7 Ways to Be the Lender In Real Estate

THE LEE ARNOLD SYSTEM OF REAL ESTATE INVESTING

MONEY

> Disclaimer and Copyright

7 Ways to be a Lender in Real Estate

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered.

Secured Investment Corp and The Lee Arnold System of Real Estate Investing and its affiliates and employees are not registered investment advisors, and as such, do not hold themselves out to be. Secured Investment Corp and The Lee Arnold System of Real Estate Investing does 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 private money mortgages without first conducting your own independent due diligence on the specific private money mortgage you are interested in funding.

To order more booklets, please call 800-341-9918

Printed and bound in the United States.

OPPORTUNITY

> Introduction: A Word About Private Money Exchange

If you're reading this, you may or may not already be an Affiliate of Private Money Exchange. If you are, you can skip ahead. If not, I strongly encourage you to learn how to join this select number of affiliates who are helping people get funding for real estate investment deals every day!

What is an Affiliate?

> An investment in knowledge pays the best interest.
>
> - Benjamin Franklin

It's basically under our brand "Private Money Exchange," which is the lending arm of our company. Private Money Exchange identifies and procures real estate investors who are looking to borrow money for fix-up and repair through the Private Money Exchange portal which is www.PrivateMoneyExchange.com. There you can feel out a loan application, which will trigger one of our loan officers, located in one of our branch offices , to contact you and help you put the loan together. They'll package it and underwrite it. We will then present it to our database of ready-made lenders who will fund the deal on your behalf. We then help you consummate the transaction.

That's essentially what Private Money Exchange does. Now, one of the ways that we go about obtaining the necessary volume of loans that we need to consume the amount of capital we have identified is through an

> Introduction: A Word About Private Money Exchange

Affiliate. As an Affiliate of Private Money Exchange, we set you up with your own website, business cards, Craigslist ads, and other marketing mediums that you will need to be successful. Then, through your own marketing efforts, you drive traffic to us and bring in the borrowers and lenders. If they do indeed consume and transact business with us, you then get paid a portion of the proceeds from the transaction. That's what an Affiliate does and that's how the Affiliate program functions. I am not here to talk about the Affiliate program or sell the Affiliate program, but if it's something that you would like to do, call my office at 800-341-9918, to talk at greater detail and length with a member of our staff and they can walk you through the rest of the information related to becoming an Affiliate.

Our topic here is "Private Money Lending 101: The Best Insider Private Money Lending Secrets and Practices ANYWHERE." Now, regardless of whether you have money, don't have money, or you have lent on deals or have not lent on deals or you need to simply borrow money, none of that matters. You need to consume the information that I'm about to share with you in a direction that is best suited for your desired outcome as a business owner/entrepreneur.

What are you going to do with the data that I'm going to present with you here in this booklet? Are you going to use it for your own benefit, so that you can lend money more safely, more securely? Or are you going to use this information as an Affiliate, to be more informed and better able to communicate with, and talk to prospective borrowers and/or lenders, therefore resulting in you getting paid more and more frequently as an Affiliate?

Or, maybe you are here as a lender and you want to go out and lend your own money, perhaps originated by Private Money Exchange. Perhaps, you want to go out and better communicate with friends and family that may have money sitting idle, making less than a half of a percent annually, and you want to share with them how you were able to get greater rates of return?

Whatever your reason is, it does not concern me. What concerns me is that you internalize it as we go along and that you do, in fact, have a desired outcome. I am here, you are here, which means this is not my time or your time, this is our time, and any time that I invest into something, into a desired outcome or a deliverable, I look for a return on investment of my time. You should also. So, what is it you want to accomplish as a return on investment of your time here? That's how you need to consume what we're going to be covering in this book.

MONEY

> 7 Reasons to Be the Lender

So, what are the 7 Reasons to be the Lender?

Here they are in no particular order of importance:

1) Why people are opting for private money over conventional financing.

2) Why people are joining the elite group of private money lenders throughout the nation.

3) The pros and cons of lending on certain types of real estate deals.

4) Essential tips to private lending success.

5) Understanding the borrower and how to analyze the deal.

6) Where to find the money and how to make it liquid.

7) The 13 steps to being the lender and how to turn them into 5.

Again, if you have a desire to be a lender, I'm essentially going to peel back the curtain on everything we, as a company, do internally so that you could essentially become us. You could go out and be the lender yourself and if you are so inclined, then I would certainly encourage you to do that. But my desire of writing this book is in the hopes that we can make some money together in the future.

Secured Investment Corp

Why did I create Secured Investment Corp? Well, for a couple of reasons.

1) To help investors build up stronger and healthier portfolios.

2) To teach people how to minimize risk and maximize returns on their investment

3) To create a community of lenders and borrowers who can safely and efficiently benefit from each other!

In short, as some of you may know I travel around the country and we put on events as a company. We put on 3 and 4-day training and educational events, Funding Tours, to teach people how to make more money in real estate, as well as in the note business, and in newly originated notes and mortgage business. Over the last several years, I was having 2 types or people come to me with two very different challenges.

The first group of people would come to me and say, “Lee, I’ve got all these great deals and I don’t have any money. What do I do?”

MONEY

> What is Secured Investment Corp? Supply and Demand

The second group of people would come to me and say, “Lee, I’ve got all this money and no time or no deals. What should I do with my money?”

So in the same room of a couple hundred people I would say, “How many of you are here right now because you’ve got more money than you know what to do with?” And they would raise their hands.

Then I would say, “How many of you in the room have more deals than you have money?” And I’d have another group of people raise their hands.

Here’s what I didn’t understand: Why weren’t these two groups of people connecting with one another? Well, there’s a couple of sociological and psychological reasons as to why that was happening, but I’m not going to go into that here. It’s simply this: People who don’t have money are intimidated by people who have money, and people who have money don’t trust people who don’t have money. That’s the sum of the total.

So, what we as a company did is we said, “OK, we’re going to build a platform through which the trust challenge can disappear.” I appreciate what Ronald Regan said, “Trust, but verify.” We created this Private Money Exchange and Secured Investment Corp on this “Trust but verify” platform. Our stringent underwriting guidelines, as the procurer of investment opportunities for our lending populous, makes it so the

> What is Secured Investment Corp? Supply and Demand

lender does not have to trust the borrower, rather they can trust the process. They can know that we've ordered title and appraisals and that we have vetted out both the property and the borrower. We have done everything we can, from the underwriting guidelines to the stringent processes in which people come to us, to make sure that our lenders can trust the process. Our lenders also see everything in writing and make all final decisions on what loans they fund. No monies are ever co-mingled and funds are never touched by our organization.

