial portfolio through secured investments in real property.

Less Volatile:

Typically, real estate values fluctuate less dramatically than other investments, providing more stability to the investor.

Other Key Benefits:

- You're always in first trust lien position, protected by title insurance.
- Loans will not exceed 65% of the asset value.
- SIC requires "skin in the game" from the borrower (in the form of cash, partner, collateral, and/or equity).
- Loans are supported by solid exit strategies.
- It's a passive investment.

HOW MUCH DO I NEED TO BE A LENDER?

Secured Investment Corp has a minimum of \$15,000, but does not have a maximum on our loan amounts. Our lenders have funded properties that range from \$15,000 to over \$1,000,000. Our average loan ranges from \$75,000 to \$85,000.

HOW IS LTV DETERMINED?

We use an appraisal from a certified third party to determine the "As-Is" value of the property. In some cases, an After Repair Value (ARV) appraisal can be requested for rehabbing projects.



BUYING 3RD PARTY NOTES

WHAT IF THE PROPERTY IS UNINHABITABLE?

When there is extensive rehab that is required to make the property habitable, rehab funds will be escrowed and paid out as the work is completed.

HOW ARE PAYMENTS CALCULATED?

The borrower is required to make monthly interest-only payments with a principle payoff balloon due at the end of the term.

WHAT ABOUT TITLE AND HAZARD INSURANCE?

Title Insurance is obtained at the time of closing and is paid by the borrower. One year of hazard insurance is pre-paid by the borrower at closing. If needed, we have a third party forced-placed insurance company that can re-instate hazard insurance for the remainder of the term.

WHAT HAPPENS IF THE LOAN MATURES & THE BORROWER CAN'T PAYOFF?

If the borrower is unable to pay off the loan at the end of the term, the lender can foreclose or extend the loan, or the borrower can deed the property over to the lender in lieu of foreclosure.

CAN I INVEST WITH A 401K OR A SELF-DIRECTED IRA?

Yes, as long as you have a self-directed custodian.

DOES SIC FACILITATE LENDING THROUGH SELF-DIRECTED IRAs?

Yes. We have worked with many Self-Directed Custodians, and we can provide you with names of custodians with whom we have worked. They can assist you in lending through your Self-Directed IRAs.

WHAT TYPE OF PROPERTIES DO YOU FUND?

We fund single family residences, condos, townhomes, row homes, duplexes, 3-plexes, 4-plexes, and mixed-use commercial buildings.

WHAT STATES DO YOU DO BUSINESS IN?

States we lend in: AL, AK, AR, CA*, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MS, MO, MT, NH, NJ, NM, NC, OH, OK, PA, SC, TN, TX, VT, VA, WA, WV, WI, and WY.

* We can fund properties in CA through Cogo Capital Orange County, Inc. NMLS# 1051036, CA DRE Broker# 01928542



BUYING 3RD PARTY NOTES

WHAT ARE SOME RISKS ASSOCIATED WITH LENDING?

Risks include the following; (i) the debt instrument and associated security instrument are not insured by the FDIC or any other governmental agency; (ii) the value of the property is given by an appraiser reflecting his or her opinion of the value at a specific date. There is no assurance that the appraised value will reflect a fair market value, as general and local economic conditions may change; (iii) the Borrower's ability to repay the loan will depend upon the Borrower's financial conditions which could change over time; (iv) there are general risks associated with real estate investments including general or local economic conditions, neighborhood values, interest rates, real estate tax rates, the supply of and demand for properties of the type involved, the ability of the Borrower to obtain necessary alternative financing, governmental rules and acts of nature; (v) default by the Borrower could interrupt the Lender's monthly payments. Under extreme cases, it may be necessary to foreclose or take other actions to protect Lender's investment. It is possible for the total amount recovered upon foreclosure to be less than the amount of the total Loan investment, with resulting loss of capital to the Lender; (vi) if Borrower files a reorganization or full insolvency bankruptcy, the foreclosure process could be stalled. The Lender could incur significant legal fees and costs in attempting to obtain relief from the automatic freeze on collection proceedings provided by the Bankruptcy Code. Relief consists of obtaining court approval to release the property out of the bankruptcy so that the property can be foreclosed upon. Furthermore, the court could modify the terms of the Loan by extending the due date, changing the interest rate and payment structure, or causing the priority of the Loan to be subordinated to a bankruptcy court-approved financing plan; (vii) the Loan cannot readily be liquidated, transferred or sold; and (viii) challenges to the enforceability of the Loan Documents (including lender liability claims, claims of defective documentation and usury claims).

**** We provide all potential investors with our INFORMATION AND DISCLOSURES FOR SECURED NOTE LENDING, receipt of which must be acknowledged by the investor prior to disclosing the details of any particular investment ****



A. PURPOSE

New Funder Update Existing Funder Information

B. PERSONAL INFORMATION

Name _____ SSN/Tax ID # _____ Birth Date _____

_____ SSN/Tax ID # _____ Birth Date _____

Address _____ Phone Nos. _____

_____ Email _____

Vesting* Individual JTW/RS IRA Custodian for minor
 Married Married, separate property Corp. LLC
 TIC Trust Other _____

*Please see the Company’s document titled: Information and Disclosures for Secured Whole Note Lending

Vesting Entity, if applicable _____

Name of Employer _____ **Years employed** _____ **Position** _____

Type of Business _____ **Employer Address** _____

Spouse Employer _____ **Years employed** _____ **Position** _____

Type of Business _____ **Spouse Employer Address** _____

C. SUITABILITY INFORMATION

Your accurate, complete responses to the information requested below will help us you better service.

EST. CURRENT YEAR GROSS INCOME (include spouse)
<input type="checkbox"/> \$0 - \$49,999
<input type="checkbox"/> \$50,000 - \$99,999
<input type="checkbox"/> \$100,000 - \$199,999
<input type="checkbox"/> \$200,000 - \$299,999
<input type="checkbox"/> \$300,000 +

EST. CURRENT NET WORTH (exclude home, furnishings, autos)
<input type="checkbox"/> \$0 - \$74,999
<input type="checkbox"/> \$75,000 - \$149,999
<input type="checkbox"/> \$150,000 - \$299,999
<input type="checkbox"/> \$300,000 - \$499,999
<input type="checkbox"/> \$500,000 - \$999,999
<input type="checkbox"/> over \$1,000,000

OBJECTIVES
<input type="checkbox"/> Liquidity
<input type="checkbox"/> Deferral of taxes
<input type="checkbox"/> Regular income with safety
<input type="checkbox"/> Regular income with some risk
<input type="checkbox"/> Long-term growth – safety important
<input type="checkbox"/> Long-term growth – will accept some risk to meet investment objective
<input type="checkbox"/> Speculative capital gains – a greater degree of risk may be tolerated

CURRENT INCOME REQUIREMENTS
<input type="checkbox"/> High current income is important. <input type="checkbox"/> Moderate current income is required. <input type="checkbox"/> Current income is not important.

FUNDING HORIZON
<input type="checkbox"/> Short-term (6 – 24 months) <input type="checkbox"/> Intermediate (2 – 5 years) <input type="checkbox"/> Long-term (10 + years)

EXPERIENCE – indicate if you have <i>considerable</i> knowledge or experience in:	NUMBER OF YEARS OF EXPERIENCE
<input type="checkbox"/> Funding whole promissory notes secured by real property	_____ Years
<input type="checkbox"/> Real estate appraising	_____ Years
<input type="checkbox"/> Ownership or operation of real estate investments	_____ Years
<input type="checkbox"/> Mortgage banking	_____ Years
<input type="checkbox"/> Management of any business entity	_____ Years
<input type="checkbox"/> Practice of real estate or mortgage law	_____ Years
<input type="checkbox"/> Public accounting for mortgage lenders	_____ Years
<input type="checkbox"/> Mortgage brokering	_____ Years
<input type="checkbox"/> Other _____	_____ Years

TYPES OF PROPERTY MOST COMFORTABLE INVESTING IN
<input type="checkbox"/> Residential <input type="checkbox"/> Commercial, income-producing <input type="checkbox"/> Unimproved

TYPES OF BORROWERS MOST COMFORTABLE LENDING TO
<input type="checkbox"/> Good credit scores are important. <input type="checkbox"/> Moderate credit scores are required. <input type="checkbox"/> High borrower net worth is important. <input type="checkbox"/> Moderate borrower net worth is required. <input type="checkbox"/> Credit score and net worth not important – focus on property value.

TOLERANCE FOR DEFAULT (<i>indicate your tolerance for not receiving the monthly payments on funded transactions in the event of default</i>)
<input type="checkbox"/> Low – I rely on monthly payments, do not seek to own property, and wish to avoid contributing additional funds to sell a property. <input type="checkbox"/> Medium – I can tolerate 3-6 months of non-payment on some loans and am willing to contribute additional funds if needed to sell properties. <input type="checkbox"/> High – I can tolerate 6 months plus of non-payment on several properties and am willing to contribute additional funds if needed to sell properties.

D. REGIONS OF COUNTRY

The following represents the regions of the United States or particular states in which I am most interested in funding whole promissory notes secured by real property:

- Northwest (Idaho, Oregon, Washington, Alaska, Montana, Wyoming)
- Southwest (California, Arizona, Nevada, Utah, New Mexico, Colorado, Hawaii)
- Upper Central (South Dakota, North Dakota, Minnesota, Missouri, Nebraska, Kansas, Iowa)
- South Central (Texas, Oklahoma, Arkansas, Louisiana)
- Midwest (Wisconsin, Michigan, Illinois, Indiana, Ohio, Kentucky)
- Southeast (Mississippi, Alabama, Georgia, Florida, South Carolina, North Carolina, Tennessee)
- Northeast (West Virginia, Virginia, Maryland, Delaware, Pennsylvania, New York, New Jersey, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Maine)

List Specific States: _____

E. NOTICE OF INVESTMENT RISKS

Funding whole promissory notes secured by deeds of trust or mortgages on real property involves risk. These risks include, without limitation:

- the debt instrument and associated security instrument are not insured by the FDIC or any other governmental agency;
- the value of the property is given by an appraiser reflecting the appraiser's opinion of the value at a specific date. There is no assurance that the appraised value will reflect a fair market value, as general and local economic conditions may change;
- The borrower's ability to repay the loan will depend upon the borrower's financial conditions which could change over time;
- there are general risks associated with real estate investments including general or local economic conditions, neighborhood values, interest rates, real estate tax rates, the supply of and demand for properties of the type involved, the ability of the borrower to obtain necessary alternative financing, governmental rules and acts of nature;
- default by the borrower could interrupt monthly payments. Under extreme cases, it may be necessary to undertake foreclosure or take other actions to protect a funder's investment. It is possible for the total amount recovered upon foreclosure to be less than the amount of the loan total investment, with resulting loss of capital to the funder;
- if borrower files a reorganization or full insolvency bankruptcy, the foreclosure process could be stalled. The funder could incur significant legal fees and costs in attempting to obtain relief from the automatic freeze on collection proceedings provided by the Bankruptcy Code. Relief consists of obtaining court approval to release the property out of the bankruptcy so that the property can be foreclosed upon. Furthermore, the court could modify the terms of the loan by extending the due date, changing the interest rate and payment structure, or causing the priority of the loan to be subordinated to a bankruptcy court-approved financing plan;
- the loan cannot readily be liquidated, transferred or sold; and
- potential challenges to the enforceability of the loan documents (including lender liability claims, claims of defective documentation and usury claims).

THERE ARE OTHER RISKS. FUNDERS SHOULD CAREFULLY CONSIDER ALL OF THE RISKS SET FORTH IN THE COMPANY'S WRITTEN DOCUMENT ENTITLED: INFORMATION AND DISCLOSURES FOR WHOLE NOTE FUNDING AND ONLY FUND TRANSACTIONS IF FINANCIALLY CAPABLE OF ASSUMING THESE RISKS.

F. SIGNATURE

I understand that the company will rely on the accuracy and completeness of my responses to the questions above, and my answers are complete and correct to the best of my knowledge and belief. I will notify the Company of any material changes to the information contained disclosed in this document.

Signature

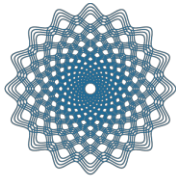
Date

Spouse Signature (if applicable)

Date

For Business Entity Name (if applicable)

Print Signatory Name, Title (if applicable)



SECURED INVESTMENT CORP

NONDISCLOSURE & NONCIRCUMVENT AGREEMENT

THIS NONDISCLOSURE AND NONCIRCUMVENT AGREEMENT (“Agreement”) is made effective the ____ day of _____, 20____, by and between Secured Investment Corp (“Company”) and the undersigned “Recipient.” Company and Recipient may be individual referred to as a “Party” or collectively as the “Parties” in this Agreement.

Company is in the business of underwriting and brokering hard money loans to real estate investors throughout the United States.

Recipient has funds available and is interested in exploring the real estate funding opportunities available through the Company (each individually an “Opportunity” and collectively referred to as “Opportunities”).

Company is prepared to make available to Recipient certain Confidential Information (defined below) regarding Opportunities. As a condition to such Confidential Information being furnished to Recipient, Recipient must agree to maintain the confidence of the Confidential Information received from Company and must agree not to use such Confidential Information to the detriment of or to circumvent the Company.

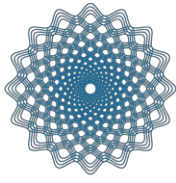
The Parties therefore agree as follows:

1. Definition of Confidential Information. As used herein, the term “Confidential Information” means any and all confidential or proprietary information of the Company in whatever form, tangible or intangible, relating to an Opportunity, including but not limited to, the name of the real estate investor/borrower, the real estate investor/borrower’s address, phone number, and email address, the real estate investor/borrower’s social security number, EIN number, and/or business tax identification number, the real estate investor/borrower’s financial information, and all other information regarding the real estate investor/borrower and the Opportunity that has been or will be given to or shared with the Recipient by the Company.

The term “Confidential Information,” however, does not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by Company or its representatives; (ii) was within Recipient’s possession prior to its being furnished to Recipient by or on behalf of Company (provided that the source of such information was not known to Recipient to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Company or any other party with respect to such information); or (iii) becomes available to Recipient on a non-confidential basis from a source other than Company or any of its representatives (provided that such source is not bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Company or any other party with respect to such information).

2. Confidentiality Obligations. Recipient acknowledges that the Confidential Information is material, confidential, and greatly affects the goodwill and the effective and successful conduct of the Company and its business and operations, and that maintaining confidentiality of the Confidential Information is necessary to protect the legitimate business interests of Company.

a) Non-Disclosure; Use of Confidential Information. The Recipient shall hold all Confidential Information in strict confidence and shall not disclose any Confidential Information except as is reasonably necessary to evaluate an Opportunity. Recipient agrees to use the Confidential Information only the purposes of evaluating an Opportunity; *provided, however*, that any third party that Recipient



SECURED INVESTMENT CORP

provides Confidential Information to, in order to evaluate an Opportunity, must be made aware of the Recipient's obligations under this Agreement. Except as necessary to evaluate an Opportunity, Recipient shall keep confidential all Confidential Information and shall not directly or indirectly disclose, distribute, publish, divulge, reveal or communicate to any third party any Confidential Information. The Recipient's duty of confidentiality shall survive the termination of this Agreement.

i) Exception: Consent. Recipient may make any disclosure of the Confidential Information to which Company gives its specific, prior written consent.

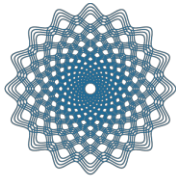
ii) Exception: Legal Proceedings. If Recipient is requested or required (pursuant to a legal action or other similar proceeding) to disclose Confidential Information, Recipient shall provide Company with prompt written notice of any such request or requirement so that Company may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. Recipient shall use its best efforts to preserve the confidentiality of the Confidential Information, including, without limitation, by cooperating with Company to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

b) Protection of Confidential Information. Recipient agrees to undertake reasonable precautions to safeguard and protect the Confidential Information, to accept responsibility for any breach of this Agreement, and take all reasonable measures (including but not limited to court proceedings) to protect against any prohibited or unauthorized disclosure or uses of the Confidential Information.

c) Return of Confidential Information. Within five (5) days following a request from the Company, the Recipient shall deliver to the Company all tangible copies of the Confidential Information, including but not limited to, magnetic or electronic media containing the Confidential Information, note(s) and paper(s) in whatever form containing the Confidential Information or parts thereof, and any copies of the Confidential Information in whatever form. Recipient, at its sole option, may elect instead to destroy all copies of the Confidential Information and certify in writing to the Company that the Confidential Information has been completely destroyed; provided, however, that nothing in this Agreement shall require Recipient to destroy any backup tapes or similar documents maintained for archival purposes.

d) Non-Circumvention. Recipient shall not use, pursue or exploit any Confidential Information for its own benefit to the detriment of Company. Specifically, without the Company's express written consent, Recipient shall not circumvent the Company, directly or indirectly, by loaning money to any real estate investor/borrower introduced to the Recipient by the Company; provided, however, that nothing in this Agreement shall preclude Recipient from working with investors and borrowers previously known to Recipient, or who first approach Recipient, directly or through third parties, even if the Company discloses Confidential Information to Recipient about those investors or borrowers. Additionally, Lender agrees not to undertake any action, operation or transaction that would attempt to denigrate Company's relationship with its customers and clients.

e) Ownership of Information. The Company hereto retains title to its Confidential Information and all copies thereof. The Recipient hereby acknowledges that the Confidential Information is proprietary to the Company. Further, each Party represents that it has no agreement with any other natural person, partnership, limited partnership, limited liability partnership, limited liability company, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or governmental entity that would preclude its compliance with this Agreement.



SECURED INVESTMENT CORP

3. Incorporation. This Agreement shall be incorporated into and become a part of each lender agreement Recipient enters into with the Company for the funding of an Opportunity.