There is a ton of incredible investment opportunities out there. The challenge is that many borrowers do a very poor job in presenting themselves as competent or credible or they've done a poor job of identifying a property that is going to give anyone with money the confidence that they need to go boldly forth and write checks for it.

The goal here is to give both the borrower or lender the comfort in knowing that if you bring a loan to us or you want us to fund it, that we will do everything necessary to get you the funding or great opportunity to build wealth that you need.

But as a lender, with 50,000 or 100 million dollars, you can come to us knowing that we will do the necessary due diligence and you will make the ultimate decision whether or not to fund a deal. Through this process, it works out really well for all parties that are involved.

MONEY

> One: Why Do People Borrow Money?

When borrowing money on an investment deal, there are always some qualifying challenges when going through a conventional lender: they are very picky about the borrower as well as the property.

On the other hand, private lenders look at the appraised value, the borrower's experience (meaning the borrower's resume, not the credit score), the property and the equity in the property, and finally, what the exit strategy is for a borrower?

What is the exit strategy on your deal?

Many of you told me that your goal is to buy three or four properties. Some of you told me you were going to flip them, others told me you were going to hold them, but here's what lenders ultimately want to know: "As much as I am concerned with the return on my investment, meaning if I give you a $100,000 are you going to give me 9%, 10%, 11%, I am more concerned with how are you going to return my investment?

So it's not just the return *on* investment, it's the return *of* investment.

So many borrowers misrepresent this or they do it so poorly that they don't give the lender any credibility, proof, or trust that they can indeed perform on their intended exit strategy.

I'll give you one of the biggest ones we see here internally. We have the borrower, they fill out the loan application, they've got a pretty good deal. It's a $150,000 house fixed up, they've got it under contract for $50,000/$60,000 and we ask them, "What is your exit strategy?"

They say, "We're going to refinance with institutional lender." What they don't realize is that the minute they say that their exit strategy is going to be to refinance, they now take themselves out of private money world and they insert themselves into institutional, you-better-squeak-when-you-walk world.

Instead of being an asset-based lender where we're asking ourselves, "Do you have a good deal?" your very response to the exit strategy now means we have to underwrite you as a full-doc borrower.

Because inevitably the lender will ask, "Well, how are they going to give me my money back?"

If we say, "Johnny and Sally are going to go to a conventional mortgage in 12 to 18 months and they're going to refinance."

Any lender that knows what they're doing or even has a half a clue what they're doing, is going to ask, "Do Johnny and Sally qualify for conventional financing?" If Johnny and Sally have

> One: Why Do People Borrow Money?

> How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.
>
> – Robert G. Allen

bankruptcies and foreclosures on their credit and their score is sub-500, there's no way in the world they're going to qualify for bank financing, which means the only way the lender is going to get a return of their investment is to foreclose, take back the property, and resell it (which is a very long, cumbersome, and arduous process which most lenders don't want to deal with).

So for the borrowers, step number one as you're defining your exit strategy is to not qualify for a full-documentation loan. If you know that your credit's horrible, and you know your credit score is indeed sub-500 and your tax returns show that you've taken a $100,000 loss for the last five years, you better make sure that your exit strategy is not to refinance or to buy and hold. Most private money lenders don't want long-term financing deals. The longest their comfortable with is usually 12-24 months.

Although we do have some lenders that have agreed to go out as long as 5 years, that still won't allow for an exit strategy that sounds like this, "I'm going to buy it, fix it, hold it as a rental property, and then I'm going to sell it 15 years from now."

OPPORTUNITY

> One: Why Do People Borrow Money?

You need to understand that the greatest percentage or majority of private lenders are retirees about the age of 65. If you're giving them an exit strategy that is going to take them out 15 and 30 years, you're basically saying, "I'm not going to give you all of your money back until you are 80 or a hundred years old."

Again, you need to tailor your exit strategy to the lender that you are communicating with to make sure that it is indeed in line with what their goals are for themselves.

If you're dealing in a lender populous, I guarantee that the majority of their goals are to put money into safe investment vehicles where they can get monthly checks, and get anywhere from a 5-7% return on their invested dollar.

That's what the lenders are looking for. Now, the problem with all of these real estate investment seminars and webinars that a lot of people attend is we hear all of these outrageous numbers, "Oh, I'll give you 30 percent return."

Understand that anything north of 7 percent usually concerns private money lenders, or I should say the wealthy-affluent. Now there are certainly lenders and private money lenders who are seasoned here on this call today and who probably know as much, if not more, than I do about private money lending. You know that with velocity of money and short funding times, that you could turn your money multiple times in a year and see yields north of 20-25 percent very easily.*

But there is a balance. And you, my friend, who is incredibly knowledgeable and can turn money and generate 20-30 percent rates* of return, you are an anomaly because there's not very many people out there who understand this business well enough that they can.

Private Money Allows for Speed

Institutional lenders normally take 60-90 days to fund a transaction.

Private money lenders will:

1) Review the property's merit

2) Require less paperwork

3) Can get a loan done in as little as 48 hours to 2 weeks

Private Money Allows More Money

Intuitional lenders normally lend a capped amount of money on a capped amount of loans - typically four. Now if you've got more than four mortgages on your credit score, you are going to be hard-pressed to get another conventional loan on a non-owner-occupied property.

* Not a guarantee. The likelihood of hitting this type of return is small.

OPPORTUNITY

> One: Why Do People Borrow Money?

I am going to make a blanket statement here. One percent of you reading this book have been operating your business for years. You have audited financials, bank statements, and tax returns. You're showing rates of income in the millions of dollars, and as such, you have private banking relationships where you can go out and just write checks on an already identified or determined amount, which could be millions to tens of millions to even hundreds of millions for some of you. But, that's not the norm.

The norm is you're a W-2, income paycheck player. You have a job and you're doing real estate on the side. That's going to be about 50% of you that are here.

Another 25 percent of you are trying to make a go at real estate. You've quit your job or you've decided to not look for a job, and now you're trying to make real estate your career and you're struggling because cash flow is eating you alive. You need more income than you have to pay out. The other 25% of you are here because you're curious, you're looking for a funding alternative or a funding solution. Or you're looking for a better, safer place to invest your money to get a greater rate of return.

MONEY

> One: Why Do People Borrow Money?

I queried my webinar and live audiences in the past which is why I'm confident in sharing those percentages with you. Every one of you is here for a different reason, and everything that I say is going to apply to each one of you individually. I know that right now there is at least one or two people on this call that could go out and borrow a million bucks from a bank right now. If that's you, great! You should be making a lot of money this year.

Invest in yourself. Your career is the engine of your wealth.

– Paul Clitheroe

Private Money Lenders Can Lend On:

1) Multiple loans on multiple properties
2) More money so borrowers can use less of theirs
3) With far less seasoning requirements

Private Money Lenders Allow for Creative Deals

Institutional lenders look at the as-is nature of the property and borrower. They have no imagination on future value.

Private lenders lend on:

1) Amount of "skin in the game"

OPPORTUNITY

> One: Why Do People Borrow Money?

2) The amount of equity in the property

3) The exit strategies and highest and best use. We had a deal come in the other day for a person who was trying to qualify for a loan on a single family residence. But when we pulled the reports, we discovered that the property was actually zoned as an R2 (residential two-family per acre) and it had stubbed electrical boxes. The property was previously a duplex, and for some reason people tore out the center and made it a single family home. That property is now going to be worth significantly more as a duplex because now you've got multiple incomes instead of one. So that would have been a higher and better use of that property. Had they been coached properly they would have submitted it as a duplex and said, "It's currently a single family residence, but my plan as an investor is to convert it back to the duplex and rent it out as such."

4) Property's cashflow capability or income potential

> Two: Why Do People Lend Private Money?

Now that we have covered some of the advantages and disadvantages of conventional or institutional lenders vs. private money, let's now look at why we should be lending private money.

Affiliates, this is where you need to take note because you're going talk to people who have money, and these are some of the things you need to be sharing with them as to why they should be lending their money in private money loans secured by real estate. It's one of the best investments out there in my opinion.

Now it should be stated that I am not a registered investment advisor, an attorney, a financial consultant, or a CPA. Therefore, everything I'm telling you is simply my opinion based on my past and should not be construed as financial or legal advice.

With that said, for those of you who are trying to procure your own pool of private money lenders, these are the points you need to share with these possible lenders.

1) It is a passive investment.

2) It creates ongoing, residual income over the life of the loan.

A Quick Side Note: People ask me all the time, "Lee, do you buy notes?"

The answer is, "Yes, I do."

OPPORTUNITY

> Two: Why Do People Lend Private Money?

"Well Lee, how come if you're buying notes, and notes give you a much better rate of return, why are you originating the notes?"

Money follows passion--not the other way around.

– David Siteman Garland, Host of Rise to the Top

Understand that when you buy notes

] you are subject to the rate, the term, the note rate, and the interest rate that somebody else put on the note. Certainly you could modify it with the borrower, if it's a loan that's in default. But if it's an owner-occupied loan, you've got bigger problems, because they probably didn't follow RESPA and there's a lot of liabilities that come with already-written paper.

When you originate the paper itself, you get to dictate these things. You get to determine who you write paper to, how do you construct it, how do you service it, and what the terms are. If you want longer terms or to lock an 8 percent rate of return on say, $100,000, then go find the investor who has a $200,000 property that wants to borrow a hundred grand against it. You're going to charge them 9% interest for 5 years. Guess what? You just locked up, assuming that they make all their payments on time of course, an 8 or a 9 percent return on your hundred grand for the next 60 months. That's one of the advantages of originating your own paper as a private money lender.

> Two: Why Do People Lend Private Money?

3.) It can earn, on average, 8-12% annualized return. *

4.) It's in first trust deed position. (We never do 2nds)

5.) Lenders only lend 65% of the acquisition price which requires 35% "skin in the game" from the borrower (in the form of cash, partner, collateral, and/or equity).

6.) You earn solid returns.

7.) You control the parameters of the investment.

8.) You gain the gratification of investing in real people and real opportunities.

One of the things I love most about what our company provides, is every time our lender funds a loan, three people have a great day. We have a great day because we get paid when the loans are funded. The borrower has a great day because they just received the funding that they need to buy a property or refinance a property. The lender, who prior to this loan had money sitting in a self-directed IRA that was idle and doing nothing, has a great day because they're getting higher monthly payments and interest on their money. Everyone wins, and that's what I love more than anything else about what we do. For those of you who are affiliates and communicating to both borrowers and lenders about the merits and the upside of private money and investing in real estate, you get to spread the good news that everybody wins.

If you struggle to communicate effectively, or you consider yourself to be a horrible sales person, the great news is you don't have to sell when everyone wins because it's the natural choice to say, "You know what? This makes a lot of sense. I'm going to do this."

Private money is the supply to a huge demand because investors are:

1) Buying up foreclosures in local markets.

2) Restoring buyer confidence and price stabilization

3) Playing a critical role in the health and growth of the housing market. Investors have established single-family rentals as a 100-billion dollar business. (Single family rentals are outnumbering apartments.) This is coming from Campbell/Inside Mortgage Finance Housing Pulse Tracking Survey dated August 28, 2012. The report reveals the potential size of REO rental market in 2012 is more than 100 billion dollars.

One of my favorite statements is this, "In commerce and in business, there are two sides to every cash register." I want you to write that down and really think about it. There are two sides to every cash register. There's the side of the cash register where you've set up a business and you're transacting sales and collecting money. And there's another side of the cash register where you're handing somebody else money. What side of the cash register are you on?

In the real estate acquisition space, I believe that one of the best things that you could be doing right now, from a portfolio standpoint, is buying and acquiring as many properties as you can and holding them as rentals. I believe that we are going to see increased speculative buying from investors and other people entering the marketplace, which is going to limit the available supply, driving demand through the roof, which will cause prices to go up.

I have an associate over in the Seattle area that I've known for about fifteen years. He and I had the same mentor years ago in the foreclosure space. I reached out to him last week and said, "Hey Mike, what are you up to these days and are you still working with Dean?"

He said, "No. Actually I left Dean and I'm now working for a hedge fund."

I said, "Oh, that's great! What are you going to be doing there at the hedge fund?"

He said, "We are buying up every property we can get our hands on."

> Two: Why Do People Lend Private Money?

> **The individual investor should act consistently as an investor and not as a spectator.**
>
> **– Ben Graham**

I said, "Really? Are you doing this nationwide? Are you specializing into a niche market?"