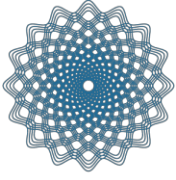
4. Remedies. The Recipient agrees that the unauthorized disclosure or use of Confidential Information could cause irreparable harm and significant injury, which may be difficult to ascertain. Notwithstanding any other provisions of this Agreement, the Recipient acknowledges and agrees that the Company shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Agreement and for any other relief the Company deems appropriate. This right shall be in addition to any other remedy available to the Company in law or equity, as nothing contained in this Agreement shall be deemed to preclude Company from pursuing any remedy available to Company.

5. Relationship of the Parties. This Agreement is neither intended to, nor will it be construed as, an agreement to create a joint venture, partnership, or other form of business association between the Parties.

6. Miscellaneous. Each Party specifically acknowledges and agrees that this Agreement and its interpretation and enforcement are governed by the laws of the State of Idaho. Furthermore, each Party irrevocably (i) submits to the jurisdiction of any federal or state court of the State of Idaho located in Kootenai County Idaho for the purpose of any suit, action or other proceeding arising out of this Agreement or any of the agreements or transactions contemplated hereby (each, a “Proceeding”), (ii) agrees that all claims in respect of any Proceeding may be heard and determined in any such court, (iii) waives, to the fullest extent permitted by law, any immunity from jurisdiction of any such court or from any legal process therein, (iv) agrees not to commence any Proceeding other than in such courts and (v) waives, to the fullest extent permitted by law, any claim that such Proceeding is brought in an inconvenient forum. The substantially prevailing Party will be entitled to recover its attorneys’ fees from the substantially non-prevailing Party incurred in connection with the prevailing Party’s efforts to enforce this Agreement, regardless of whether any action or proceeding is commenced. This Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings or agreements, written or oral, that relate to the subject hereof. This Agreement may not be amended except by a writing signed by each Party. If for any reason any provision of this Agreement is determined by a tribunal of competent jurisdiction to be legally invalid or unenforceable, the validity of the remainder of the Agreement will not be affected and such provision will be deemed modified to the minimum extent necessary to make such provision consistent with applicable law and, in its modified form, such provision will then be enforceable and enforced. Recipient may not assign its rights or obligations under this Agreement without the prior written consent of the Company. Any purported assignment without the Company’s prior written consent will be void *ab initio*. This Agreement is binding upon the Parties and will bind and inure to the benefit of their executors, personal representatives, legatees, heirs, successors and assigns. No waiver by any Party of any right or default under this Agreement will be effective unless in writing and signed by the waiving Party. No such waiver will be deemed to extend to any prior or subsequent right or default or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. This Agreement may be executed in counterparts.

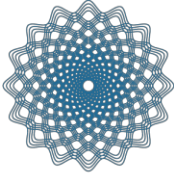
7. Waiver of Jury Trial. COMPANY AND RECIPIENT SHALL AND HEREBY DO WAIVE TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW, IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THE SAID PARTIES TO THIS AGREEMENT AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY CLAIM OF DAMAGE RESULTING FROM ANY ACT OR OMISSION OF THE PARTIES IN ANY WAY CONNECTED WITH THIS AGREEMENT.

8. Survival. The provisions of this Agreement will survive the termination or any other agreement or arrangement between the Parties.



SECURED INVESTMENT CORP

[Signature page follows]



SECURED INVESTMENT CORP

SIGNATURE PAGE TO NONDISCLOSURE & CONFIDENTIALITY AGREEMENT

IN WITNESS WHEREOF, the Parties have executed this Agreement, effective as of the date and year first written above.

COMPANY:

RECIPIENT:

Secured Investment Corp

By: Lee Arnold
Name: Lee Arnold
Title: CEO

(Entity Name & State of Incorporation, if applicable)

(Print Name)

(Signature)

(Print Title, if applicable)

Recipient's contact information:

Phone: _____

Fax: _____

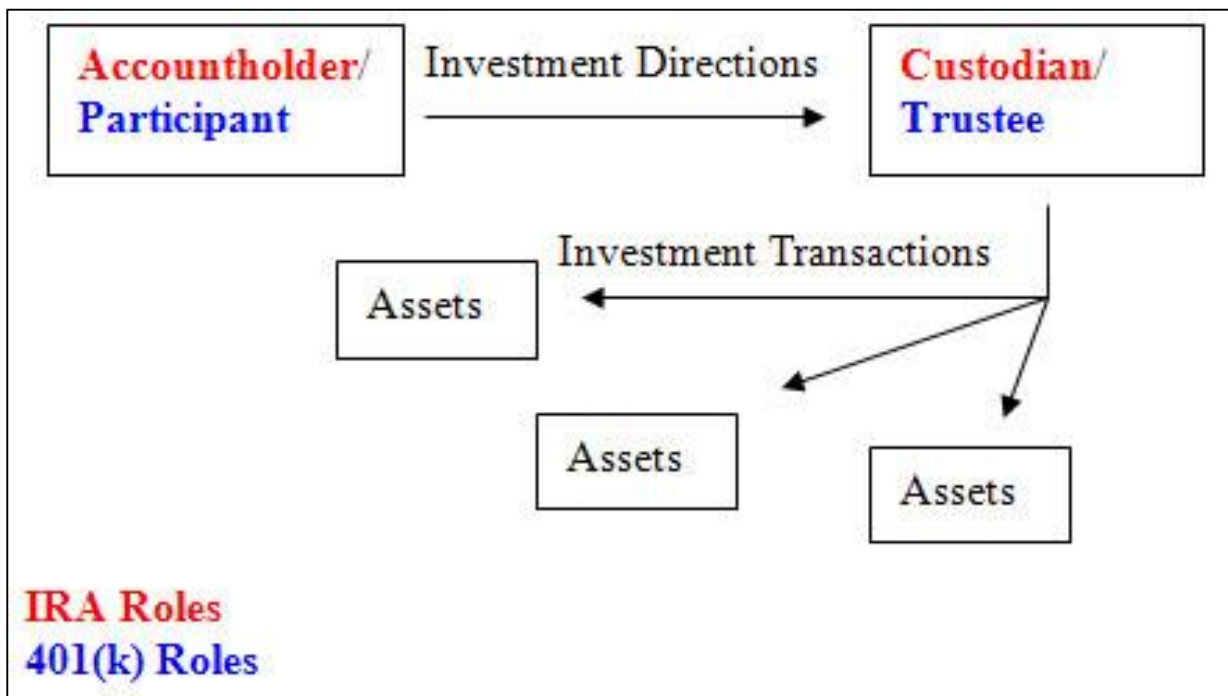
BUYING 3RD PARTY NOTES

Self-Directed IRA's

A **Self-Directed Individual Retirement Arrangement** is an IRA that requires/allows the account owner to make investment decisions and investments on behalf of the retirement plan.

Structure and Requirements

IRS regulations require that either a qualified trustee, or custodian hold the IRA assets on behalf of the IRA owner. Generally the trustee/custodian will maintain the assets and all transaction and other records pertaining to them, file required IRS reports, issue client statements, assist in helping clients understand the rules and regulations pertaining to certain prohibited transactions, and perform other administrative duties on behalf of the Self-directed IRA owner for the life of the IRA account.





BUYING 3RD PARTY NOTES

The custodian usually offers a selection of standard asset types that the account owner can select to invest in, such as stocks, bonds, mutual funds, and First Trust Deeds. In addition, most custodians will also permit the account owner to make other types of investments. The range of permissible investments is broad, however, the IRS does place limits on the types of assets that may be invested in and on the types of transactions that may be carried out.

Permitted Investments

The Internal Revenue Code does not describe what a self-directed IRA can invest in, only what it cannot invest in. Internal Revenue Code Sections 408 & 4975 prohibit Disqualified Persons from engaging in certain types of transactions.

Some of the additional investment options permitted under the regulations include:

- Real Estate
- Stocks
- Mortgages
- Franchises
- Partnerships
- Precious Metals
- Private Equity
- Tax Liens

Real estate may include

- Residential and commercial properties (U.S. & Internationally)
- Home Flipping
- Farmland
- Raw land
- New construction
- Property renovation
- Development
- Passive rental income

Real estate purchased in a self-directed IRA can have a mortgage placed against the property, thus lowering the amount of total cash needed for a purchase; however, neither the IRA nor the account owner of the IRA can have personal liability on the mortgage. This type of mortgage is often referred to as a nonrecourse loan.

Note – using a nonrecourse loan for a real estate transaction or margin with a security purchase can trigger a tax since the income would be considered “Unrelated Business Taxable Income tax” (UBIT or UBIT).



BUYING 3RD PARTY NOTES

Business investments may include partnerships, joint ventures, and private stock. This can be a platform to fund a start-up business or other for-profit venture that is managed by someone other than the account owner of the IRA.

Note – using a self-directed IRA to invest in an active trade or business via a pass-through entity, such as an LLC or partnership can trigger a tax as the income generated would be treated as UBIT. Other alternative investments include: commodities, hedge funds, commercial paper, foreign stock, royalty rights, equipment & leases, American depository receipts, and U.S. T-bill.

Limited Liability Company Structured IRA

In an effort to reduce fees, paperwork, and processing delays, title issues, etc., some self-directed IRA investors choose to employ a Limited Liability Company (LLC) IRA structure. In such a structure the account holder directs his or her IRA custodian to invest into a limited liability company in return for a percentage interest in the LLC that the account owner or a third-party manages himself or herself. The account owner can then execute transactions for the IRA LLC without the involvement of the IRA custodian, thus reducing fees and eliminating custodian transactional fees and delays.

Since an LLC is treated as a pass-through entity for Federal Income Tax purposes, the profits of the LLC pass through to the IRA, which is exempt from tax under Internal Revenue Code Section 408 (408A in the case of a Roth IRA). Some refer to this structure as "checkbook control" because the IRA account holder often has sole signing authority for the LLC and its bank accounts.

Indirect Benefits Rule

The purpose of the IRA is to provide for your retirement in the future. It's not intended to benefit you now. It's considered an "indirect benefit" if your IRA is engaged in transactions that, in some way, can benefit you personally—and this is NOT allowed. The following are just a few types of indirect benefit transactions that are NOT allowed in an IRA:

- Personally using IRA property —such as using real estate purchased through your IRA— as an office, personal residence, vacation home, retirement home, or office space.



BUYING 3RD PARTY NOTES

- Receiving personal benefits from your IRA —such as lending yourself money from your IRA or paying yourself, or a company that you own, to do work on a home purchased by your IRA.
- Using your IRA funds to buy a vacation home that you or your family will use.

Examples of Self-Dealing

The IRS frowns on activity it calls “Self-Dealing.” To clarify, the IRS considers the following activities as Self-Dealing.

- Having your IRA purchase real estate that you own or use.
- Issuing a mortgage on a relative’s new residence purchased by a family member who is a disqualified person as listed above.
- Granting a child a second mortgage for the down payment on his or her first home.
- Buying stock from the account owner involving IRA funds and a disqualified person.
- Purchasing stock in a closely held corporation in which the account owner has a controlling equity position.
- Purchasing restricted stock from a family member who is a disqualified person listed above.

Prohibited Asset Types

Internal Revenue Code Section 408 prohibits IRA investments in life insurance and in collectibles such as:

- Artwork
- Rugs
- Antiques
- Metals (there are exceptions for certain kinds of bullion)
- Gems
- Stamps
- Coins (there are exceptions for certain coins minted by the U.S. Treasury)



BUYING 3RD PARTY NOTES

- Alcoholic beverages
- Certain other
- tangible personal property

Prohibited Transactions

IRS regulations prohibit transactions that are an improper use of the value in the account or annuity by the account owner, the account owner's beneficiary, or any other disqualified person. In essence, IRA prohibited transactions are transactions that Congress has deemed inappropriate between IRAs and certain people associated to those IRAs. The IRS prohibited transaction rules apply to both Traditional IRA and Roth IRAs. These rules are generally designed to prevent self-dealing transactions, which are transactions that directly or indirectly benefit the IRA holder and not the IRA or plan.

- Borrowing money from it.
- Selling property to it.
- Receiving unreasonable compensation for managing it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.
- Disqualified persons include:
 - The IRA holder
 - A fiduciary (e.g., the IRA holder or plan participant)
 - Members of the IRA holder's family, such as your spouse, ancestor, lineal descendant (e.g. children), and any spouse of a lineal descendant.
- In addition, other disqualified persons include:
 - Service providers of the IRA (e.g., custodian, CPA, financial planner, or trustee);
 - An entity (such as a corporation, partnership, limited liability company, trust or estate) of which 50% or more is owned directly or indirectly or held by a fiduciary or service provider;



BUYING 3RD PARTY NOTES

- An entity that is a 10% or more partner or joint venturer of with an entity that is 50% or more owned directly or indirectly or held by a fiduciary or service provider;
- Additionally, in the case of a SEP or SIMPLE IRA:
 - The Employer;
 - 50% or more owner of the Employer;
 - Officers, directors, 10% or more shareholders, and highly compensated employees of the Employer;
 - An entity 50% or more owned by the Employer;
 - 10% or more partner or joint venturer of the Employer.
 -

If the account owner or beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to the IRA holder at their fair market values on the first day of the year in which the transaction occurred. The distribution would be subject to any taxes or penalties associated with an early distribution. Generally, a 10% early withdrawal penalty and treatment of the distribution as ordinary income for the purposes of income taxes. The penalty for engaging in an Internal Revenue Code Section 408 prohibited transaction differs from the Internal Revenue Code Section 4975 penalty. If IRA assets are invested in collectibles or life insurance, only the assets used to purchase the investment are considered distributed, not the entire IRA.



SERVICING

What is Loan Servicing?

Loan servicing is the administration aspect of a loan from the time the proceeds are dispersed until the loan is paid off. This includes sending monthly payment statements and collecting monthly payments, maintaining records of payments and balances, collecting and paying taxes and insurance and managing escrow and impound accounts is applicable, remitting funds to the note holder, and following up on delinquencies.

Lake City Servicing



LCS is the premier servicing arm of Secured Investment Corp., serving clients nationwide. We ara comprehensive real estate loan servicing company for investors holding real estate notes for non-owner occupied residential and commercial property. Lake City Servicing offers a complete

relationship for investors and borrowers by providing a range of services designed to accommodate the investors desired involvement with the borrowers. Our mission is to provide value and protection to individuals and portfolio lenders through the servicing and collection of private money loans, and when necessary the foreclosure on and disposition of real property.





SERVICING

Who We Serve

Borrowers:

We're here to service and monitor your loan account in many different ways. We process loan payments, reinstate calculations, handle note modifications, principal paydowns, payoff quotes, and your payoff payments.

Lenders:

We provide assistance with note modifications, insurance tracking, foreclosures and REOs, and buyout agreements. We also provide easy access to monitoring, monthly reporting, and no hassle, automatic deposits.

Loan Servicing

Our service specialists have a comprehensive understanding of structured real estate transactions including interest only, negative and fully amortized notes, and fixed rate or ARM loans. Interest is calculated on 360 or 365 day basis or Actual Days calculation with regular interest reporting. Our service loans are based on agreements between all parties to help maintain the integrity of the borrower/buyer to seller/lender relationship.

FCI Lender Services, Inc

FCI Lender Services, Inc. (FCI) is a leading national Private Money Sub-Servicer providing a variety of services for Lenders, and one of the nation's oldest Specialty Loan Servicers. Since 1982 FCI Lender Services has offered a comprehensive family of services to the greater Private Money industry. FCI and its experienced staff have earned an industry wide reputation for professionalism and results.

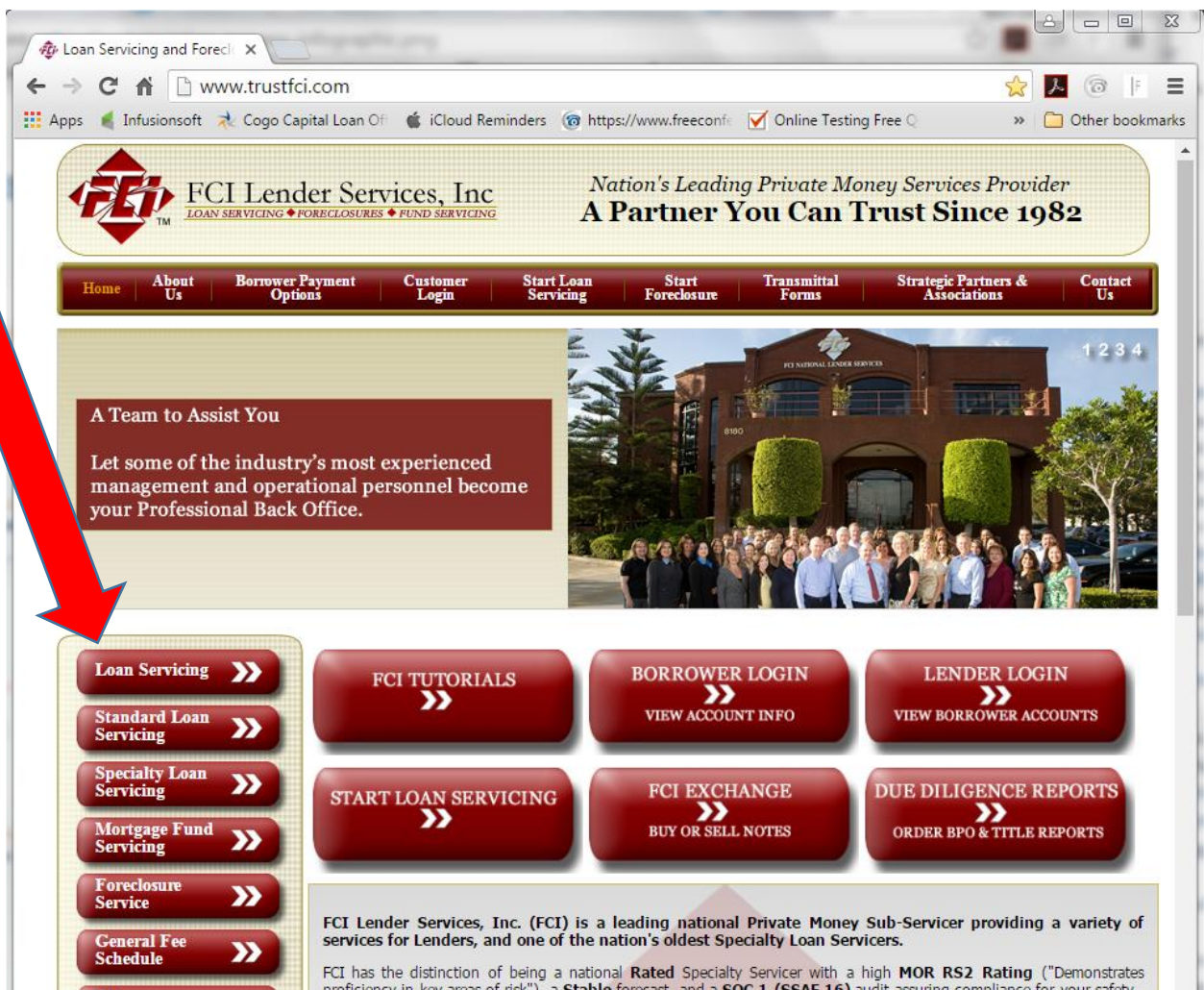
FCI is an approved Private Money, Freddie Mac (FHLMC), FHA, VA and HUD sub-servicer that offers a full spectrum of loan servicing, collection and foreclosure

SERVICING

services locally or nationally for all types of loans, and is approved to receive existing HAMP modified loans for servicing; (FHLMC, FHA, VA, HUD direct servicing and reporting available on portfolios of 2000+ loans).