He said, "Lee, we're buying single family homes in three markets." They were in Snohomish County, King County, and I can't remember the name of the other county. It's on the western side of Washington State.

I said, "Really? What kind of volume are you guys doing?"

He said, "Lee, in the last 90 days we have bought over 43 million dollars in single family homes."

I said, "Really Mike? What are you guys doing? Are you buying them and flipping them?"

He said, "Absolutely not. We're buying properties that are in pristine condition, in pristine areas, we're paying full price. If they're asking $200,000 and it's in good shape, we're paying them $200,000."

I said, "Michael, that's not what we've been trained to do. We've been trained to buy low, sell high."

He said, "Lee, based on our numbers and our findings, as a multi-billion dollar hedge fund, we anticipate prices to go up over 30 percent in the next 24 months."

MONEY

> Two: Why Do People Lend Private Money?

Please understand, I'm not representing this technique. That's simply what he told me in this conversation. But, if they are indeed correct and you can go out and buy a property at face value and you can hold it for the next 24 to 48 months and see a 15-30 percent increase annually.* Is that a pretty good investment?

For these hedge funds, from a speculatory standpoint, it is a good rate of return. As a result, they are buying everything they can get their hands on. He works with just one hedge fund, out of many, that I've heard are out there doing the exact same thing.

As these hedge funds are buying up these properties, you may be seeing a reduction in the available supply of REO's and listed properties being represented by agents and investors.

What's the solution for the little guy? How does the mom-and-pop real estate investor business compete in this market? Simple. Stop buying off the MLS. Somebody commented that they were buying notes. That's a great strategy because in the note business, you can control the property without actually owning it. If you do get it back, you either get the upside of the equitable position, or you get the payoff of all the interest you should have earned over the life of that loan.

There are many strategies available, but what you need to understand is that buying real estate in this market,is no longer speculative. It's happening right now.

*Actual results may vary.

OPPORTUNITY

> Two: Why Do People Lend Private Money?

It’s just a matter of do you get in low enough and how high does it go up, because I believe it’s going up.

Proof of the Demand

Source: Campbell/Inside Mortgage Finance Housing-Pulse Tracking Survey. August 28, 2012.

Look at this chart. At a median expenditure of $7,500 per property, investors are spending a total of $9.2 billion per year for housing repairs. About $4.6 billion has an impact on local labor markets and suppliers. Real estate investors are spending more than 4x as much as the Federal Neighborhood Stabilization Program.

What does that tell you guys? Investors are buying in droves. So as affiliates, you can provide them access to all of the funding they need to fund every qualifying deal they will find through Private Money Exchange.

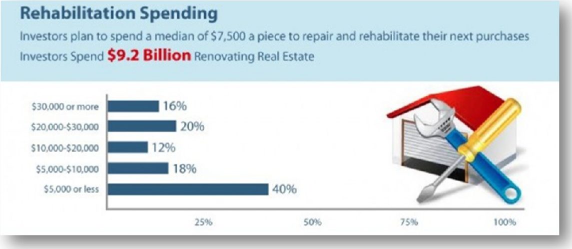
For those of you buying real estate, that should encourage you to be out there buying more real estate or as much real estate as you can get your hands on (given you have access to the necessary capital).

MONEY

> Two: Why Do People Lend Private Money?

Investors plan to spend a median of $7,500 a piece to repair and rehabilitate their next purchases.

- $30,000 or more, 16%
- $20,000 -$30,000, 20%
- $10,000-$20,000, 12%
- $5,000-$10,000, 18%
- $5,000 or less, 40%



Source: Campbell/Inside Mortgage Finance Housing-Pulse Tracking Survey. August 28, 2012.

I've had this question asked of me, "Lee, where should I be buying in my local market?"

Please understand that what I'm about to tell you applies to only about 10 percent. For many, you're just getting started. You're just beginning to consider investing in real estate. You're dealing with a minimal amount of available capital. You might have a credit card limit of five or ten thousand, which is fine, that's actually enough to get started.

OPPORTUNITY

> Two: Why Do People Lend Private Money?

If myself, or a member of my company was consulting you, we would tell you to go after the $50,000-or-less market. That's a lot easier to do if you live in Cleveland, OH than if you live in Los Angeles, CA. Understand that there are ways to accomplish the task, if the motivation is in the right place.

The sweet spot that I see people making the biggest return on their investment are in the $200-$500,000 range. In LA or southern California, New York, New Jersey, or some of your more wealthy/affluent areas, you are dealing in price points between $500,000 to the million dollar range. It's the $500,000 to $1,000,000 bucks where I'm seeing the biggest returns on investments right now. Not everybody in this country is broke.

Look at the stock market. It is creating so much liquidity in the marketplace that investors are scrambling to figure out where to put all of their money. There's a lot of liquidity and there are a lot of people in executive and management positions that are doing quite well. They have been holding off buying a bigger home for the last 4 and 5 years because of uncertainty in the marketplace and wondering, "What's going to happen to the economy?" They have been painstakingly trying to stay in the house that they are in, but they really want to move up to the next property.

For those of you who have $50-$100,000 and you want to invest in real estate, I would encourage you to pursue it. I'm seeing $50-100,000 return on investments from a lot of investors that are playing in that particular space. Make sure you have the financial capacity to do it though. The reason I cautiously encourage you to play in that space is your carrying costs and your holding costs on those types of properties are substantially higher, and the days on market to get them sold in many areas is twice as long as those at the $100-$150,000 price point.

Appealing to the Generation Y Property Buyer

In USA Today just last week, there was an article in the Money Section speaking about Generation Y, which is predominantly lazy. They have grown up in an economy and a marketplace where everything is done for them. They have video games, iPads, iPhones, social media, and Facebook. They can accomplish a lot without leaving their home. For many of them, they don't even leave their parents' home.

The article from USA Today was stating that as the unemployment rate drops, many of the younger workers, the college graduates who prior to, could not find work, are now finding work. What are they now wanting to do as a result of getting their first job and being able to move out of Mom and Dad's house? They are looking to buy real estate.

These are not your minimum wage players. These are guys stepping into corporate jobs paying better than $40,000 or $50,000 annually, which puts them perfectly inline with a price point somewhere between

$125,000 and $250,000. If you can service the Generation Y buyer, then you can greatly reduce your days on market.