By partnering with the experienced staff at FCI, Institutional and Private Money Lenders, Private Money Brokers, and Private Money Loan Servicers of any size can have all aspects of servicing their Standard Loans, Hard Money Loans, or Delinquent Loans handled by FCI acting as Sub-Servicer at their direction.

Go to “trustFCI.com” and click on the, “Loan Servicing” button.



SERVICING

Do It Yourself Servicing

You can certainly choose to do your own servicing but if you do there are a few things you should keep in mind. Make sure you have thought through and have answers for the following questions.

- Which states do you need a license in to service a loan?
- How will you handle day-to-day and month-to-month accounting of each account?
- How will you handle year-end accounting and reports to borrowers?
- How will you deal with insurance and taxes?
- How will collection notifications be handled?
- When the borrower pays off how will you handle re-conveyance of the deed of trust?

(Reconveyance refers to a legal document issued by a mortgage holder indicating that the borrower is released from the mortgage debt. The deed of reconveyance transfers the property title from the lender, also called the beneficiary, to the borrower who is also called the trustor. This document is most commonly issued when a mortgage has been paid in full. It contains a legal description of the property and the property's parcel number and is often notarized. Some states use a satisfaction of mortgage document instead of a deed of reconveyance.)

We strongly recommend that you have systems in place early on to take care of your servicing needs. There are many, many software application available to assist you in this endeavor. Below you will find an extensive list to choose from that can all be researched on the internet. Simply google search the name of the company.



The Mortgage Office by Applied Business Software

Applied Business Software, creator of The Mortgage Office, is a market leader and global provider of

software systems and solutions to the lending industry. The Mortgage Office is a powerful suite of lending solutions. Using our comprehensive core loan servicing



SERVICING

products and robust add-on modules, you can custom build the most powerful and personalized loan servicing software solution for your business.



AutoPal Software by AutoPal Loan Servicing Software

#1 Rated Loan Servicing Software on the Market! Auto Loans, Title Loans, Consumer Financing, Hard Money and more.

Features include: Unlimited location, work station, and employee access at no extra cost, multiple calculations, custom website, online payments, automatic withdrawal, automatic emails, automatic SMS messages, credit bureau pulling and

reporting, QuickBooks integration, online document storage, and more! Because with AutoPal Software, "You're Not Alone When Giving a Loan."



Loan Servicing Soft by Loan Servicing Soft

The most advanced Loan Servicing Software on the market! Designed from the ground up to increase loan servicing efficiencies. We serve private money/hard money

lenders, auto, consumer, credit unions, banks, and city/state governments.



Lacoda by Lacoda

Lacoda is a flexible CLOUD BASED tool for loan management. With Lacoda you can easily manage any size lending business from a single loan to a portfolio of hundreds of loans with unlimited options for terms and data customization. We've worked together with lenders and loan servicers to develop a tool that performs all of the essential

functions of loan management. We can handle all of your front-office business processes so you can focus on underwriting and making high-quality loans.

SERVICING



The Loan Office by Applied Business Software

The Loan Office is an affordable, easy to use, powerful solution specifically designed for the small lender. Seamless QuickBooks integration, built-in document scanning, track loan charges and advances, recurring and event driven reminders, unearned discounts, email statements and notices, incremental funding, conversation log, track insurance and senior liens, unlimited user-defined fields, Microsoft Office integration, and much more.



LA Pro by LA Pro

LA Pro's loan servicing software provides traditional and alternative lenders with a flexible and scalable solution, empowering clients to manage a diverse group of portfolios with automated processes, user-friendly interfaces, and ongoing support.



Mortgage+Care by Consulting Plus

Loan Servicing Software for lenders large and small. For over 25 years lenders and loan servicers all over the world have experienced the Mortgage+Care way of doing business with our friendly, knowledgeable people and our comprehensive loan servicing software. Our loan origination software merges directly into MICROSOFT WORD for endless flexibility with doc prep and closing packages. Mortgage+Care automates all aspects of the lending process.



Margill Loan Manager by Jurismedia

The industry's most user-friendly Interface & sophisticated mathematics. Affordable & easy to customize loan servicing software along with our legendary support. Service 10 to 20,000 loans: Consumer & Business, Inter-company, Employee, Construction, Litigation, Lines of credit. Amortization & regular, irregular, late, unpaid, interest-only, fixed principal or mixed payments, Fees, variable rates,



SERVICING

APR, Alerts. Customize: fields, reports, dashboard, payment types. Export GL to QuickBooks, Sage...



Benedict Group LOANS! for .Net by Benedict Group

Benedict Group, Inc. has been an industry leader in loan servicing, loan accounting, and investor tracking software since 1990. Using .Net and SQL Server, LOANS! For .Net is ideal for commercial lenders, multi-family housing authorities and agencies, and consumer loan providers. Our loan servicing software includes workflow, asset management, escrow, etc. And with "best in the business support", we offer the most flexible loan servicing software available today.



QwikDial by DAKCS

Integrate with Your ARM / collection management system -
Powerful Reporting and Scheduling Campaigns - Graphical Call Campaign Designer - Preview and Predictive Dialing - Recorded Calls



LoanLedger by Dynamic Interface Systems

LoanLedger is the #1 rated loan servicing software program servicing mortgages, simple interest, Rule of 78, revolving credit, bi-weekly, and other methods of interest calculation. Designed for mortgage companies, commercial lending, credit unions, municipalities, non-profit organizations, private and institutional lenders, auto loan servicing, student loans, real estate loans, and much more. Easy to use, affordable and professional loan servicing software.

SERVICING



RETAIL by Shaw Systems Associates

Shaws fully integrated retail loan servicing software is your all-in-one solution for consumer lending. Think of it as one-stop shopping. Using our Service-Oriented Architecture and browser-based interface means that your institution no longer needs to have multiple software packages or manual processes in order to support your retail credit function. All aspects of your consumer loan servicing, including auto finance servicing, are safely and efficiently automated.



Kwik-Loan by Compass Technologies

Real-time software platform for the consumer finance industry, designed for companies with multiple offices.



Note Dashboard by Note Dashboard

Cloud based note and loan management system for distressed debt industry.



AMFG Loan Servicer by Asset Management Financial Group

Personalized software solutions for loan servicing, debt collection, asset management, community development, or similar institution.



Creditonline by Egroup EU

Creditonline system has a complete set of tools for any aspect of loan business, 24/7 support and End-to-End lending process.



LoanAssistant by Integrated Accounting Solutions

SERVICING

Automate accounting for and servicing of loans and various credit lines with this application. QuickBooks integration included.



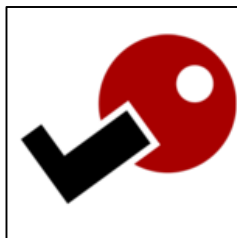
i-servicing by Goldenomega.net

Deals with the most complex of issues relating to the servicing of loans and fully automates loan collections.



Loan Management Software by NBFC Software

NBFC Software - Our Company Provide High Facility Loan Management Software For Managing Loan Schedule in Easy & Very Short Time.



Turnkey Lender by Turnkey Lender

Cloud bases system covering all cycles of the lending process.



CREADY by CREADY

A cloud based solution designed for automating loan approval processes of banks or companies and offers cash/non-cash loans.



Loan Performer by Crystal Clear Software

Loan Performer is the No 1 software for microfinance organizations with 300 clients and 700 installed sites.

SERVICING



Loan Pipeline System by TrakPointe

The TrakPointe Loan Pipeline System tracks commercial bank loans & deposits through the entire pipeline process, with Reg B reporting.



Moneylender Professional by Trails Web

Moneylender Professional handles everything you need to service your loans, whether it's one loan or one thousand.



The Northridge Loan System by Northridge Software

The most robust and flexible lending platform in the industry. Do heavy customization without coding.



Portfolio by PIDC

Loan servicing and economic development tracking software for government and nonprofit lenders.



Third Eye by Third Eye Solutions

Software to manage proof of compliance to financial regulations, loan origination, manage a loan portfolio and generate client letters.



LoanShark by Data Designs

Mortgage Loan Income and Amortization Management. Keeps track of monthly mortgage payments received.

SERVICING



ABS by MeharSoft Technologies

Loan management and recovery automation software for agriculture development banks.



Accu System – Loan Management by AccuSystems

Automates entire bank loan management process from start to finish.



AFSVision by Automated Financial Services

Software system to process all types of loans that also has multicurrency, multi-location, and multi-lingual features in real time.



ALFA Systems by CHP Consulting

For the asset finance industry - full administration throughout agreement lifecycle from proposal capture right through to disposal.



AplonTrade by Payment Components

Easy and instant Online Preparation, Formatting and Validation of SWIFT Messages for Trade Financing.



ArtEnterpizes by MindBox

Software that rapidly automates processes that are common across the lending process - regardless of institution.



ASL by Advantage Software

Standalone loan system, designed to process high activity secured dealer floorplan loans.

SERVICING



ASSET by Constellation Financing Systems

Manage fixed and floating rate leases and loans, create syndicated agreements, and manage multiple third party investments.



CashTrax by CashTrax

Payday loan and cash advance software specifically for internet businesses to manage their compliance and operations.



Cashwise by Softwise

An all-in-one solution that will handle any cash advance and check cashing need.



Cassiopae Lending & Leasing by Cassiopae

Software for managing any loan, lease or asset anywhere. Use one software system worldwide for leasing, lending, and asset management.



Charge-off Loan Tracker by Lowenstein and Associates

Computer based charge of loan tracking system that allows bankers to pursue loan collections.



ComplianceOne by Wolters Kluwer Financial Services

Customizable software to manage compliance documentation, loan data, membership information, electronic signatures, and more.



Construction Lending For Windows by Weston & Muir

An easy-to-use construction loan tracking & fund control system designed to meet the needs of most construction lenders.

SERVICING

**LINCOLN DATA****Contract Collection System by Lincoln Data**

It is a PC loan-servicing software designed specifically for companies who service seller-financed loans.

**Contract Collector by Graveco**

Loan calculation software for APR, per diems, interest rate conversations, and amortization rates and schedules for various loan types.

**CoreISSUE by CoreCard Software**

Flexible loan management system for various types of loans including invoice discounting and payday loans.

**Covarity Solution by Covarity**

Commercial loan monitoring solution that provides centralized visibility and control across the loans that make up the portfolio.

**CRIF Lending Solutions by CRIF Lending Solutions**

Solutions that help lending and credit companies make smarter, real-time business process management and risk decisions.

**Delfin by Delter IT Complete Software Solutions**

Handles all computer-related functions in your office, from managing clients and loans, right through to your daily and monthly tasks.

**Diamond by ISGN**

Fully-integrated platform managing all aspects of mortgage loan production and all documentation necessary to process a loan.

SERVICING



DownHome Loan Manager by DownHome Solutions

Software to manage several loan types in one database, automate client history and record keeping, generate bills for customers.

The logo for DrawTrak, consisting of the word "DRAWTRAK" in a bold, black, sans-serif font inside a white rectangular box with a thin black border.

DrawTrak by DrawTrak

A system for lenders of residential & commercial construction loans with tracking of each stage of the loan.



e-PACK 1003 by ProForce Software

Speeds closing by relieving mortgage loan agents/underwriters from the clerical burden of assembling, revising & faxing.



eCash by eCash

Comprehensive software suite with push technology to manage payday and title loans, check cashing, loan servicing and consumer finance.



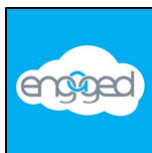
eCheckTrac by eCheckTrac

Web based software system to manage small loans (payday, title, installment, internet) from any online location.



eLendingPlatform by SB Technologies

A complete end to end white label lending solution. From Loan origination, Decisioning, Collection, Loan servicing. Lend it in your way.



Engaged CRM by Engaged

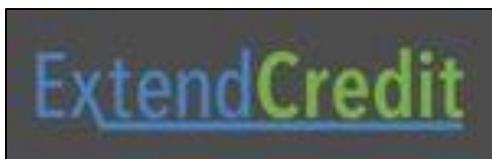
CRM solution for multiple products, office locations, call centers, lead gen, underwriting and processing functions.

SERVICING



Exec-Amort Loan Amortizer Plus by Electrosonics

Fast & easy loan amortization reports, calculate mortgage payments, ARM, Balloons, Equity Draws, future value, etc.



ExtendCredit.com by ExtendCredit.com

An online in-house financing software with instant credit & fraud verification as well as collection tracking for small businesses.



Finance Solutions by Sigma Data & Computers

Designed to help you organize and manage your Banking, Accounting and Micro finance solutions.



FinnOne LOS by Nucleus Software

Automates and manages the complete application processing flow of any retail finance instrument.



finPOWER Connect by Intersoft Systems

Software designed for the hire purchase, finance and lending and investment industries.



G/Serv by GCC Servicing Systems

Mortgage and consumer loan servicing platform.

SERVICING



GMS Loan Servicing Software by GMS

A comprehensive loan servicing system with powerful portfolio management tools and complete reporting capabilities.



HDS Loan Servicing System by Housing and Development Software

Loan servicing solution for housing finance and community development agencies; single-family and multifamily loans.



Hosted Loan Servicing by Nelnet Diversified Solutions

An enterprise student loan servicing program on a hosted platform with core servicing system, branded web presence, image management.



iLend by QuikDraw

Loan lifecycle management software for payday, title, and installment loans. Check cashing, POS, and bill pay.



Intro XL by Intro Online Systems

Payday loan software. Payday and installment loans, robust reporting, advanced cash tracking, unlimited users, and more.



Land Contract by MoneyCops.com

An Excel calculator for tracking and administering loan payments. Full version starts at USD 99.00.



LAPS by Laps-IT.com

Modular, web-based software to process loan applications, payment scheduling, fraud prevention, and loan book data.

SERVICING



Lease Complete by Dominion Leasing Software

Complete Lease and Loan Portfolio Management and Equipment Finance Accounting System.



Lending Pro Software by Lending Pro Software

The necessary tools required to manage and track loan payments from borrowers. All of the necessary reports are built into the software.



LendingQB by LendingQB

A web-based, end-to-end mortgage loan origination system that does it all, from loan origination to funding.



LienTrackerNTO by NCS

Calculates lien and bond claim deadlines in all 50 states and generates preliminary notices.



LMS by Technicost

ASP web-based loan servicing system with no acquisition cost and availability on multiple platforms.



LMS Servicer by SS&C Technologies

Complete loan servicing system for a wide range of product types and complex loan structures.



Load Accounting System by Advanced Lease Systems

In house loan portfolio management solution with insurance and title tracking and over 40 management reports.

SERVICING



Loan And Mortgage by Felitec

It is an amortization schedule calculation software that handles virtually any loan type.



Loan Manager Plus by Trackitsoft

Affordable loan servicing solution for both public and private lending entities.



Loan Servicing System by Twenty-First Century

Loan servicing software for Windows XP graphical point and click system.



LoanAmortizer by ConsultCommerce

Loan amortization management and amortizations schedule visualization and presentation.



LoanLogics by LoanLogics

The mortgage industry's First Enterprise Loan Quality Management and Portfolio Monitoring Platform.



LoanPlus CMS by LoanPlus

Collateral management system for auto lenders comprised of reporting and tracking software and a GPS reminder device for borrowers.



LoanPost by The LoanPost

Web-based software for asset management, non-performing notes, loss mitigation, REO Connecting your team & vendors with 360 degree view.

SERVICING



LoanSifter by LoanSifter

Product and pricing engine, with database of investors, real-time pipeline monitoring, custom pricing.



LoanXpert by Sydel Corporation

Manages loan covenants and required documentation throughout the life of the loan using workflow.



Megasy Finance 3 System by Megasy

Total software solution for front-end credit evaluation, loan origination, payment processing, collections and more.



MIC Manager by Dolphin Enterprises

Manages data for MICs by integrating corporate data of all relevant contact information, mortgage details and calculations.



Morservw by Butler & Associates

Provides many features that are required by interim or long-term mortgage loan servicing organizations.



Mortgage Minder 4.0 PRO by CW Technical Services

Features include support for variable interest rates, Canadian mortgage calculations, an enhanced payment/rate matrix.



Mortgage Servicer by FICS

Automates all loan servicing functions: escrow admin, collections, investor accounting, payment processing, loss mitigation, reporting.