> **Persist--don't take no for an answer. If you're happy to sit at your desk and not take any risk, you'll be sitting at your desk for the next 20 years.**
>
> **– David Rubenstein**

To do this, you need to think of ways to appeal to Generation Y buyers. You need to have lightning speed internet access coming into that property. It needs to be relatively contemporary. The cleaner the lines, the better. The more open space that you have, the better. The more technology that you can incorporate into the property, the better. If you've got to re-wire anyway, one of the best things you can do is wire it as a "smart house" and have iPads in various places that are controlling the lights, the temperature, the heating, and the air. These are the types of things that Generation Y loves and is more than willing to pay for.

If you will invest those dollars, you will move that house very, very quickly. Granite and stainless steel are still very popular no matter who you're dealing with. These are just some of the things that you guys can do to move these properties faster to a newer demographic.

On the chart on the next page, it says that more than a third of real estate investors plan to buy more real estate in the next 12 months. 39 percent of active investors intend to increase their purchases. 26 per-

> Two: Why Do People Lend Private Money?

cent plan to buy as many in the year to come as they did in the past year. Only 30 percent said they plan to buy fewer properties. 5 percent were undecided.

Source: Campbell/Inside Mortgage Finance Housing-Pulse Tracking Survey. August 28, 2012.

What does that mean? It means that there are going to be more people entering the market. What you're seeing in the news, like the USA Today article I mentioned before, has a direct impact on the pricing of real estate, as well as the cost of money.

Bernanke (the Chairman of the Federal Reserve) has said, that until he sees a reduction in the unemployment rate, interest rates were going to remain where they currently are."

Just recently, I was talking to an economist at a $4 billion bank who said, "Lee, I don't foresee interest rates going anywhere for at least the next 36 months." He was very bullish on the rates staying at 0 percent for the next 36 months, which means that you have an amazing opportunity right now to get really, really wealthy if you play into the trends.

I know you all know people who have lost money in real estate. You all know people who have lost money in mortgages and buying notes. That may make you apprehensive. But, you've got to ask them this question, "When you lost your shorts in that deal, were you playing at the spike of the trends or were you playing at the low of the trends? Or were you smack-dab in the middle?"

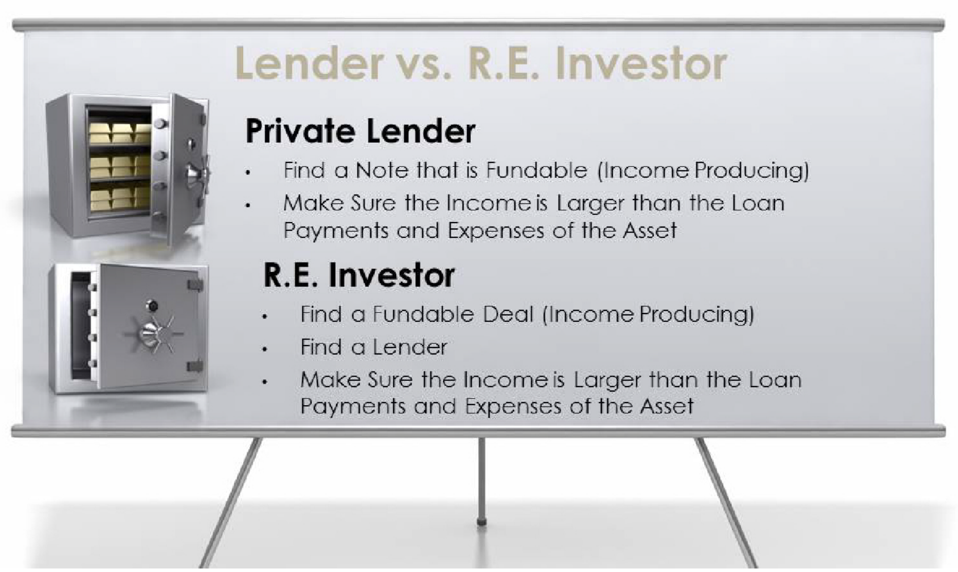
Right now, I believe that if you look at a trend from 0-10, 10 being the top, 0 being the bottom, I believe that we are somewhere around 20-25 percent of 10, or 2.5%, which means there is still a tremendous amount of growth and speculation coming into the market. If you can acquire, fix, flip, and get out, you need to buy everything you can and be out of it in the next 36-48 months. From the economic indicators that I'm looking at this is what we are primarily seeing. You don't have to think of this as rocket science. Just simply play to the trends, and don't allow yourself to get caught in the tide going out. Catch the wave coming in, and don't get sucked out in the riptide going out.

We all have stories. I don't have a problem saying this: If you were investing in real estate in 2006, 2007, 2008, 2009, your credit sucks. Why? The tide went out so quickly that it just sucked the value and you got stuck upside down in real estate, which meant you had to short sale your portfolio.

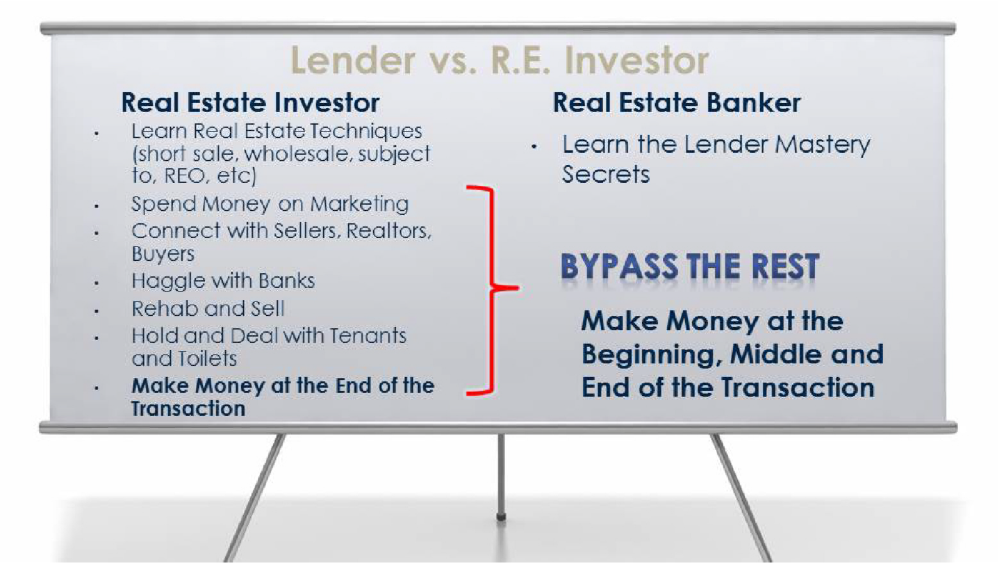
> Two: Why Do People Lend Private Money?