SERVICING



NAVCash by Elysys

For any entity that has lending or borrowing activities, and/or places money on deposit.



Nomis Solutions by Nomis Solutions

Pricing and profitability management through advanced analytics, innovative technology, and tailored business processes.



NuDebt by Selas Technologies

Debt settlement sales and operations software build as an extension to Salesforce platform for student loan consolidation companies.



OnlineLoanTracker.com by Business Information and Technology Systems

Web-based software tool for structured or open payment loans tracking and management.



OpenClose Lending Solution by OpenClose

Web-based mortgage software with tools for creating, uploading, and managing digital loans.



PitchPoint Helix by PitchPoint Solutions

Access a full suite of loan process automation capabilities and leverage your current loan origination platform.

SERVICING



Portfolio Plus by Strategic Information Technology

Offers the flexibility to implement your own business practices for loan and mortgage origination as well as underwriting.



PortfolioDM by Piracle

Loan management system for a borrower or lender that automates loan transactions.



PowerCheck by Answers etc

Payday advance software that allows for grace periods, rebates, online lending, customer loan histories, and sliding scale repayments.



Precorra Amortization by Precorra

Amortization software & cloud computing tools for the financial professional.



Proloan Worldwide by Compuscan Information Technologies

Loan administration program for the micro finance industry.



Quickcheck Canada by Quickcheck Canada

Payday loan verification software that assists the industry in regulating and protecting the consumer from multiple payday loans.

SERVICING



REALSynergy by Altisource Portfolio Solutions

Loan servicing software with contact management, call tracking and task management.



RELAY by Blueberry Systems

The next generation of loan origination that provides you with the peace of mind from seamless production and strict loan quality.



RiskOrigins by Moody's Analytics

Software to standardize loan forms and application processes for underwriting commercial loans and keep track of regulation compliance.



Ryznware Asset Finance Software by Ryzn Enterprise Systems

Designed for asset-based finance, addresses the complete lending life cycle from credit to contract termination.



Savings Plus by Future Link Technologies

Software with ability to manage hundreds of savings and loans products simultaneously. It has SMS and internet banking modules.



SBA Loan Manager by PCFS Solutions

SBA Loan Manager is the only Loan Servicing Software designed specifically for SBA Lenders.



SCORE by Capital Services Technologies

Servicing Company Operating and Reporting Engine - designed to drive loan servicing performance.

SERVICING



Scorto Loan Manager SME by Scorto

Employ precise evaluation and risk management while automating application and re-evaluation processes and decision flows.



SMART System by Advanced Financial Technologies

All-in-one underwriting and pricing software solution for mortgage bankers, banks and lenders.



Sopra Banking Suite by Sopra Group

Sopra Group provides banks and specialized lenders with an unrivaled solution for loan servicing.



Student Loan Servicing System by 5280 Solutions

Extremely flexible, includes set-up of loan types, special allowance codes, interest rate changes, and deferment rules.



SYNDi Loan Manager by IndusFlow Systems

Full loan cycle from funding to discharge for interest-only and blended mortgages funded by single lenders or syndicates.



The Loan Navigator by The Loan Navigator

Save over 30% of the Cost of your Annual Loan Portfolio Management Expenses.

SERVICING



Trakker by Multi-Financial Services

Affordable loan servicing solution offering a wide range of features and able to handle numerous types of loans.



TranDotCom LMS by TranDotCom

Complete loan management software for companies offering payday loans, lines of credit, title loans, and installment loans.



TValue by TimeValue Software

Software for loan and lease structuring, calculating variable amortization payments and making payment schedules.



Unity Loan System by Credex Systems

Loan Processing System. Features: Application Processing; Calculation of interest, insurance and fees; and more.



Vienna by Oyster Bay Systems

Lending system that manages complete process from proposal to end of term. Supports: multiple languages, currencies and products.



ZMath by Math Corporation

Loan calculation software component designed to be used on a company website or larger business system.



WHAT HAPPENS WHEN THINGS GO BAD?

Slow Pays

As the lender you are in charge of the loan. It is up to you to set your policy for late payments, slow payees and non-payment. Check the laws for your jurisdiction for any guidelines that must be followed and then decide what your policies will be. What deadlines will you set? What grace period will you allow? When do penalties start? How much will you charge for penalties? What will you do when problems persist or the borrower just stops paying?

If the borrower does have problems there are a few key things you can do to protect your interests. To begin with, you should establish open lines of communication with the borrower before any problems even start. Continued communication when a borrower gets in trouble is key. This will only happen if you have established the lines of communication ahead of time. Keep the borrower talking with you. You have a much better chance of getting the borrower back on track if they are willing to give you regular updates on the situation.

Collect what you can. You do not want your borrower to get out of the habit of paying regularly. Even if the borrower cannot pay in full make sure you collect something and keep them paying. Experience has shown that borrowers who continue to pay something or more likely to continue to work with you find ways to pay off their debt.

Do not be afraid to restructure the loan and/or set up payment plans with your borrower. Sometimes there are legitimate reasons why the borrower cannot pay. Work with them to figure out how they can still make good on their contract with you.

If the Borrower has Section 8 Rents...

What is Section 8?

The Housing Choice Voucher Program, often incorrectly referred to as Section 8 Housing, is a housing assistance program designed to help low-income families. Although the program is funded through the U.S. Department of Housing and Urban



WHAT HAPPENS WHEN THINGS GO BAD?

Development (HUD), it is operated at the local level through Public Housing Authorities (PHAs).

Through the Housing Choice Voucher Program, families are provided with vouchers that can be used to help pay for the rent on the home of their choosing. Since tenants are free to choose where they want to live through the program, the vouchers are commonly referred to as "tenant-based" assistance.

The Housing Choice Voucher Program is often incorrectly referred to as the Section 8 program. In reality, the Section 8 program was established in 1974 and was later changed to the Housing Choice Voucher Program in 1998 when Congress merged the certificate and voucher components of the Section 8 program. Today, there are thousands of housing authorities located throughout the United States, with each being responsible for overseeing a specific geographic location. The Housing Authority makes monthly payments to the owner of the property on behalf of the family, but the family is responsible for paying the remaining monthly balance on its own.

Although rental units must meet HUD Housing Quality Standards and must pass inspection before it can qualify for the program, the family is responsible for finding the accommodations and for negotiating the terms on its own. If the property passes the inspection and meets quality standards, the Housing Authority will then form a contract with the landlord.

How does Section 8 Work?

Home Inspection: Before the landlord is able to rent to Section 8 tenants, the rental property will have to pass a Section 8 inspection first. This inspection will be conducted by the Public Housing Authority PHA to make sure that the rental property meets the Section 8 housing requirements (known as the Housing Quality Standards).

Rental Period: Section 8 rules dictate that all Section 8 leases have to be fixed term tenancies lasting 12 months or more.



WHAT HAPPENS WHEN THINGS GO BAD?

Rejecting Tenants: According to Section 8 housing guidelines, the landlord is not allowed discriminate against Section 8 renters. To make sure that you don't run afoul of any discrimination laws make sure you read up on the Federal Fair Housing Act.

Security Deposit: The landlord can ask the tenant for a security deposit. The maximum security deposit limit is determined by the state laws.

Pets: The landlord has the right to allow or disallow pets on the rental property.

As a landlord, there are numerous rules and regulations that you are required to keep track of. Among these rules and regulations are those that surround the Housing Choice Voucher Program. Not only is it essential that you understand these rules and regulations so you can be certain you are in compliance with the law, it is also in your best interest to know how the program works. After all, the Housing Choice Voucher Program makes it possible for more people to rent a home and by working with people who are participating in the program you can fill your empty housing units while also receiving a guaranteed monthly rental payment.

Although the Housing Choice Voucher Program may seem a bit confusing and overwhelming on the surface, it is actually a fairly simple program. Here's a look at the top 20 FAQs asked by landlords who want to know more about the Housing Choice Voucher Program.

Common questions about Section 8 Housing:

Q: What type of housing units can participate in the Housing Choice Voucher Program?

A: The Housing Choice Voucher Program provides rental assistance for apartments, homes, condos and duplexes.

Q: Are restrictions placed on where program participants may seek housing?

A: Each Housing Authority works within a certain geographic location. Program participants are restricted to finding housing within the geographic location that is serviced by a particular Housing Authority. In addition, the neighborhood must be one that is not subject to dangerous steps, walks, flooding, instability, septic tank backups, poor drainage, mud slides, sewage hazards, smoke or dust, abnormal air pollution, vermin infestations, excessive accumulation of trash or fire hazards.

WHAT HAPPENS WHEN THINGS GO BAD?

Q: What type of criteria is the housing required to meet?

A: The housing must be decent, safe and sanitary while also meeting the Housing Quality Standards. These standards include having all of the following:

- An alternative exit in case of fire
- A cooking stove or range
- A kitchen sink with hot and cold running water
- A refrigerator that is of appropriate size for the unit
- Space for storage, food preparation and serving
- Facilities and services for food waste disposal
- At least one window in living and sleeping rooms
- A working light fixture in the bathroom and kitchen
- At minimum of two electric outlets in the kitchen, living room and each bedroom
- Adequate air circulation
- Free from dangerous levels of sewer gas, carbon monoxide, dust, fuel gas and other harmful air pollutants
- A flush toilet
- A fixed tub or shower with hot and cold running water
- A fixed basin with hot and cold running water
- A kitchen, living room, bathroom and at least one bedroom or a living-sleeping room
- Screens on all exterior doors and windows that are accessible from the outside
- No serious defects, such as large holes, bulging or loose surface materials, on floors, ceilings and walls
- A firm and weather tight roof

Q: Are there limitations placed on rental amounts?

A: Each Housing Authority is responsible for determining rent limitations. Most Housing Authorities perform rent reasonableness surveys in order to determine a reasonable rate for the area and to ensure the rent is comparable to that being paid by those who are not involved in the program. Furthermore, the Housing Authority will not approve a unit if the rental cost is more than 40% of the tenant's income.



WHAT HAPPENS WHEN THINGS GO BAD?

Q: Are landlords required to lease to people who have Housing Authority vouchers?

A: No. As a landlord, you have the freedom to rent to whoever you like, so long as you are not discriminating against potential tenants based on color, race, religion, sex, familial status or national origin. The Housing Authority does not require landlords to house families involved in the program, nor does it screen families. Rather, the Housing Authority only determines program eligibility and leaves the responsibility of screening families up to the landlord. So long as you require all potential tenants to complete an application and screening process, you are fully within your rights as a landlord.

Q: Are landlords expected to treat program participants differently from those who are not receiving assistance?

A: No. Program participants are expected to abide by the same regulations as unassisted tenants.

Q: How many people can live in a unit through the Housing Choice Voucher Program?

A: Each Housing Authority places its own restrictions on unit size, which is based on the size of the family. The Housing Authority will issue a voucher to the family, which will indicate the unit bedroom size that is required through the program. As a landlord, it is essential for you to make certain the bedroom size of your rental property is in compliance with the voucher.

Q: Are landlords required to accept pets through the Housing Choice Voucher Program?

A: No. Whether or not you accept pets is up to you.

Q: Who pays the security deposit?

A: Tenants are required to pay their own security deposits, though you are restricted from charging a security deposit that is greater than what you charge unassisted tenants.

Q: Is the landlord required to pay for the utilities?

A: The landlord is not responsible for paying the tenant's utilities, though the tenant must have an electric, gas and water meter that is separate from other tenants. If the



WHAT HAPPENS WHEN THINGS GO BAD?

tenant is responsible for paying the utilities, the utilities must be transferred to the tenant's name.

Q: Are program participants allowed to rent furnished apartments?

A: Yes, though the Housing Authority may only subsidize for the rental unit. In this case, the tenant may need to contract the furnishings separately.

Q: What kind of paperwork is involved with the program?

A: Once you have reached an agreement with a potential candidate, you will need to complete a Request for Tenancy Approval form. This form requests basic information, such as the address of the unit, the monthly rental fee and the utilities the tenant will be required to pay. You will also be required to negotiate a lease agreement with the potential client.

After your unit has passed inspection, you will be required to sign a contract with the Housing Authority. Every year, you will be required to go through a recertification process. Your lease will not be binding until after the unit has passed inspection and you have signed a contract with the Housing Authority.

Q: How involved is the Housing Authority with the tenant/landlord relationship?

A: The Housing Authority encourages landlords and tenants to resolve issues on their own, but will provide assistance if the landlord or the tenant are experiencing problems.

Q: When does the landlord receive rental payments from the Housing Authority?

A: The first payment may take up to two weeks to arrive. Thereafter, the Housing Authority makes every effort to get payments to the landlord by the first of each month. All payments are sent via first class mail.

Q: Is the landlord able to evict a tenant if necessary?

A: Yes. The landlord may evict a tenant who is participating in the Housing Choice Voucher Program, so long as you provide proper legal notice. The landlord must also provide the Housing Authority with a copy of the initial eviction notice once the process has been started. In order to evict the tenant, one must abide by all local and



WHAT HAPPENS WHEN THINGS GO BAD?

state eviction laws. Legal reasons for eviction include failure to pay rent, causing damage beyond normal wear and tear and illegal use of the unit.

Q: What are the responsibilities of the landlord through the Housing Choice Voucher Program?

A: As the landlord, you will be responsible for screening your tenants and for selecting the family you will rent your unit out to. You will also be responsible for performing all management and renting functions as well as performing all necessary maintenance. If you are supplying utilities to the unit, you will also be responsible for the payment of these facilities. In addition, you are responsible for complying with the Housing Assistance Payment Voucher Contract as well as with the lease you have with your tenant.

Q: What are the responsibilities of the tenant through the Housing Choice Voucher Program?

A: Families participating in the Housing Choice Voucher Program are responsible for finding suitable housing and for providing the Housing Authority with the income and family information needed to verify and certify program eligibility. This information must be provided at least on an annual basis in order to maintain eligibility. Families participating in the program are also responsible for repairing any damage that they cause to the unit and must allow the Housing Authority to inspect the unit. Finally, families must abide by the obligations as defined by the Housing Choice Voucher, which abiding by the lease.

Q: What are the responsibilities of the Housing Authority through the Housing Choice Voucher Program?

A: The Housing Authority is responsible for determining whether or not the client is eligible to participate in the Housing Choice Voucher Program. Once eligibility is established, the Housing Authority is responsible for processing the certification and re-certification application, for inspecting the unit, for approving the lease and for executing the Housing Assistance Payment Contract. The Housing Authority is also responsible for determining the amount of assistance to be provided and for making payments to the landlord on behalf of the tenant. Finally, the Housing Authority is responsible for monitoring the program and making certain everyone involved is in compliance with Federal, State and Local regulations.



WHAT HAPPENS WHEN THINGS GO BAD?

Q: Why would a landlord want to participate in the Housing Choice Voucher Program?

A: Landlords who participate in the Housing Choice Voucher Program enjoy rent security in terms of the portion that is paid by the Housing Authority. Accepting program participants also helps keep vacancies low while providing landlords with good residents to fill their empty units.

Why is Section 8 Good for You the Lender?

If the borrower stops paying you the lender you may will be overjoyed to know that your borrower is renting to Section 8 tenants. The reason for this is simple, with the correct documentation for the loan and documentation of the missed payments, you can have the Housing Authority pay you directly instead of them paying your borrower. How is that for a benefit from Section 8 tenants!

Selling Your Bad Paper

When a borrower stops paying you now have a non-performing note. Keep in mind that this "note" is essentially an "asset" just like a stock or bond and like any other asset, it can be sold. This option does carry some risk. Depending upon the type/quality of the real estate securing the note, the marketability and value of the note can rise or fall depending upon such factors as the movement of interest rates, land use changes in subjects proximity, market changes, and the terms of the note just to name a few.

Why Do People Buy Real Estate Investment Notes? Everyone loves a good deal. In order to sell a real estate investment note, you must know why someone would buy it. The reason someone would buy a real estate note is to get a good deal. In other words, the note has to be worth more than the buyer is paying for it. When you sell the note, it should be beneficial both for you to sell it and for a buyer to purchase it. Because the note is non-performing you will obviously need to sell it at a steep discount to entice a buyer.



WHAT HAPPENS WHEN THINGS GO BAD?

You would be surprised at the number of individuals and companies that actually want to purchase non-performing notes. The catch is that you will have to discount it. This is less painful if the note is seasoned and you have some equity in it. Check out sites like FCIExchange.com for more info. You can also do a general google search for “selling non-performing real estate notes.”

Deed in Lieu

A deed in lieu of foreclosure (lieu deed) is a conveyance, by the owner of property encumbered by a mortgage, to the mortgagee, in full satisfaction of the obligation secured by the mortgage. The mortgagee takes title to the property subject to existing claims or liens affecting the property, but the mortgage is not merged with the lender's title to the property.

Acceptance of a lieu deed terminates the liability of the borrower and all other persons liable for the mortgage debt unless there is an agreement to the contrary made contemporaneously with the lieu deed transaction. The terms and conditions under which a borrower will grant and a lender will accept a deed in lieu of foreclosure are highly negotiable and will depend on the relative bargaining positions of the respective parties.

Advantages to Lender

There are several advantages to a lender in accepting a deed in lieu of foreclosure. First, the lender becomes the owner of the property, allowing the lender to control its operation, take immediate steps to maximize its economic value, use and obtain all its income, and preserve valuable contracts and tenants.

Second, the transaction can be quickly negotiated and completed with fee title vesting in the lender upon recordation of the deed so that title is immediately marketable.

Third, the publicity, time, and expense of a foreclosure action can be avoided.



WHAT HAPPENS WHEN THINGS GO BAD?

Finally, if there is no equity in the property above the amount of the outstanding debt, the transaction will not be susceptible to being set aside by a bankruptcy court or a court of equity if the borrower later files for bankruptcy or attempts to rescind the transaction based on fraud or coercion.

Disadvantages to Lender

Sometimes a lender should not accept a lieu deed. For example, the lender should not accept a partial conveyance of the property unless the entire mortgage debt is released as a result of the partial conveyance. Otherwise, the lender may face valuation and allocation problems, title problems, and/or problems in connection with subsequent foreclosure of the remainder of the property still subject to the mortgage, with all the additional cost and time involved.

A lender should also hesitate before accepting a lieu deed where there are outstanding subordinate liens or judgments against the property. In such a situation, the lender will have to foreclose its mortgage, with the attendant expense and time involved to obtain clear title.

Even if the debtor promises to remove subordinate liens and encumbrances prior to transfer of the property, he/she may not be able to do so, especially where there are numerous liens or judgments outstanding. Such matters are often outside the lender's control, and title matters must be cleared quickly in order to close the transaction expeditiously. The lender must also be careful in this situation that the lieu deed is structured in a manner that will not result in merging the mortgage lien with title to the property upon consummation of the transaction, thereby preventing the lender from foreclosing subordinate liens.

Foreclosure

Most people think that foreclosure means you automatically will lose money. This is not necessarily true. In fact if the note was properly underwritten and serviced,



WHAT HAPPENS WHEN THINGS GO BAD?

foreclosure can actually be a very lucrative process for the lender. It takes some time, effort and an additional monetary investment but in the end it should pay off handsomely!

The foreclosure process varies somewhat from state to state, and depends primarily on whether the state uses mortgages or deeds of trust for the purchase of real property. Generally, states that use mortgages conduct judicial foreclosures; states that use deeds of trust conduct non-judicial foreclosures. The principal difference between the two is that the judicial procedure requires court action on a foreclosed home.

The below table represents current knowledge of which states use mortgages (judicial) or deeds of trust (non-judicial) or both. The table also includes estimated foreclosure timelines for each state. Please check with your local county government to verify this information.

State	Judicial	Non-Judicial	Comment	Process Period**	Publish Sale**	Redemption Period**	Sale/NTS
Alabama	•	•	Judicial rarely	49-74	21	365	Trustee
Alaska	•	•	Judicial rarely	105	65	365*	Trustee
Arizona	•	•	Judicial rarely	90+	41	30-180*	Trustee
Arkansas	•	•	Both	70	30	365*	Trustee
California	•	•	Judicial rarely	117	21	365*	Trustee
Colorado	•	•	Judicial rarely	145	60	None	Trustee

WHAT HAPPENS WHEN THINGS GO BAD?

Connecticut	•		Judicial only	62	NA	Court Decides	Court
Delaware	•		Judicial only	170-210	60-90	None	Sheriff
Florida	•		Judicial only	135	NA	None	Court
Georgia	•	•	Judicial rarely	37	32	None	Trustee
Hawaii	•	•	Both	220	60	None	Trustee
Idaho	•	•	Trustee Sale	150	45	365	Trustee
Illinois	•		Judicial only	300	NA	90	Court
Indiana	•		Judicial only	261	120	None	Sheriff
Iowa	•	•	Trustee Sale Voluntary	160	30	20	Sheriff
Kansas	•		Judicial only	130	21	365	Sheriff
Kentucky	•		Judicial only	147	NA	365	Court
Louisiana	•		Judicial only	180	NA	None	Sheriff
Maine	•		Judicial only	240	30	90	Court
Maryland	•		Judicial only	46	30	Court Decides	Court

WHAT HAPPENS WHEN THINGS GO BAD?

Massachusetts	•		Judicial only	75	41	None	Court
Michigan		•	Non-Judicial only	60	30	30-365	Sheriff
Minnesota	•	•	Non-Judicial mostly	90-100	7	180	Sheriff
Mississippi	•	•	Non-Judicial mostly	90	30	None	Trustee
Missouri	•	•	Non-Judicial mostly	60	10	365	Trustee
Montana	•	•	Trustee Sale mostly	150	50	None	Trustee
Nebraska	•		Judicial only	142	NA	None	Sheriff
Nevada	•	•	Trustee Sale mostly	116	80	None	Trustee
New Hampshire		•	Non-Judicial only	59	24	None	Trustee
New Jersey	•		Judicial only	270	NA	10	Sheriff
New Mexico	•		Judicial only	180	NA	30-270	Court



WHAT HAPPENS WHEN THINGS GO BAD?

New York	•		Judicial only	445	NA	None	Court
North Carolina	•	•	Non-Judicial mostly	110	25	None	Sheriff
North Dakota	•		Judicial only	150	NA	180-365	Sheriff
Ohio	•		Judicial only	217	NA	None	Sheriff
Oklahoma	•	•	Judicial mostly	186	NA	None	Sheriff
Oregon	•	•	Trustee Sale mostly	150	30	180	Trustee
Pennsylvania	•		Judicial only	270	NA	None	Sheriff
Rhode Island	•	•	Non-judicial mostly	62	21	None	Trustee
South Carolina	•		Judicial only	150	NA	None	Court
South Dakota	•	•	Judicial mostly	150	23	30-365	Sheriff
Tennessee		•	Non-judicial only	40-45	20-25	730	Trustee
Texas	•	•	Non-Judicial mostly	27	NA	None	Trustee

WHAT HAPPENS WHEN THINGS GO BAD?

Utah		•	Non-Judicial Only	142	NA	Court Decides	Trustee
Vermont	•		Judicial only	95	NA	180-365	Court
Virginia	•	•	Trustee Sale mostly	45	14-28	None	Trustee
Washington	•	•	Trustee Sale mostly	135	90	None	Trustee
Washington D.C.		•	Trustee Sale only	47	18	None	Trustee
West Virginia		•	Trustee Sale only	60-90	30-60	None	Trustee
Wisconsin	•	•	Judicial mostly	290	NA	365	Sheriff
Wyoming	•	•	Non-judicial mostly	60	25	90-365	Sheriff

* Judicial Foreclosures Only

** In days

Judicial Foreclosure

In a judicial foreclosure, the lender must go to court to get the foreclosure started. A judicial foreclosure typically takes several months or more, giving you time to look for another place to live, and to save some money for the future. Another advantage is



WHAT HAPPENS WHEN THINGS GO BAD?

that you can raise in court any legal defenses you may have to the foreclosure (without having to file your own lawsuit).

Procedures in a Judicial Foreclosure

Here's how a typical judicial foreclosure might proceed.

The borrower get behind on the mortgage payments. You, the lender can begin foreclosure procedures if just one payment is missed, but usually most lenders wait longer -- much longer in many states.

You, the lender sends a notice of intent to begin foreclosure. In many states, the lender sends a notice of intent to begin foreclosure proceedings. The notice informs the borrower that the proceedings can be avoided if they make up the missed payments, plus costs and interest.

You, the lender file a lawsuit. If the borrower does not make up the missed payments, you will then go to court and file a lawsuit.

You, the lender gives the borrower notice of the lawsuit. You, the lender does this by delivering a summons and complaint to the borrower (called "serving" a summons and complaint)

The borrower has a chance to respond. The summons and complaint give the borrower a period of time within which they must respond if they choose to contest or argue the lawsuit (usually between 15 and 30 days). Whether or not they file a response is up to them. Either way, you the lender will have the burden of proving to the judge that the foreclosure is justified under the terms of the mortgage.

- If the borrower does not respond, the chances are excellent that the foreclosure will go through. The court will issue a default judgment that authorizes you to sell the home.
- If the borrower does respond, they will have the opportunity to tell a judge just why they think they have a legal right to keep the house and that foreclosure is not warranted. The better the borrower's defenses, the longer the process will drag out in court. Even if the borrower wins, however, it may be a temporary



WHAT HAPPENS WHEN THINGS GO BAD?

victory if you, the lender can fix whatever problem caused case to lose this time in court.

You the lender sends a notice of intent to sell. Once the judge issues a judgment, the lenders typically will send the borrower a notice of intent to sell the property. At this point, in many states the borrower can avoid the foreclosure sale if somehow they can "redeem" the mortgage (pay it off in full, as well as the foreclosure costs and attorney's fees).

The auction is held. If no one buys the home at the auction, ownership goes to you, the lender. Up to this point, the entire process, from the first notice to the auction, typically takes three and a half months depending on the state -- more, if the borrower files a response to the summons and complaint.

Federal legislation provides that a lease would survive a foreclosure. Therefore if your newly acquired property from the foreclosure has a tenant with a current lease they legally can stay at least until the end of the lease. Month-to-month tenants are entitled to 90 days' notice before having to move out.

Nonjudicial Foreclosure

If the property is in a nonjudicial foreclosure state, you, the lender, do not have to go to court in order to foreclose on the property. This means that the foreclosure can proceed more quickly.

The key to this ability is a document called a deed of trust. The deed of trust turns the promissory note into a debt secured by a lien (legal claim) on the property. The deed of trust authorizes you, the lender, to foreclose on the property if the borrower defaults. The deed of trust typically allows the foreclosure to proceed outside of court, under state law.

The Nonjudicial Foreclosure Process

State law sets out the specifics of the foreclosure procedure, including how much notice the owner must receive, how the property will be sold (typically at a public

WHAT HAPPENS WHEN THINGS GO BAD?

auction), and what rights (if any) the owner has to reinstate the loan before the foreclosure date or recover title to the property after it's sold.

Nonjudicial Foreclosures can be very quick depending on the state. In some states, the first notice of the foreclosure proceeding to the owner will be the notice of sale. Depending on the state, this notice will be either served on the owner personally, published in the local newspaper, posted in the courthouse and on the property itself, or by some combination of the above.

Notice of default and notice of sale. Some states provide the owner with two notices - a formal written notice that they are in default (usually about 30 days, but sometimes more and sometimes less) and another formal notice that the house will be sold at auction (again, usually about a month).

Right to reinstate. Between the notice of default and notice of sale, the owners typically are allowed to reinstate the mortgage by paying off what they owe, plus fees and costs (which can be very high). With a couple of exceptions, however, once the sale occurs, the house is gone.

The auction is held. If the owner does not reinstate the mortgage, the home will be sold at auction. As with judicial foreclosures, if no one meets the minimum bid, the property goes to you, the lender.

Right to redeem. A few states give the owner some time after the foreclosure auction to redeem the property (to recover ownership of the property by paying off the successful bidder).

Challenging a Nonjudicial Foreclosure in Court

Because the owner does not have the opportunity to raise defenses to the foreclosure in a nonjudicial foreclosure, if the owner wishes to contest the foreclosure, they will have to file a lawsuit themselves. When they do this, they ask the court to temporarily stop the foreclosure so that they can resolve the legal issues in court (and possibly at trial). Once they are in court, they can raise the same defenses they would have raised in a judicial foreclosure proceeding.



WHAT HAPPENS WHEN THINGS GO BAD?

In these lawsuits, the owner typically asks the court for three things, in the following order:

- a temporary restraining order (which lasts about ten days)
- a preliminary injunction (which, in foreclosure actions, will last until the court decides the case), and
- a permanent injunction (which will be issued if the judge decides in your favor).

If foreclosure seems like an overwhelming task you are in luck. There are many companies that specialize in foreclosure assistance for the lender. In our opinion it is well worth the expense to secure their services if you are ever in need. The company Lake City Servicing uses is national Default Service. Other such companies can easily be found on the internet if you ever find yourself in need.

LIQUIDITY & MARKETING

Staging the Property

Staging is the practice of placing furniture, wall art, nick knacks, and/or other objects throughout the home to make it look more “lived-in.” Most real estate experts agree that a staged home sells much faster and for more money than one that is un-staged.



10 Staging tips to turn your home into buyer bait!

1. Make an entrance. - You know the saying: You never have a second chance to make a first impression. "The outside of your home is the first thing guests see."
2. Don't over stage. – Clutter is a sales killer! Less is more.
3. Furniture is not needed for a good home stage but If you must use furniture, pay attention to traffic flow and float it away from walls when possible.
4. Let the sun shine in. – Light and bright is always better. This will make rooms look larger.
5. Light it up! - Do not rely on Mother Nature for all your lighting. Increase the wattage in your lamps and fixtures. Aim for a total of 100 watts for every 50 square feet. Layer lighting. Use a combination of overhead, floor, table, and accent lighting to create great ambience.
6. Make your art sing. - Hang pictures on different planes so that your eye goes up and down as it travels around the room - it creates interest on your walls.

LIQUIDITY & MARKETING

Art displayed creatively makes the art stand out more and shows off your space.

7. Accessorize with flair. - When it comes to eye-pleasing accessorizing, three is the magic number. Rather than setting your trio of accessories out in a row, imagine a triangle and place one object at each point. The eye naturally "reads" the room from left to right, so putting a striking object in the far right corner will automatically draw your gaze there and make the room seem bigger.
8. Appeal to the sense of smell. - Staging is not just about what it looks like. You must eliminate musty and stale air smells. Bake cookies, burn scented candles or use air freshener.
9. Pay attention to the sounds you hear in the house. If street noise or other sounds are an issue, find a way to mitigate the problem.
10. Bring the outdoors in. - Take clippings of branches or twigs and put them in a large vase in the corner of a room to add height -- it's a great structural piece that doesn't cost anything. Budding clippings or unfurling fern fronds herald the arrival of spring, summer blooms add splashes of cheerful color and holly branches heavy with berries look smashing in winter. Look for ways to add elegance and texture any time of year.

The Psychology of Curb Appeal

Your home's appearance has a psychological effect on potential buyers. If the exterior of the house and yard is well-maintained, buyers enter the





LIQUIDITY & MARKETING

home with positivity, believing the interior will measure up to the standards set outside. If the exterior looks poorly maintained, buyers enter the home with a negative mindset, specifically looking for problems.

Attract buyers with a clean, mowed front yard, a colorful planter, and welcome mat. If the home's landscaping is overgrown and neglected, trim out the excess and plant a few inexpensive foundation bushes near the front.

TIP: Mulch flowerbeds with a dark-colored mulch to add instant charm.

How to Appeal to the Buyer

Real Estate has an emotional dimension that other investment vehicles do not. People make the decision to purchase a home based on their feelings. Use this to your advantage. The subconscious appeal that you create may affect your sales price and help you sell more quickly. Create an atmosphere that will charm buyers and make them want to own the home.

For men, size matters. They like big yards, big garages and big square footage.

Women want to know how the master bedroom "feels" and what the view is like from there and whether the floor plan flows well for entertaining or keeping an eye on children. She will be sold on the kitchen so make it sparkle.

If you do not replace the appliances you must clean them thoroughly inside and out. Everyone knows to give the cabinets a facelift but do not neglect the inside. Expend the extra time and energy to give the inside of the cabinets a good cleaning.

Women control or influence \$7 trillion in consumer spending annually and make 85% of all purchase decisions, according to a number of experts. In real estate single women account for more than twice as many home purchases as their male

LIQUIDITY & MARKETING

counterparts. Even when a single man does buy a home he almost always brings a woman with him to confirm that this is the right place to buy.

Realtor statistics are now showing that in 70% of their sales, if the woman likes the home, the man goes along with it. Spousal gratification is a big reason men often play second fiddle in making decisions about big purchases.

What it all boils down to is that the smart money is on women as the one you must ultimately appeal to. Make the woman happy with the property and everyone is happy!

To Market, To Market

The goal when marketing your home is to gain as much exposure in the market as possible. Increased exposure in the housing market will put your home in front of the greatest number of potential buyers. The larger your pool of buyers, the higher the likelihood you will field multiple offers. Let's face it, multiple offers is a good thing when you are selling. Any time you receive multiple offers, you're fostering an atmosphere where prospective buyers will offer their highest and best price in order to compete with other offers.



The most effective strategy is to run a promotional blitz as soon as your home hits the market. But do not start prematurely. You want to make sure the property is in pristine condition before any of these marketing strategies are deployed.

Tools that you should incorporate in this marketing blitz include (but may not be limited to):

LIQUIDITY & MARKETING

- Use printed materials such as flyers, pamphlets, postcards, etc. that buyers can take home (be sure to include photos and list major selling points).
- Place your listing on the Multiple Listing Service (MLS) complete with all descriptive details (more in the next session).
- Use professional quality photographs and/or virtual tour of your home on the internet and include lots of pictures. There is nothing worse to a potential home buyer than to find a house they may be interested in on the internet only to discover there is just a few lousy pictures available to look at. Contrary to popular belief this will not make them come and look at the house. They will just move on to one that does provide good pictures.
- Feature the listing on numerous websites such as Zillow, and your agency's company website. The list of potential sites is quite long.
- Post the listing on social media sites like Facebook, Twitter, and Pinterest.
- See if you can set up an "Agent Tour" the first week on the market.

Timing is Money

If you list at the wrong time it will cost you. Real estate markets are cyclic. You cannot assume that you will make money tomorrow just because prices are rising today. Here are a few suggestions to help you increase profits.

- Find out what the market is doing in your area. Real estate markets are very localized. Take the time to learn your market and do not depend on national or even state trends.
- Real estate trends can be altered by significant events in a community.
 - Has a big employer pulled out of a small community?
 - Has a big employer moved into the community?
 - This can drastically effect housing prices. Know your market trends!
- Stack your inventory to maximize your profit during the selling cycle. As you track how the cycle fluctuates throughout the year, strategically buy several homes when the cycle is at its low point so that you rehab them during the off-selling time and have them ready for market when the cycle peaks again.



LIQUIDITY & MARKETING

Other Marketing Considerations

Pricing

Stay Within the Price Range of the Neighborhood. - If you over build for the neighborhood you will not be able to find comps to justify your price and you will not be able to recoup your costs. Keep the work comparable to the neighborhood you are in.

Using the MLS

List on the MLS: More eyes means a faster sale. Time is money in this business, and the longer your money and energy are tied up into one deal, the longer you are missing out on the next deal.



Do Not Hesitate to Use Competent Realtor

80%+ of all home sales are completed through a real estate agent. Do not miss out on all these potential buyers! Ask for weekly reports (or better yet, have a phone conversation about the progress at least once per week) and make sure your agent is keeping your property a priority. Remember “the squeaky wheel gets the grease.” So be squeaky!