That one was in 2008, 2009, 2010. As long as they are responsible in their credit repair and credit cleanup, many of those things are going to drop off in the next 7 years. What year is that? That puts us into 2015, 2016, 2017. That's where you guys are going to clean up, literally. That's where prices are going to be peaked. There's going to be a plethora of buyers newly formed and with newly cleaned credit and you need to have the inventory ready and be able to sell to them.

If you're not getting it, if I'm not being direct enough, here's the point. ***Buy more real estate*.** Seriously, buy a lot more real estate!!!



> Two: Why Do People Lend Private Money?



which means you better buy right.

Now the hedge fund over in Seattle that just spent $43 million in the first quarter of 2013, they are buying at par. They're not looking for an upside and they're not looking to force equity through sweat equity. They're paying par pricing and betting on the upside. I guarantee you that they are going to win, and they are going to win big. There's no reason why you can't be doing what they're doing, unless you don't have access to capital.

If you don't have access to capital, it's good you're reading this manual and watching this presentation because at Private Money Exchange

> Two: Why Do People Lend Private Money?

that's what we do. We provide access to capital for our real estate investors.

We want to train and educate you so that you can consume more money. We want to lend as much money as we possibly can. To do that, I need you buying as many qualified pieces of real estate as you possibly can buy. This is really a "we-win/you-win" type of relationship.

For those of you who are lenders out there, and aren't sure where to put your money, how to invest it or where to invest it, we provide loans backed by real estate.

As a real estate investor, meaning you're buying the asset, you're purchasing the property, you're managing the tenants, you're dealing with the toilets, you're collecting the rents, you're doing all those things. You get to participate in the upside or the appreciation.

Quick Side Note About Equity Participation: We don't do equity participation deals. We want you to keep all of the equity.

If you're the real estate investor and we're giving you the capital you need to buy it, fix it, and sell it, you get all of the upside.

If you are interested in being the lender, all you need to do is find a competent operator with underwriting guidelines you can trust, and then you bypass the rest and make money at the beginning, middle, and end of the transaction.

> Two: Why Do People Lend Private Money?

Some Lending Terms You Need to Understand

Liquidity:

If you are looking to lend, one of the questions we will ask you is, "What is the timeframe of your liquidity?" Meaning, "How quickly is your money or asset available and can they be converted into cash?"

Know what you own and know why you own it.

– Peter Lynch

As a private money lender facilitator, we operate on speed of deployment. If you've got money sitting in a 401k you will need to transfer into a self-directed IRA, which means you need to identify a custodian and set up the IRA to roll your funds into. That process can take three or four weeks. That doesn't mean that we can't work with you. It just means that you can't fund a loan that we need to close on tomorrow. You need to begin the process of liquidity now, so that you are ready to deploy once you've identified the right opportunity for you.

For those of you borrowing money, you need to be aware and familiar with this process as well, especially if you're procuring your own private money. If you're talking with the wealthy/affluent, the question you need to ask them is, "How quickly are you liquid? If I go out and find a deal tomorrow and I represent to the seller that I can close in three days can you, Mr. and Mrs. Lender, actually give me money in three days? Or do you have your money sitting in a 401k that you need to transfer into a self-directed IRA?"

Liquidity is key. Speed of capital is everything in this business.

Collateral:

Secondly, collateral, which is the borrower's pledge of a specific property or asset to a lender to secure repayment of the loan. Lenders, what are you lending your money against? As a lender, what do you get if the borrower defaults and stops paying you is the property.

So, make sure that the deals you're putting your money into are going to get you a return of all of your invested capital in the event that something goes wrong in the transaction. The asset must cover your "ass-ett." Know the value, the collateral, and the property inside and out.

Title:

Thirdly, tell me about the title. Do you have the right to a piece of property, such as easements, liens, or covenants, and is there any "hair" on the file? Now, that's an internal terminology that we use when there are title liens or there are encumbrances or encroachments of the title. Make sure the title is clean on all the deals that you lend on.

> Three: The Pros and Cons of Each Kind of Deal

These are your different types of deals and here are the pros as well as the cons of each.

Originating a New Note

When you purchase a loan that has already been originated, the pro is you lend to one party, you have control over the loan origination, documentation, and terms. Writing and originating your own mortgage is basically like someone handing you a big ball of clay and saying, "Here, make whatever you want. It can be a mug, it can be a plate, it can be a weapon, it can be anything you want it to be." That's the advantage of being a mortgage loan originator - you decide.

The cons are these: You're dealing with a new client who you don't know and there is no personal or past performance history if they are a new borrower to you.

One of the advantages of Private Money Exchange is we facilitate millions of dollars in mortgages each and every month and about 50 percent of our borrowers are repeat borrowers, so we already have history on them. We can say how many loans they've done, how much they have borrowed, whether or not they have missed any payments because we can do our own servicing internally through our subsidiary , Lake City Servicing. We can give you that operational history.

If you're doing this on your own, you may not have that. Even if the borrower provides it to you, you now have to ask the question, "Are they being honest? Have they really done this? Can they really perform this way?" You must depend on previous credit performance for reputational capital.

Buying Notes

The pros of buying notes are deep discounts and good collateral on non-performing notes.

However, if you don't know what you're doing, the cons outweigh the pros. If you are buying defaulted notes (a note that was created, the borrower defaulted, and the financial institution or lender is now discounting it greatly so that they can sell it off), understand that you now inherit the challenges with that particular borrower. One of the main things that you need to be very, very, very concerned with in this market right now is if you are buying mortgage notes or defaulted notes against a property that is owner-occupied, you need to know if the mortgage originator followed RESPA. Did they follow the guidelines? In the process of collection, have they done anything that's outside of the Dodd-Frank bill related to collections from an owner occupied property?

I am seeing more and more lawsuits being brought up from homeowners who are suing their lender or the private party that purchased the note from the lender. In fact, I just saw a presentation a few weeks ago from a group that's raising money in $50,000 increments for litigation against homeowners and banks who did not properly follow the loan origination and the foreclosure protocol for owner occupants.