Inspection Checklist

Housing Choice Voucher Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(Exp. 04/30/2018)

Public reporting burden for this collection of information is estimated to average 0.50 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number

Assurances of confidentiality are not provided under this collection.

This collection of information is authorized under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). The information is used to determine if a unit meets the housing quality standards of the section 8 rental assistance program.

Privacy Act Statement. The Department of Housing and Urban Development (HUD) is authorized to collect the information required on this form by Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). Collection of the name and address of both family and the owner is mandatory. The information is used to determine if a unit meets the housing quality standards of the Section 8 rental assistance program. HUD may disclose this information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released outside of HUD, except as permitted or required by law. Failure to provide any of the information may result in delay or rejection of family participation.

Name of Family		Tenant ID Number	Date of Request (mm/dd/yyyy)
Inspector		Neighborhood/Census Tract	Date of Inspection (mm/dd/yyyy)
Type of Inspection	Date of Last Inspection (mm/dd/yyyy)		PHA
Initial	Special	Reinspection	

A. General Information			Housing Type (check as appropriate) Single Family Detached Duplex or Two Family Row House or Town House Low Rise: 3, 4 Stories, Including Garden Apartment High Rise; 5 or More Stories Manufactured Home Congregate Cooperative Independent Group Residence Single Room Occupancy Shared Housing Other
Inspected Unit		Year Constructed (yyyy)	
Full Address (including Street, City, County, State, Zip)			
Number of Children in Family Under 6			
Owner			
Name of Owner or Agent Authorized to Lease Unit Inspected		Phone Number	
Address of Owner or Agent			

B. Summary Decision On Unit (To be completed after form has been filled out)				
<input type="checkbox"/>	Pass	Number of Bedrooms for Purposes of the FMR or Payment Standard	Number of Sleeping Rooms	
<input type="checkbox"/>	Fail			
<input type="checkbox"/>	Inconclusive			

Inspection Checklist						
Item No.	1. Living Room	Yes Pass	No Fail	In-Conc.	Comment	Final Approval Date (mm/dd/yyyy)
1.1	Living Room Present					
1.2	Electricity					
1.3	Electrical Hazards					
1.4	Security					
1.5	Window Condition					
1.6	Ceiling Condition					
1.7	Wall Condition					
1.8	Floor Condition					

* Room Codes: 1 = Bedroom or Any Other Room Used for Sleeping (regardless of type of room); 2 = Dining Room or Dining Area;
 3 = Second Living Room, Family Room, Den, Playroom, TV Room; 4 = Entrance Halls, Corridors, Halls, Staircases; 5 = Additional Bathroom; 6 = Other

Item No.	1. Living Room (Continued)	Yes Pas	No Fail	In-Conc.	Comment	Final Approval Date (mm/dd/yyyy)
1.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?				Not Applicable	
2. Kitchen						
2.1	Kitchen Area Present					
2.2	Electricity					
2.3	Electrical Hazards					
2.4	Security					
2.5	Window Condition					
2.6	Ceiling Condition					
2.7	Wall Condition					
2.8	Floor Condition					
2.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?				Not Applicable	
2.10	Stove or Range with Oven					
2.11	Refrigerator					
2.12	Sink					
2.13	Space for Storage, Preparation, and Serving of Food					
3. Bathroom						
3.1	Bathroom Present					
3.2	Electricity					
3.3	Electrical Hazards					
3.4	Security					
3.5	Window Condition					
3.6	Ceiling Condition					
3.7	Wall Condition					
3.8	Floor Condition					
3.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?				Not Applicable	
3.10	Flush Toilet in Enclosed Room in Unit					
3.11	Fixed Wash Basin or Lavatory in Unit					
3.12	Tub or Shower in Unit					
3.13	Ventilation					

Item No.	4. Other Rooms Used For Living and Halls	Yes Pass	No Fail	In-Conc.	Comment	Final Approval Date (mm/dd/yyyy)
4.1	Room Code* and Room Location <input type="checkbox"/>	(Circle One) Right/Center/Left		(Circle One) Front/Center/Rear	____ Floor Level	
4.2	Electricity/Illumination					
4.3	Electrical Hazards					
4.4	Security					
4.5	Window Condition					
4.6	Ceiling Condition					
4.7	Wall Condition					
4.8	Floor Condition					
4.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?			<input type="checkbox"/> Not Applicable		
4.10	Smoke Detectors					
4.1	Room Code* and Room Location <input type="checkbox"/>	(Circle One) Right/Center/Left		(Circle One) Front/Center/Rear	____ Floor Level	
4.2	Electricity/Illumination					
4.3	Electrical Hazards					
4.4	Security					
4.5	Window Condition					
4.6	Ceiling Condition					
4.7	Wall Condition					
4.8	Floor Condition					
4.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?			<input type="checkbox"/> Not Applicable		
4.10	Smoke Detectors					
4.1	Room Code* and Room Location <input type="checkbox"/>	(Circle One) Right/Center/Left		(Circle One) Front/Center/Rear	____ Floor Level	
4.2	Electricity/Illumination					
4.3	Electrical Hazards					
4.4	Security					
4.5	Window Condition					
4.6	Ceiling Condition					
4.7	Wall Condition					
4.8	Floor Condition					
4.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?			<input type="checkbox"/> Not Applicable		

Item No.	4. Other Rooms Used For Living and Halls	Yes Pass	No Fail	In-Conc.	Comment	Final Approval Date (mm/dd/yyyy)
4.1	Room Code * and Room Location	(Circle One) Right/Center/Left	(Circle One) Front/Center/Rear		_____ Floor Level	
4.2	Electricity/Illumination					
4.3	Electrical Hazards					
4.4	Security					
4.5	Window Condition					
4.6	Ceiling Condition					
4.7	Wall Condition					
4.8	Floor Condition					
4.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?				Not Applicable	
4.10	Smoke Detectors					
4.1	Room Code* and Room Location	(Circle One) Right/Center/Left	(Circle One) Front/Center/Rear		_____ Floor Level	
4.2	Electricity/Illumination					
4.3	Electrical Hazards					
4.4	Security					
4.5	Window Condition					
4.6	Ceiling Condition					
4.7	Wall Condition					
4.8	Floor Condition					
4.9	Lead-Based Paint Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed two square feet per room and/or is more than 10% of a component?				Not Applicable	
4.10	Smoke Detectors					
5. All Secondary Rooms (Rooms not used for living)						
5.1	None Go to Part 6					
5.2	Security					
5.3	Electrical Hazards					
5.4	Other Potentially Hazardous Features in these Rooms					

Item No.	6. Building Exterior	Yes Pass	No Fail	In - Conc.	Comment	Final Approval Date (mm/dd/yyyy)
6.1	Condition of Foundation					
6.2	Condition of Stairs, Rails, and Porches					
6.3	Condition of Roof/Gutters					
6.4	Condition of Exterior Surfaces					
6.5	Condition of Chimney					
6.6	Lead Paint: Exterior Surfaces Are all painted surfaces free of deteriorated paint? If not, do deteriorated surfaces exceed 20 square feet of total exterior surface area?				Not Applicable	
6.7	Manufactured Home: Tie Downs					
7. Heating and Plumbing						
7.1	Adequacy of Heating Equipment					
7.2	Safety of Heating Equipment					
7.3	Ventilation/Cooling					
7.4	Water Heater					
7.5	Approvable Water Supply					
7.6	Plumbing					
7.7	Sewer Connection					
8. General Health and Safety						
8.1	Access to Unit					
8.2	Fire Exits					
8.3	Evidence of Infestation					
8.4	Garbage and Debris					
8.5	Refuse Disposal					
8.6	Interior Stairs and Common Halls					
8.7	Other Interior Hazards					
8.8	Elevators					
8.9	Interior Air Quality					
8.10	Site and Neighborhood Conditions					
8.11	Lead-Based Paint: Owner's Certification				Not Applicable	

If the owner is required to correct any lead-based paint hazards at the property including deteriorated paint or other hazards identified by a visual assessor, a certified lead-based paint risk assessor, or certified lead-based paint inspector, the PHA must obtain certification that the work has been done in accordance with all applicable requirements of 24 CFR Part 35. The Lead -Based Paint Owner Certification must be received by the PHA before the execution of the HAP contract or within the time period stated by the PHA in the owner HQS violation notice. Receipt of the completed and signed Lead-Based Paint Owner Certification signifies that all HQS lead-based paint requirements have been met and no re-inspection by the HQS inspector is required.

C. Special Amenities (Optional)

This Section is for optional use of the HA. It is designed to collect additional information about other positive features of the unit that may be present. Although the features listed below are not included in the Housing Quality Standards, the tenant and HA may wish to take them into consideration in decisions about renting the unit and the reasonableness of the rent. Check/list any positive features found in relation to the unit.

D. Questions to ask the Tenant (Optional)
1. Living Room

- High quality floors or wall coverings
- Working fireplace or stove Balcony, patio, deck, porch Special windows or doors
- Exceptional size relative to needs of family
- Other: (Specify)

2. Kitchen

- Dishwasher
- Separate freezer
- Garbage disposal
- Eating counter/breakfast nook
- Pantry or abundant shelving or cabinets
- Double oven/self cleaning oven, microwave
- Double sink
- High quality cabinets
- Abundant counter-top space
- Modern appliance(s)
- Exceptional size relative to needs of family
- Other: (Specify)

3. Other Rooms Used for Living

- High quality floors or wall coverings
- Working fireplace or stove Balcony, patio, deck, porch Special windows or doors
- Exceptional size relative to needs of family
- Other: (Specify)

4. Bath

- Special feature shower head
- Built-in heat lamp
- Large mirrors
- Glass door on shower/tub
- Separate dressing room
- Double sink or special lavatory
- Exceptional size relative to needs of family
- Other: (Specify)

5. Overall Characteristics

- Storm windows and doors
- Other forms of weatherization (e.g., insulation, weather stripping) Screen doors or windows
- Good upkeep of grounds (i.e., site cleanliness, landscaping, condition of lawn)
- Garage or parking facilities
- Driveway
- Large yard
- Good maintenance of building exterior
- Other: (Specify)

6. Disabled Accessibility

Unit is accessible to a particular disability. Yes No
Disability

1. Does the owner make repairs when asked? Yes ~~XXXXXXXXXX~~ [~~AAA~~
2. How many people live there? _____
3. How much money do you pay to the owner/agent for rent? \$ _____
4. Do you pay for anything else? (specify) _____
5. Who owns the range and refrigerator? (insert O = Owner or T = Tenant) Range _____ Refrigerator _____ Microwave _____
6. Is there anything else you want to tell us? (specify) Yes ~~XXXXXXXXXX~~ [~~AAA~~

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Esty/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
100	X	Soft Costs	Budget	%	O	C	S	Y/N	X	Notes:
101		Plans		0%						
102		Permits		0%						
103		Architect		0%						
104		Superintendent		0%						
105		Temp Power		0%						
106		Temp Toilet		0%						
107		Temp Water		0%						
108		Dump/Trash		0%						
109				0%						
110				0%						
111				0%						
		Total Cost	\$ -							
200	X	Rough Electrical	Budget	%	O	C	S	Y/N	X	Notes:
201		Panel Main/Subs		0%						
202		Wiring		0%						
203		Outlets		0%						
204		Smoke Alarms		0%						
205		CO Detectors		0%						
206		Cable Lines		0%						
207				0%						
208				0%						
209				0%						
		Total Cost	\$ -							
300	X	Rough Plumbing	Budget	%	O	C	S	Y/N	X	Notes:
301		Septic		0%						
302		Sewer		0%						
303		Water Lines		0%						
304		Traps & Clean-Outs		0%						
305		Piping Vents		0%						
306		Fire Sprinklers		0%						
307				0%						
308				0%						
309				0%						
		Total Cost	\$ -							
400	X	Mechanical	Budget	%	O	C	S	Y/N	X	Notes:
401		Rough Ductwork		0%						
402		Heating Unit		0%						
403		AC Unit		0%						
404		Heat Pump		0%						
405		Hot Water Tank		0%						
406		Finish Ductwork		0%						
407		Gas Piping		0%						
408				0%						
409				0%						
410				0%						
		Total Cost	\$ -							

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Est/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
500	X	Kitchen	Budget	%	O	C	S	Y/N	X	
501		Demo		0%						
502		Rough Carpentry		0%						
503		Windows		0%						
504		Insulation		0%						
505		Drywall		0%						
506		Painting		0%						
507		Cabinets		0%						
508		Plumbing Fixtures & Finish		0%						
509		Electrical Fixtures & Finish		0%						
510		Countertops		0%						
511		Appliances		0%						
512		Finish Carpentry		0%						
513		Hardware & Accessories		0%						
514		Flooring		0%						
515		Clean Up		0%						
516				0%						
		Total Cost	\$ -							
600	X	Dining Room	Budget	%	O	C	S	Y/N	X	
601		Demo		0%						
602		Rough Carpentry		0%						
603		Windows		0%						
604		Insulation		0%						
605		Drywall		0%						
606		Painting		0%						
607		Cabinets		0%						
608		Doors & Trim		0%						
609		Electrical Fixtures & Finish		0%						
610		Finish Carpentry		0%						
611		Finish Hardware		0%						
612		Flooring		0%						
613		Clean Up		0%						
614				0%						
		Total Cost	\$ -							
700	X	Living Room	Budget	%	O	C	S	Y/N	X	
701		Demo		0%						
702		Rough Carpentry		0%						
703		Windows		0%						
704		Fireplace		0%						
705		Insulation		0%						
706		Drywall		0%						
707		Painting		0%						
708		Doors & Trim		0%						
709		Electrical Fixtures & Finish		0%						
710		Finish Carpentry		0%						
711		Finish Hardware		0%						
712		Flooring		0%						
713		Clean Up		0%						
714				0%						
		Total Cost	\$ -							

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Est/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
800	x	Family Room	Budget	%	O	C	S	Y/N	X	
801		Demo		0%						
802		Rough Carpentry		0%						
803		Windows		0%						
804		Fireplace		0%						
805		Insulation		0%						
806		Drywall		0%						
807		Painting		0%						
808		Doors & Trim		0%						
809		Electrical Fixtures & Finish		0%						
810		Finish Carpentry		0%						
811		Finish Hardware		0%						
812		Flooring		0%						
813		Clean Up		0%						
814				0%						
815				0%						
816				0%						
817				0%						
		Total Cost	\$ -							
900	x	Hallways	Budget	%	O	C	S	Y/N	X	
901		Demo		0%						
902		Rough Carpentry		0%						
903		Windows		0%						
904		Insulation		0%						
905		Drywall		0%						
906		Painting		0%						
907		Doors & Trim		0%						
908		Electrical Fixtures & Finish		0%						
909		Finish Carpentry		0%						
910		Finish Hardware		0%						
911		Flooring		0%						
912		Clean Up		0%						
913				0%						
		Total Cost	\$ -							
1000	x	Stairways	Budget	%	O	C	S	Y/N	X	
1001		Demo		0%						
1002		Rough Carpentry		0%						
1003		Windows		0%						
1004		Insulation		0%						
1005		Drywall		0%						
1006		Painting		0%						
1007		Doors & Trim		0%						
1008		Electrical Fixtures & Finish		0%						
1009		Finish Carpentry		0%						
1010		Finish Hardware		0%						
1011		Flooring		0%						
1012		Clean Up		0%						
1013				0%						
1014				0%						
		Total Cost	\$ -							

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Est/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
1100	X	Laundry Room	Budget	%	O	C	S	Y/N	X	
1101		Demo		0%						
1102		Rough Carpentry		0%						
1103		Windows		0%						
1104		Insulation		0%						
1105		Drywall		0%						
1106		Cabinets		0%						
1107		Painting		0%						
1108		Doors & Trim		0%						
1109		Plumbing Fixtures & Finish		0%						
1110		Electrical Fixtures & Finish		0%						
1111		Finish Carpentry		0%						
1112		Finish Hardware		0%						
1113		Flooring		0%						
1114		Appliances		0%						
1115		Clean Up		0%						
1116				0%						
		Total Cost	\$ -							
1200	X	Master Bedroom	Budget	%	O	C	S	Y/N	X	
1201		Demo		0%						
1202		Rough Carpentry		0%						
1203		Windows		0%						
1204		Fireplace		0%						
1205		Insulation		0%						
1206		Drywall		0%						
1207		Closets		0%						
1208		Painting		0%						
1209		Doors & Trim		0%						
1210		Electrical Fixtures & Finish		0%						
1211		Finish Carpentry		0%						
1212		Finish Hardware		0%						
1213		Flooring		0%						
1214		Clean Up		0%						
1215				0%						
		Total Cost	\$ -							
1300	X	Bedroom 2	Budget	%	O	C	S	Y/N	X	
1301		Demo		0%						
1302		Rough Carpentry		0%						
1303		Windows		0%						
1304		Insulation		0%						
1305		Drywall		0%						
1306		Closets		0%						
1307		Painting		0%						
1308		Doors & Trim		0%						
1309		Electrical Fixtures & Finish		0%						
1310		Finish Carpentry		0%						
1311		Finish Hardware		0%						
1312		Flooring		0%						
1313		Clean Up		0%						
1314				0%						
		Total Cost	\$ -							

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Est/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
1400	X	Bedroom 3	Budget	%	O	C	S	Y/N	X	
1401		Demo		0%						
1402		Rough Carpentry		0%						
1403		Windows		0%						
1404		Insulation		0%						
1405		Drywall		0%						
1406		Closets		0%						
1407		Painting		0%						
1408		Doors & Trim		0%						
1409		Electrical Fixtures & Finish		0%						
1410		Finish Carpentry		0%						
1411		Finish Hardware		0%						
1412		Flooring		0%						
1413		Clean Up		0%						
1414				0%						
		Total Cost	\$ -							
1500	X	Bedroom 4/Den	Budget	%	O	C	S	Y/N	X	
1501		Demo		0%						
1502		Rough Carpentry		0%						
1503		Windows		0%						
1504		Insulation		0%						
1505		Drywall		0%						
1506		Closets		0%						
1507		Painting		0%						
1508		Doors & Trim		0%						
1509		Electrical Fixtures & Finish		0%						
1510		Finish Carpentry		0%						
1511		Finish Hardware		0%						
1512		Flooring		0%						
1513		Clean Up		0%						
1514				0%						
		Total Cost	\$ -							
1600	X	Master Bathroom	Budget	%	O	C	S	Y/N	X	
1601		Demo		0%						
1602		Rough Carpentry		0%						
1603		Windows		0%						
1604		Insulation		0%						
1605		Drywall		0%						
1606		Cabinets/Medicine Chest		0%						
1607		Painting		0%						
1608		Tub/Shower & Enclosure		0%						
1609		Plumbing Fixtures		0%						
1610		Plumbing Finish		0%						
1611		Doors & Trim		0%						
1612		Electrical Fixtures & Finish		0%						
1613		Finish Carpentry		0%						
1614		Hardware & Accessories		0%						
1615		Flooring		0%						
1616		Clean Up		0%						
1617				0%						
		Total Cost	\$ -							

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Est/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
1700	X	Bathroom 2	Budget	%	O	C	S	Y/N	X	
1701		Demo		0%						
1702		Rough Carpentry		0%						
1703		Windows		0%						
1704		Insulation		0%						
1705		Drywall		0%						
1706		Cabinets/Medicine Chest		0%						
1707		Painting		0%						
1708		Tub/Shower & Enclosure		0%						
1709		Plumbing Fixtures		0%						
1710		Plumbing Finish		0%						
1711		Doors & Trim		0%						
1712		Electrical Fixtures & Finish		0%						
1713		Finish Carpentry		0%						
1714		Hardware & Accessories		0%						
1715		Flooring		0%						
1716		Clean Up		0%						
		Total Cost	\$ -							
1800	X	Bathroom 3	Budget	%	O	C	S	Y/N	X	
1801		Demo		0%						
1802		Rough Carpentry		0%						
1803		Windows		0%						
1804		Insulation		0%						
1805		Drywall		0%						
1806		Cabinets/Medicine Chest		0%						
1807		Painting		0%						
1808		Tub/Shower & Enclosure		0%						
1809		Plumbing Fixtures		0%						
1810		Plumbing Finish		0%						
1811		Doors & Trim		0%						
1812		Electrical Fixtures & Finish		0%						
1813		Finish Carpentry		0%						
1814		Hardware & Accessories		0%						
1815		Flooring		0%						
1816		Clean Up		0%						
1817				0%						
		Total Cost	\$ -							
1900	X	Garage	Budget	%	O	C	S	Y/N	X	
1901		Demo		0%						
1902		Rough Carpentry		0%						
1903		Windows		0%						
1904		Insulation		0%						
1905		Drywall		0%						
1906		Cabinets		0%						
1907		Painting		0%						
1908		Doors & Trim		0%						
1909		Garage Door		0%						
1910		Garage Door Opener		0%						
1911		Flooring		0%						
1912		Clean Up		0%						
		Total Cost	\$ -							

Line Item #	Items Incl.	Item Description	Budget	% of Area Cost	Owner	Contractor	Sub	Permit Needed?	Est/Bid Attached?	Refresh/Repair/Remodel - Circle One - Work to be done/materials to be used - add notes
2000	X	Exterior	Budget	%	O	C	S	Y/N	X	Notes:
2001		Roofing & Facia		0%						
2002		Truss Repair		0%						
2003		Venting Replacement		0%						
2004		Painting/Stucco		0%						
2005		Siding & Trim		0%						
2006		Decking/Porches		0%						
2007		Landings/Stairways		0%						
2008		Gutters/Downspouts		0%						
2009		Entry Doors		0%						
2010		Landscaping		0%						
2011		Patio		0%						
2012		Flatwork/Walks		0%						
2014		Driveway		0%						
2015		Pool/Spa		0%						
2016		Trash Enclosure		0%						
2013		Mail Box		0%						
2014		Clean Up		0%						
2015				0%						
2016				0%						
2017				0%						
		Total Cost	\$ -							
2100	X	Other...	Budget	%	O	C	S	Y/N	X	Notes:
2101				0%						
2102				0%						
2103				0%						
2104				0%						
2105				0%						
2106				0%						
2107				0%						
2108				0%						
2109				0%						
2110				0%						
2111				0%						
2112				0%						
2113				0%						
2114				0%						
2115				0%						
2116				0%						
2117				0%						
2118				0%						
2119				0%						
2120				0%						
		Total Cost	\$ -							

Recap By Area

Area	Budget	% of Project	% of Budget Released
Soft Costs	\$ -	0%	0%
Rough Electrical	\$ -	0%	0%
Rough Plumbing	\$ -	0%	0%
Mechanical	\$ -	0%	0%
Kitchen	\$ -	0%	0%
Dining Room	\$ -	0%	0%
Living Room	\$ -	0%	0%
Family Room	\$ -	0%	0%
Hallways	\$ -	0%	0%
Stairways	\$ -	0%	0%
Laundry Room	\$ -	0%	0%
Master Bedroom	\$ -	0%	0%
Bedroom 2	\$ -	0%	0%
Bedroom 3	\$ -	0%	0%
Bedroom 4/Den	\$ -	0%	0%
Master Bathroom	\$ -	0%	0%
Bathroom 2	\$ -	0%	0%
Bathroom 3	\$ -	0%	0%
Garage	\$ -	0%	0%
Exterior	\$ -	0%	0%
Other...	\$ -	0%	0%
Area Total	\$ -	0%	0%

	Item Description	Budget Amount	Draw 1	Draw 2	Draw 3	Draw 4	Draw 5	Draw 6	Draw 7	Drawn to Date	Remaining Balance	% of Budget Remaining
			Date	Date	Date	Date	Date	Date	Date			
100	x Soft Costs											
101	Plans	\$ -								\$0.00	\$0.00	0%
102	Permits	\$ -								\$0.00	\$0.00	0%
103	Architect	\$ -								\$0.00	\$0.00	0%
104	Superintendent	\$ -								\$0.00	\$0.00	0%
105	Temp Power	\$ -								\$0.00	\$0.00	0%
106	Temp Toilet	\$ -								\$0.00	\$0.00	0%
107	Temp Water	\$ -								\$0.00	\$0.00	0%
108	Dump/Trash	\$ -								\$0.00	\$0.00	0%
109		\$ -								\$0.00	\$0.00	0%
110		\$ -								\$0.00	\$0.00	0%
111		\$ -								\$0.00	\$0.00	0%
	Total Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
200	x Electrical											
201	Panel Main/Subs	\$ -								\$0.00	\$0.00	0%
202	Wiring	\$ -								\$0.00	\$0.00	0%
203	Outlets	\$ -								\$0.00	\$0.00	0%
204	Smoke Alarms	\$ -								\$0.00	\$0.00	0%
205	CO Detectors	\$ -								\$0.00	\$0.00	0%
206	Cable Lines	\$ -								\$0.00	\$0.00	0%
207		\$ -								\$0.00	\$0.00	0%
208		\$ -								\$0.00	\$0.00	0%
209		\$ -								\$0.00	\$0.00	0%
	Total Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
300	x Rough Plumbing											
301	Septic	\$ -								\$0.00	\$0.00	0%
302	Sewer	\$ -								\$0.00	\$0.00	0%
303	Water Lines	\$ -								\$0.00	\$0.00	0%
304	Traps & Clean-Outs	\$ -								\$0.00	\$0.00	0%
305	Piping Vents	\$ -								\$0.00	\$0.00	0%
306	Fire Sprinklers	\$ -								\$0.00	\$0.00	0%
307		\$ -								\$0.00	\$0.00	0%
308		\$ -								\$0.00	\$0.00	0%

1001	Demo	\$	-																		\$0.00	\$0.00	0%		
1002	Rough Carpentry	\$	-																			\$0.00	\$0.00	0%	
1003	Windows	\$	-																			\$0.00	\$0.00	0%	
1004	Insulation	\$	-																			\$0.00	\$0.00	0%	
1005	Drywall	\$	-																			\$0.00	\$0.00	0%	
1006	Painting	\$	-																			\$0.00	\$0.00	0%	
1007	Doors & Trim	\$	-																			\$0.00	\$0.00	0%	
1008	Electrical Fixtures & Finish	\$	-																			\$0.00	\$0.00	0%	
1009	Finish Carpentry	\$	-																			\$0.00	\$0.00	0%	
1010	Finish Hardware	\$	-																			\$0.00	\$0.00	0%	
1011	Flooring	\$	-																			\$0.00	\$0.00	0%	
1012	Clean Up	\$	-																			\$0.00	\$0.00	0%	
1013		\$	-																			\$0.00	\$0.00	0%	
1014		\$	-																			\$0.00	\$0.00	0%	
	Total Cost	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	0%
1100	x Laundry Room																								
1101	Demo	\$	-																			\$0.00	\$0.00	0%	
1102	Rough Carpentry	\$	-																			\$0.00	\$0.00	0%	
1103	Windows	\$	-																			\$0.00	\$0.00	0%	
1104	Insulation	\$	-																			\$0.00	\$0.00	0%	
1105	Drywall	\$	-																			\$0.00	\$0.00	0%	
1106	Cabinets	\$	-																			\$0.00	\$0.00	0%	
1107	Painting	\$	-																			\$0.00	\$0.00	0%	
1108	Doors & Trim	\$	-																			\$0.00	\$0.00	0%	
1109	Plumbing Fixtures & Finish	\$	-																			\$0.00	\$0.00	0%	
1110	Electrical Fixtures & Finish	\$	-																			\$0.00	\$0.00	0%	
1111	Finish Carpentry	\$	-																			\$0.00	\$0.00	0%	
1112	Finish Hardware	\$	-																			\$0.00	\$0.00	0%	
1113	Flooring	\$	-																			\$0.00	\$0.00	0%	
1114	Appliances	\$	-																			\$0.00	\$0.00	0%	
1115	Clean Up	\$	-																			\$0.00	\$0.00	0%	
1116		\$	-																			\$0.00	\$0.00	0%	
	Total Cost	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	0%
1200	x Master Bedroom																								
1201	Demo	\$	-																			\$0.00	\$0.00	0%	

1404	Insulation	\$	-																				\$0.00	\$0.00	0%				
1405	Drywall	\$	-																					\$0.00	\$0.00	0%			
1406	Closets	\$	-																					\$0.00	\$0.00	0%			
1407	Painting	\$	-																					\$0.00	\$0.00	0%			
1408	Doors & Trim	\$	-																					\$0.00	\$0.00	0%			
1409	Electrical Fixtures & Finish	\$	-																					\$0.00	\$0.00	0%			
1410	Finish Carpentry	\$	-																					\$0.00	\$0.00	0%			
1411	Finish Hardware	\$	-																					\$0.00	\$0.00	0%			
1412	Flooring	\$	-																					\$0.00	\$0.00	0%			
1413	Clean Up	\$	-																					\$0.00	\$0.00	0%			
1414		\$	-																					\$0.00	\$0.00	0%			
	Total Cost	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0%	
1500	x Bedroom 4/Den																												
1501	Demo	\$	-																						\$0.00	\$0.00	0%		
1502	Rough Carpentry	\$	-																						\$0.00	\$0.00	0%		
1503	Windows	\$	-																						\$0.00	\$0.00	0%		
1504	Insulation	\$	-																						\$0.00	\$0.00	0%		
1505	Drywall	\$	-																						\$0.00	\$0.00	0%		
1506	Closets	\$	-																						\$0.00	\$0.00	0%		
1507	Painting	\$	-																						\$0.00	\$0.00	0%		
1508	Doors & Trim	\$	-																						\$0.00	\$0.00	0%		
1509	Electrical Fixtures & Finish	\$	-																						\$0.00	\$0.00	0%		
1510	Finish Carpentry	\$	-																						\$0.00	\$0.00	0%		
1511	Finish Hardware	\$	-																						\$0.00	\$0.00	0%		
1512	Flooring	\$	-																						\$0.00	\$0.00	0%		
1513	Clean Up	\$	-																						\$0.00	\$0.00	0%		
1514		\$	-																						\$0.00	\$0.00	0%		
1515		\$	-																						\$0.00	\$0.00	0%		
	Total Cost	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0%	
1600	x Master Bathroom																												
1601	Demo	\$	-																						\$0.00	\$0.00	0%		
1602	Rough Carpentry	\$	-																						\$0.00	\$0.00	0%		
1603	Windows	\$	-																						\$0.00	\$0.00	0%		
1604	Insulation	\$	-																						\$0.00	\$0.00	0%		
1605	Drywall	\$	-																						\$0.00	\$0.00	0%		

1804	Insulation	\$	-																		\$0.00	\$0.00	0%			
1805	Drywall	\$	-																			\$0.00	\$0.00	0%		
1806	Cabinets/Medicine Chest	\$	-																			\$0.00	\$0.00	0%		
1807	Painting	\$	-																			\$0.00	\$0.00	0%		
1808	Tub/Shower & Enclosure	\$	-																			\$0.00	\$0.00	0%		
1809	Plumbing Fixtures	\$	-																			\$0.00	\$0.00	0%		
1810	Plumbing Finish	\$	-																			\$0.00	\$0.00	0%		
1811	Doors & Trim	\$	-																			\$0.00	\$0.00	0%		
1812	Electrical Fixtures & Finish	\$	-																			\$0.00	\$0.00	0%		
1813	Finish Carpentry	\$	-																			\$0.00	\$0.00	0%		
1814	Hardware & Accessories	\$	-																			\$0.00	\$0.00	0%		
1815	Flooring	\$	-																			\$0.00	\$0.00	0%		
1816	Clean Up	\$	-																			\$0.00	\$0.00	0%		
1817		\$	-																			\$0.00	\$0.00	0%		
	Total Cost	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0%
1900	x Garage																									
1901	Demo	\$	-																			\$0.00	\$0.00	0%		
1902	Rough Carpentry	\$	-																			\$0.00	\$0.00	0%		
1903	Windows	\$	-																			\$0.00	\$0.00	0%		
1904	Insulation	\$	-																			\$0.00	\$0.00	0%		
1905	Drywall	\$	-																			\$0.00	\$0.00	0%		
1906	Cabinets	\$	-																			\$0.00	\$0.00	0%		
1907	Painting	\$	-																			\$0.00	\$0.00	0%		
1908	Doors & Trim	\$	-																			\$0.00	\$0.00	0%		
1909	Garage Door	\$	-																			\$0.00	\$0.00	0%		
1910	Garage Door Opener	\$	-																			\$0.00	\$0.00	0%		
1911	Flooring	\$	-																			\$0.00	\$0.00	0%		
1912	Clean Up	\$	-																			\$0.00	\$0.00	0%		
	Total Cost	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	0%
2000	x Exterior																									
2001	Roofing & Facia	\$	-																			\$0.00	\$0.00	0%		
2002	Truss Repair	\$	-																			\$0.00	\$0.00	0%		
2003	Venting Replacement	\$	-																			\$0.00	\$0.00	0%		
2004	Painting/Stucco	\$	-																			\$0.00	\$0.00	0%		
2005	Siding & Trim	\$	-																			\$0.00	\$0.00	0%		

Contractor Questionnaire



Contractor/Builder Questionnaire

BUSINESS NAME		BUSINESS TYPE: <input type="checkbox"/> CORPORATION <input type="checkbox"/> LLC <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> SOLE PROPRIETOR <input type="checkbox"/> OTHER:	
STREET ADDRESS		BUSINESS ID #	CONTRACTOR'S LICENSE #
CITY/STATE/ZIP		EXPIRATION DATE	LICENSED STATES
PHONE	EMAIL	YRS IN BUSINESS UNDER NAME	

OWNERS

NAME	TITLE	OWNERSHIP %
NAME	TITLE	OWNERSHIP %
NAME	TITLE	OWNERSHIP %
NAME	TITLE	OWNERSHIP %

BUSINESS HISTORY

YEARS IN BUSINESS	TYPES OF VENTURES		
SPEC <input type="checkbox"/> CUSTOM <input type="checkbox"/> PUD <input type="checkbox"/>	DEVELOPMENT <input type="checkbox"/>	REMODELS <input type="checkbox"/>	OTHER: <input type="checkbox"/> <input type="checkbox"/>
DESCRIBE OVERALL OPERATIONS			
LIST EDUCATION / EXPERIENCE			
OTHER BUSINESS NAMES & LICENSES USED IN THE LAST 10 YEARS (DESCRIBE OPERATIONS)			

GENERAL INFORMATION

NAME OF CURRENT INSURANCE CARRIER FOR: GENERAL LIABILITY _____ WORKER'S COMP _____ VEHICLES _____ PROPERTY/UMBRELLA _____
PERCENTAGE OF CURRENT OPERATIONS: GENERAL CONTRACTOR _____ % SUBCONTRACTOR _____ % CONSTRUCTION MANAGER _____ %
DO YOU USE SUBCONTRACTORS? <input type="checkbox"/> YES <input type="checkbox"/> NO If yes, complete the following: PERCENTAGE OF SUBCONTRACTED WORK: _____ % ANNUAL SUBCONTRACTING COST (Labor & Materials) \$ _____

INDICATE THE % OF CONSTRUCTION WORK PERFORMED BY YOU: **(MUST TOTAL 100%)**

RESIDENTIAL _____% **COMMERCIAL** _____%

BREAK DOWN EACH OF THE ABOVE PERCENTAGES BY: (THE SUM OF THE 3 PERCENTAGES IN EACH SHOULD EQUAL THE AMOUNT ABOVE.)