If I have scared you out of buying previously originated paper, in a way, that's good. However, if you are a competent operator and you've done it in the past and you understand all of the nuances, then I absolutely think it's some of the best yielding returns on investment that exist in the marketplace. Unfortunately, I see too many people jumping in with both feet because they bought a program, they saw it on the Internet, or they went to a seminar, and suddenly they're a note expert. I've seen more people lose a fortune in notes, than I've ever seen people who've made a fortune in notes.

You've got to understand, there's a million ways to make a million bucks. What you have to determine is, what is the right way for you? And are you forging ahead with the right partners? Are you getting your advice and your counsel from the right people that truly are concerned with your success and the outcome of your investment?

Buying of Note Pools

This is probably the second most often question I get asked, "Hey Lee, will Private Money Exchange fund a note pool?" The answer to the question is, "Maybe." Out of a thousand opportunities, we might fund one of them, but more often than not we get bad note pools.

> Three: The Pros and Cons of Each Kind of Deal

The safest note pool to buy is in quantities of $100,000,000 or more. Why? Because banks sell note pools in $100,000,000 quantities. Hedge funds buy these $100,000,000 quantity portfolios and then they section them off into $50,000,000, $25,000,000, $10,000,000, and $5,000,000. What they're doing is scraping the cream off the top. They find the 5 million or so that are 30 cents on the dollar against multi-million dollar properties which are in beautiful and pristine condition and they keep those. The sell the remaining $95,000,000 worth of the notes in smaller and smaller quantities.

We see this all the time, and every time somebody comes to me with a note tape or a note pool, it's often made up of properties in Flint, MI or downtown Cleveland, or other areas of the country that aren't known for being really highly desirable areas. Now, if you live in Flint or Cleveland, no offence, I'm simply telling you how lenders look at certain market segments as they're dissecting a note pool. As I'm looking through these tapes, I just see this hodge-podge of garbage spread out in multiple areas.

Does that mean that you can't make money in note pools and that you shouldn't even pursue it? No, I'm not going to be that negative, but I am going to say, "Be very careful. There are a lot of really, really, really smart people out there and if they're smarter than you, there's a good chance they might be taking advantage of you, so buyer beware.

OPPORTUNITY

> Three: The Pros and Cons of Each Kind of Deal

Now I will give you the one thing that has literally saved me millions and millions of dollars. On every transaction that I get involved in, whether it be a business deal, a real estate opportunity, a note pool, or a loan opportunity, I ask myself this question and I encourage you to add it to your repertoire of questions that you ask. “Why am I so lucky? Why do I suddenly have the opportunity to a buy note pool with face values at $10,000,000 and I get to buy it for $500,000? Why am I so lucky? Why do I get to buy this house across the street that has a fair market value of $200,000 and suddenly I have it under contract for $75,000? Why am I so lucky?”

The reason for asking the question is that it forces or demands that you do more due diligence in the process. It demands that you start asking tougher questions like, “Is the foundation of this place okay? Are these note pools spread out in multiple markets, are they all in first lien position? Were they written back in 2006, 2007, 2008 at the height of the mortgage fraud? Why am I so lucky?” I want you to add that to your business to help you avoid losing some money on bad deals.

What are the pros of buying note pools? There are big discounts. I’ve done note pools, and there’s a lot of money to be made there. There is usually an established history to evaluate. When you purchase a note pool, they typically transfer all of the servicing transcripts, conversations, and notes that the previous servicer provided as part of the servicing of that portfolio. If any of those loans have gone into foreclosure, you will get pages of notes from the servicer regarding the foreclosure of the asset. You do get all of that when you buy the tape.

Cons: Analysis is difficult since quick bids are necessary. Bulk means you often get a combination of great deals and not-so-great deals. When you're buying a note pool, you need to be sorting out and looking for your target yield? If you're buying a note pool of $1,000,000 and you do the analysis and determine that after you get the properties back and fix them up and sell them off, you can generate $2,000,000 in revenue. You still need to deduct all of your costs, your carrying cost, your cost of money, your fix-up cost, your foreclosure cost, your cost of litigation, your cost of lawsuits (because you will get sued). What's your net? In any business you must identify what is our target yield or return on investment?

If I'm going to go out looking at buying a business, I'm going to say, "What kind of return am I getting on this business?" If I buy $1,000,000 worth of inventory and they sell $1.8 million in gross receipts, that's an $800,000 net less all of my additional operational costs. What do I make? $60,000? You've got to look at real estate investing, lending money, and the acquisition of note pools as a business and you must treat it as such. It can't be treated as some, fuzzy-slipper, basement, get-rich-quick business. Now, I would argue that you can still become wealth by operating it as a serious business and by tracking your quarterly investments, your return on investment, and making sure that each month you're seeing an increase.

> Three: The Pros and Cons of Each Kind of Deal

Unfortunately, nobody tells you this in a seminar setting where they're trying to sell you something because bad news doesn't sell, unless you're in the newspaper business of course. I'm not here to sell you dreams and visions and goals that will never transpire, I'm here to give you the operational information you need to know to finally and truly be successful so we can stop playing rich, and actually get rich.

What happens when you get rich? If I can teach you how to buy real estate safely, securely, and effectively and make a profit every single time, what happens? You start making $10, $15, $20, $25,000 on every house that you buy, fix and flip, and guess what you now have? Cash!

Eventually you're going to get tired of the real estate game. You reach a certain point where you're just tired of the tenants and toilets,the vacancies, and the repainting, re-carpeting, and the repairs. When you get tired of all that, and you've got a couple million dollars sitting in the bank, you are going to need something to do with it.

My hope is that over the years, as we've established reputational capital with one another, that you will trust me and my company and our operational infrastructure enough to come back and lend to the new investors that are coming online. Therein lies the ***Circle of Wealth***.

It doesn't benefit me for you to buy books, tapes, and coaching from me, and then you lose everything. That makes no sense.

MONEY

> Three: The Pros and Cons of Each Kind of Deal

Investing in junior liens: The pros, there is a higher rate of return. There is less money out of pocket.

The cons, risky (not for the faint of heart and not recommended especially if you don't have an assistant or a professional servicing company that is managing the timing of the foreclosure). If you are buying junior defaulted or delinquent assets, you have to know by the hour, and I mean by the hour guys, because if you miss a foreclosure deadline by 3 seconds, going once, going twice, sold and your position gets wiped out. If you're going to buy junior liens, which I'm a big proponent of, I'm very bullish on junior liens, I love them, but you've got to make sure you're doing them properly.