New Construction _____%	New Construction _____%
Remodeling/Repair _____%	Remodeling/Repair _____%
Other _____%	Other _____%

OF PROJECTS COMPLETED

PREVIOUS YEAR	2-5 YEARS AGO
\$50,000-\$74,000	\$50,000-\$74,000
\$75,000-\$99,000	\$75,000-\$99,000
\$100,000-\$124,000	\$100,000-\$124,000
\$125,000-\$174,000	\$125,000-\$174,000
\$175,000-\$249,000	\$175,000-\$249,000
\$250,000 AND OVER	\$250,000 AND OVER
TOTAL FROM ABOVE	TOTAL FROM ABOVE

SALES OR PROJECTS COMPLETED

WITHIN PAST 24 MONTHS		
DATE SOLD/ DATE COMPLETED	SALES PRICE/ CONTRACT PRICE	TYPE <input type="checkbox"/> CUSTOM <input type="checkbox"/> SPEC <input type="checkbox"/> REMODEL <input type="checkbox"/> OTHER
ADDRESS		
DATE SOLD/ DATE COMPLETED	SALES PRICE/ CONTRACT PRICE	TYPE <input type="checkbox"/> CUSTOM <input type="checkbox"/> SPEC <input type="checkbox"/> REMODEL <input type="checkbox"/> OTHER
ADDRESS		
DATE SOLD/ DATE COMPLETED	SALES PRICE/ CONTRACT PRICE	TYPE <input type="checkbox"/> CUSTOM <input type="checkbox"/> SPEC <input type="checkbox"/> REMODEL <input type="checkbox"/> OTHER
ADDRESS		
DATE SOLD/ DATE COMPLETED	SALES PRICE/ CONTRACT PRICE	TYPE <input type="checkbox"/> CUSTOM <input type="checkbox"/> SPEC <input type="checkbox"/> REMODEL <input type="checkbox"/> OTHER
ADDRESS		

CUSTOMER REFERENCES (LIST INDIVIDUALS MAY BE CONTACTED - CUSTOM/REMODEL JOBS COMPLETED)

NAME	ADDRESS	PHONE

CURRENT PROJECTS

LIST CURRENT PROJECTS CURRENTLY UNDERWAY THAT ARE SIMILAR IN SCOPE, INCLUDING VALUES & REFERENCES:

CREDIT REFERENCES

MAJOR SUBCONTRACTORS

EXCAVATING	PHONE	FAX
FOUNDATION	PHONE	FAX
FRAMING	PHONE	FAX
ELECTRICAL	PHONE	FAX
PLUMBING	PHONE	FAX
HEATING	PHONE	FAX
DRYWALL	PHONE	FAX
OTHER	PHONE	FAX

MAJOR SUPPLIERS

CONCRETE	DATE OPENED	HIGHEST BALANCE \$	PHONE
LUMBER/TRUSSES	DATE OPENED	HIGHEST BALANCE \$	PHONE
PLUMBING	DATE OPENED	HIGHEST BALANCE \$	PHONE
WINDOWS	DATE OPENED	HIGHEST BALANCE \$	PHONE
SIDING	DATE OPENED	HIGHEST BALANCE \$	PHONE
CABINETS	DATE OPENED	HIGHEST BALANCE \$	PHONE
FLOORING	DATE OPENED	HIGHEST BALANCE \$	PHONE
OTHER	DATE OPENED	HIGHEST BALANCE \$	PHONE

INSTITUTIONAL LENDERS/NON-CUSTOM LOANS

LENDER	CONTACT PERSON
LOAN NUMBER	PHONE
LENDER	CONTACT PERSON
LOAN NUMBER	PHONE

OTHER BUSINESSES OWNED/OPERATIONS OF ALL OWNERS

BUSINESS NAME	% OF OWNERSHIP	CONTACT PERSON	PHONE
BUSINESS NAME	% OF OWNERSHIP	CONTACT PERSON	PHONE
BUSINESS NAME	% OF OWNERSHIP	CONTACT PERSON	PHONE
BUSINESS NAME	% OF OWNERSHIP	CONTACT PERSON	PHONE

DECLARATIONS

A. Have there been any loses, claims or suits against you in the past five years?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
B. Are there any claims or legal actions pending against any of the entities?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
C. Do any of the entities named in the application have knowledge of any pre-existing act, omission, event, condition or damages to any person or property that may potentially give rise to any future claim or legal action against them?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
D. Have you been accused of faulty construction in the past 5 years?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
E. Have you been accused of breaching a contract in the past 5 years?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
F. Have you ever filed any Mechanic Liens in the past 5 years?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
G. Have any of your projects in the past five years been liened?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Please provide a resume of principal or firm owner.

Please provide a copy of a recent project schedule that you developed for a project.

WARRANTY: The purpose of the Contractor’s Questionnaire is to assist in the vetting process. Information contained herein is specifically relied upon in determination of the preferred general contractor. The undersigned, therefore warrants that the information contained herein (consisting of four pages) is true and accurate to the best of his knowledge, information and belief.

CONTRACTOR

SIGNATURE OF APPLICANT: *	DATE
Name & Title:	

*Must be owner, executive officer or partner of the company.

LISTING OF SUBCONTRACTOR INSURANCE COVERAGE

Subcontractor		General Liability	Workman's Compensation
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		
Subcontractor Company	Company	Company	Company
	Dates	Dates	Dates
	Contact	Coverage	Coverage
	Tax ID Number		

LISTING OF SUBCONTRACTOR INSURANCE COVERAGE

Subcontractor	General Liability	Workman's Compensation
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		
Subcontractor Company	Company	Company
	Dates	Dates
Contact	Coverage	Coverage
Tax ID Number		

Project Name:	Smith Remodel		Start Date:		Week #1		Completion Date:			
Project Address:	234 Reagan Ranch Road, San Clemente, CA		Estimated Budget: \$185,000.00							
Contractor Name:	O'Reilly & Sons Construction		Contractor Contact: Jeff Harkey							
Item of Work	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
Overall Demolition										
Foundation Work										
Exterior Structure										
Roofing Work										
Framing										
Electrical										
HVAC										
Plumbing										
Insulation										
Drywall										
Painting										
Finish Carpentry										
Floor Coverings										

INVOICE LOG FOR DRAW REQUEST

Project Name: _____ Draw #: _____
 Project Address: _____ Date: _____
 Contractor: _____ From: _____

Details

Line Item #	Vendor/Subcontractor	Item Description	Invoice Date	Invoice #	Invoice Amount	Amount Requested	Payment Method/Comments:
TOTAL							

Waiver Release Instructions

Conditional and Unconditional Waiver and Release Forms

General Principles: No lien release is binding unless the claimant executes (signs) and delivers a waiver and release. If signed by the claimant or his or her authorized agent, the signed form is effective to release:

- the owner;
- the construction lender; and
- the surety (in the case of a payment bond).

Be careful: paying your contractor (and/or getting a release from your contractor) does not guarantee that other claimants, like subcontractors and suppliers, are paid. A claimant is a person who, if not paid, can file a lien on your home.

To be effective, the waiver and release forms must follow substantially one of the forms set forth in [Civil Code Section 3267](#). The four forms are:

1. Conditional Waiver and Release Upon Progress Payment

Use this form when the claimant is required to execute a waiver and release in exchange for or in order to induce the payment of a progress payment and the claimant has not been paid. This form is useful when the claimant has not been paid yet, but will be paid out of a progress payment that is not the final payment. This conditional waiver and release is only effective if the claimant is *actually paid*. This release does not cover all items. See the "[Conditional Waiver And Release Upon Progress Payment](#)" form for more information.

2. Unconditional Waiver and Release Upon Progress Payment

Use this form when the claimant is required to execute a waiver and release in exchange for or in order to induce payment of a progress payment and the claimant asserts in the waiver that he or she has in fact been paid the progress payment. This release does not cover all items. See the "[Unconditional Waiver And Release Upon Progress Payment](#)" form for more information.

3. Conditional Waiver and Release Upon Final Payment

Use this form when the claimant is required to execute a waiver and release in exchange for or in order to induce the payment of a final payment and the claimant has not been paid. This release is only binding if there is evidence of payment to the claimant. Evidence of payment may be demonstrated by:

- the claimant's endorsement on a single check or a joint payee check which has been paid by the bank upon which it was drawn; or
- written acknowledgment of payment given by the claimant.

See the "[Conditional Waiver and Release Upon Final Payment](#)" form for more information.

4. Unconditional Waiver and Release Upon Final Payment

Use this form when the claimant is required to execute a waiver and release in exchange for, or in order to induce payment of, a final payment *and* the claimant asserts in the waiver he or she has in fact been paid the final payment. See the "[Unconditional Waiver and Release Upon Final Payment](#)" form for more information.

Caution: in the case of a conditional release, the release is only binding if there is evidence of payment to the claimant. Evidence of payment may be demonstrated by:

- the claimant's endorsement on a single check or a joint payee check which has been paid by the bank upon which it was drawn; or
- Written acknowledgment of payment given by the claimant.

Conditional Waiver & Release Upon Progress Payment

Civil Code 3262(d) (1)

UPON RECEIPT by the undersigned of a check from _____ in the sum of \$_____ payable to _____ and when the check has been properly endorsed and has been paid by the bank upon which it is drawn, this document shall become effective to release any mechanic's lien, stop notice or bond right the undersigned has on the job of _____ located at _____ to the following extent.

THIS RELEASE covers a progress payment for all labor, services, equipment or materials furnished only and does not cover any retentions retained before or after the release date; extras furnished before the release date for which payment has not been received; extras or items furnished after the release date. Rights based upon work performed or items furnished under a written change order which has been fully executed by the parties prior to the release date are covered by this release unless specifically reserved by the claimant in this release. This release of any mechanic's lien, stop notice, or bond right shall not otherwise affect the contract rights, including rights between parties to the contract based upon a rescission, abandonment, or breach of the contract, or the right of the undersigned to recover compensation for furnished labor, services, equipment, or material covered by this release if that furnished labor, services, equipment, or material was not compensated by the progress payment.

Before any receipt of this document relies on it, said party should verify evidence of payment to the undersigned.

EXECUTED on this _____ day of _____, 20__.

Company Name

By

Signature

Title

NOTE: This form complies with the requirements of Civil Code Section 3262(d)(1). It is to be used by a party who applies for a progress payment when the progress check has not yet cleared the bank. This release only becomes effective when the check, properly endorsed, has cleared the bank.



Conditional Waiver & Release Upon Progress Payment

Civil Code 3262(d) (1)

UPON RECEIPT by the undersigned of a check from **(Maker of Check)** in the sum of **\$(Amount of check)** payable to **(Payee of check)** and when the check has been properly endorsed and has been paid by the bank upon which it is drawn, this document shall become effective to release any mechanic's lien, stop notice or bond right the undersigned has on the job of **(Owner)** located at **(Job Description)** to the following extent.

THIS RELEASE covers a progress payment for all labor, services, equipment or materials furnished only and does not cover any retentions retained before or after the release date; extras furnished before the release date for which payment has not been received; extras or items furnished after the release date. Rights based upon work performed or items furnished under a written change order which has been fully executed by the parties prior to the release date are covered by this release unless specifically reserved by the claimant in this release. This release of any mechanic's lien, stop notice, or bond right shall not otherwise affect the contract rights, including rights between parties to the contract based upon a rescission, abandonment, or breach of the contract, or the right of the undersigned to recover compensation for furnished labor, services, equipment, or material covered by this release if that furnished labor, services, equipment, or material was not compensated by the progress payment.

Before any receipt of this document relies on it, said party should verify evidence of payment to the undersigned.

EXECUTED on this _____ day of _____, 20__.

Company Name

By _____
Signature

Title

NOTE: This form complies with the requirements of Civil Code Section 3262(d)(1). It is to be used by a party who applies for a progress payment when the progress check has not yet cleared the bank. This release only becomes effective when the check, properly endorsed, has cleared the bank.

SUBCONTRACTOR & MATERIAL SUPPLIER
Progress Payment Release Form

SUBCONTRACTOR or SUPPLIER:

Date:

Invoice: _____

Job: _____

Job No: _____

SUBCONTRACT OR P.O. AMOUNT:	_____
APPROVED CHANGE ORDERS:	_____
REVISED CONTRACT AMOUNT: WORK	_____
COMPLETED TO DATE :	_____
LESS PREVIOUSLY BILLING:	_____
CURRENT BILLING:	_____
LESS RETENTION 10%: NET	_____
AMOUNT DUE:	_____

**CONDITIONAL WAIVER AND
RELEASE UPON PROGRESS**

The undersigned does hereby acknowledge that upon receipt by the undersigned of a check from _____ in the sum of _____ and when the check has been properly endorsed and has been paid by the bank upon which it was drawn, this document shall become effective to release pro tanto any and all claims, mechanic's or material men's lien, equitable lien, stop notice, or claim rights which the undersigned has on the above referenced job.

This release covers final payment for all labor, services, equipment, materials furnished and/or claims through _____.

NOTICE: BEFORE ANY RECIPIENT OF THIS DOCUMENT RELIES ON IT, SAID PARTY SHOULD VERIFY EVIDENCE OF PAYMENT TO THE UNDERSIGNED.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF _____ THAT THE ABOVE IS A TRUE AND CORRECT STATEMENT.

Signature: _____

Title:

Date:

Subscribed and sworn before me this

_____ day of _____, 20__

Notary Public:

**UNCONDITIONAL WAIVER AND
RELEASE UPON PAYMENT**

The undersigned does hereby acknowledge that the undersigned has been paid and has received progress payments from _____ in the sum of \$_____ for labor, services, equipment or materials furnished to the above referenced job and does hereby release pro tanto any and all claims, mechanic's or material men's lien, equitable lien, stop notice, or bond claim rights which the undersigned has on the above referenced job. This release covers progress payments for labor, services, equipment, materials furnished and/or claims through this ___ day of _____ only and does not cover any retention or items furnished after that date.

NOTICE: THIS DOCUMENT WAIVES RIGHTS UNCONDITIONALLY AND STATES THAT YOU HAVE BEEN PAID FOR GIVING UP THOSE RIGHTS. THIS DOCUMENT IS ENFORCEABLE AGAINST YOU IF YOU SIGN IT, EVEN IF YOU HAVE NOT BEEN PAID. IF YOU HAVE NOT BEEN PAID USE A CONDITIONAL RELEASE FORM.

I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF _____ THAT THE ABOVE IS A TRUE AND CORRECT STATEMENT.

Signature _____



LIQUIDITY & MARKETING

Tying It All Together

Value Adds When Selling Real Estate

Location

- Data shows homes in areas adjacent to the city center often tend to gain value much more quickly than homes in the city center. The “halo effect.”
- Starbucks Effect
- Worst house in the hottest neighborhood

Properties with High “Walk Scores”

- Areas where houses and workplaces are close to schools, parks, shops and near transportation hubs.
- These amenities are popular with buyers in today’s market place.

Properties on Named Street

- Zillow research has shown that properties on named streets are 2% higher than # street names.

Midrange Upgrades

- When looking at return on investment, midrange upgrades prove to have the best returns when compared to high end upgrades.

Longer MLS Listings

- Zillow research has shown that properties with a longer listing (up to 250 words) consistently sell for more.



LIQUIDITY & MARKETING

Using the Correct Vocabulary in Your Listing

Zillow research has shown that the following words in a listing can affect the final sale price of a home by as much as the values listed:

- Luxurious: +8.2%
- Captivating: +6.5%
- Fantastic: +2.8%
- Impeccable +5.9%
- Gentle: +2.3%
- Landscaped +1.5 to 4.2%
- Remodeled: +1.7 to 2.9%
- Basketball +4.5%
- Beautiful: +2.3%
- Custom +0.7%
- Exquisite: +1.9%
- Granite +1.1 to 4.2%
- Pergola: +4.0%
- Stainless +1.7 to 2.9%

Keep in mind that the words above are not magic bullets. They magically bring value to a property just because they are used. These key words must realistically match features in the home to be effective.

Value Minuses When Selling Real Estate

Over Pricing

Over pricing the home on the initial listing can hurt you in the long run. The data says that when a home is initially overpriced it eventually sells for less than market value.



LIQUIDITY & MARKETING

Potential buyers pass by the property because it is priced above market value. When the seller eventually lowers the price to market value potential buyers now become leery as to why the home did not sell. They look at the days on market and they question what is wrong with the property. They start to expect a lower price and offer lower prices because of this.

Using In-Correct Vocabulary in Your Listing

Zillow research has shown that the following words in a listing can affect the final sale price of a home by as much as the values listed: (look for these when you are buying. Do not use them if you are selling.)

- Investment -6.6%
- Investor: -5.3 to -6.6%
- Potential -4.3%
- TLC: -4.2 to -8.7%
- Opportunity -2.0%
- Bargain: -3.5%
- Cosmetic -2.5 to -7.5%
- Unique:

Properties on Numbered Street

It seems there is more to a street name than one might think. Even though numbers may be easier to remember and use, research has shown that home buyer prefer properties on named streets vs numbered streets and this is reflected in the selling price. When the address of a property is on a numbered street it will sell for less on average.



LIQUIDITY & MARKETING

A Few Things that People Think Add Significant Value But Don't

- Swimming Pools
- Upscale/expensive Landscaping
- High End Appliances/Upgrades
- Whirlpool Baths
- Sunrooms
- Home office at the expense of a bedroom
- New roof



FOLLOW-UP

The training you have just received becomes infinitely more valuable if you choose to implement what you have just learned. With that in mind it is now time to create a road map for you to follow in the days and months to come. What steps do you need to take as you implement your training?

Spend a few moments to organize your thoughts then write down those things you need to start doing in response to the training you have just been through. Organize your action points into things you need to do immediately - as soon as you get home, things you need to get accomplished in the next month, and things you should accomplish in the next 90-days.

❖ Things to do as soon as I get home:

-
-
-
-
-



FOLLOW-UP

❖ Things to do within the next month:

-
-
-
-
-

❖ Things to do in the next 90-days:

-
-
-
-
-