A default on the first position means you either buy out the first position, or you lose out on the investment altogether.

What does funding really love and why?

- Funding loves a deal where the seller is motivated, not where they have to sell, but where they want to sell. They really truly want to get out of the property.
- An unlisted property, I already said stop pursuing REOs and bank owned. That's not the place to find great deals.

> Three: The Pros and Cons of Each Kind of Deal

- We’re looking for established neighborhoods where we have verifiable comparables to determine that you do indeed have a valuable property that we can lend against safely and you can get yourself into and out of and put money in your pocket.

- To accomplish that, we want the worst house on the best street. I don’t completely agree with the group in Seattle that bought $43 million dollars’ worth of property at par. I don’t necessarily agree with that model for 99.9% of you here on this call because you don’t have that type of liquidity. Hedge funds typically are drawing monies off of pension accounts or other retirement accounts where their only responsibility is to return 2-3% interest or return on investments to the people that invested in those funds, which means their cost of capital is significantly less than yours. If you’re out borrowing private or hard money, you have to get in and get out, which means there must be upside. You must be able to force the appreciation through sweat equity. You’ve got to buy low, fix it, make it nicer, and sell it for more than you’re into it so that you can put profit in your pocket.

> Four: Lending Success

Does the seller have a saleable interest in the property?

I don't know if you have ever watched the show American Greed, it's one of my favorites. I was watching it the other day about a guy who was finding free and clear property and then doing a lease option with the owner. He's got the owner's contact information, all the information about the property. In essence he owns the house. Then he would forge a transfer of title through a quitclaim deed. He put himself on the title and then he would go out and he would procure multiple mortgages against the same property. A house worth $100,000 could have liens of a million or more and everybody thought they were in first position, but in fact, everybody was in 1st and 2nd and 3rd and 4th and 5th position. You need to be really careful and make sure that the person you're lending to does indeed have a saleable interest in the property.

Do any liens exist on the property that need to be paid off at closing (mortgages, back taxes, mechanic's liens, or other assessments)?

Are there any easements or recorded legal rights to the property (a previous owner may have given a neighbor the right to share the driveway, or the city may have a right to strips of the property for putting in utilities). You need to be aware of all of them.

Always research the county records to find abstracts of title. How is the title held? How was the title transferred? Is the title clear?

OPPORTUNITY

> Five: Finding Funds and Making Them Liquid

This is for those of you who are looking to procure private money lenders yourselves for your own deals, or those of you who maybe never even thought of private lending, you didn't realize that you could be a private money lender.

One of the questions that I often get asked a lot is, "Lee, how much money do I have to have to be a private money lender?" We have facilitated loans as small as $8,700. Which means if you have $8,700 in:

- Home equity
- Self-directed IRAs
- Stocks
- Commodities
- Hedge Funds
- Foreign Exchange Currency
- Or you borrowed against a real estate portfolio to make that $8,700 liquid, guess what? You're a private money lender.

You don't have to have $50,000 or $100,000 or $1,000,000 to be a private money lender, because it's one lender to one property. If we've got a borrower that wants to borrow $8,700, guess what? You can lend them $8,700.

MONEY

> Five: Finding Funds and Making Them Liquid

If you go to privatemoneyexchange.com/deals you will come to our deal site. If you are already a select lender with our company, you've already been to that site. It will take you through a process where you have to fill out an NCND (Non-Circumvent/Non-Disclosure Agreement).

On that site we present to you all of the loans that we have already vetted, appraised, and have title insurance for. They are the deals that are ready to fund right now. Once you fill out the NCND form online, and we have received your filled out "New Funder Form" you will get an email with a username and a password which gives you access to the back office and all of these files. You can see the due diligence and the vetting information that we've compiled. You can see how much money they want to borrow, and compare it to how much money you have to lend. If there's a fit, great. You can closely review all the documentation and then choose to fund it and become a private money lender in a matter of days! We can move that fast. Again, privatemoneyexchange.com/deals.

Tips on Lending from a Self-Directed IRA

A self-directed IRA is in my opinion one of the best vehicles through which you can participate in this type of an opportunity. If you don't have a self-directed IRA, you need to set one up right now. There are several, we use Pensco, Equity Trust, Sun Trust, and Horizon Trust. They all, for the most part, function the same way. We like Equity Trust just

> Five: Finding Funds and Making Them Liquid

because we have a large population of lenders that we work with there, and because of that we get preferential treatment from Equity Trust. It's not a glowing recommendation or endorsement, but it is a vehicle through which you can get one of these self-directed IRAs. Below is a quick set of steps on how to get this going.

Step 1: You open a self-directed retirement account.

Step 2: You vest the note for the private money loan.

Step 3: You sign agreements which authorize the custodian to fund the note.

Step 4: We close the transaction.

Step 5: We send copies of the agreements to the custodian, which in this case would be Equity Trust.

Step 6: We coordinate with the servicer to send payments to the custodian. The custodian then sends you a quarterly report showing you all of the monthly payments that it has received from the borrower on your private money loan. You then just watch your wealth go up day-by-day, all tax-free.

That's why I love the self-directed IRA investment environment because you build wealth tax-free!

MONEY

> Six: Finding and Vetting the Borrower

If you are looking to lend directly and you say, "You know what, Lee? I don't want to go through you. I'm going to do this myself." Ok, here's some things you've got to know. Most people looking for private money fit into these 3 categories. They are:

- Purchasing a fixer-upper to repair and flip in 6-12 months
- Buying a fixer-upper to repair and keep as a rental property
- Refinancing an existing property so that they can free up some liquidity to invest money into other cash-flowing opportunities

Private money lenders, these are the three categories you will be encountering if you put out your shingle that says, "I'm a private money lender."

You could just as easily run a Craigslist ad right now and start getting calls before we're done here tonight, literally. Just run an ad on Craigslist that says, "Private money lender has funds for real estate deals." Your phone will ring off the hook. As your phone is ringing, here's some questions you need to ask the caller or the proposed borrower:

Is the property under contract? If it's not under contract, don't waste a single second of time talking to them. Tell them to go get it under contract before calling back.

> Six: Finding and Vetting the Borrower

- If the next statement out of their mouth is, "Well, we don't know how to get it under contract," I want you to just send them to me, I'll put them into coaching and I will train them to be a borrower and then they can eventually come back and borrow money from you safely.

How much money do you need to borrow? That's the next question if it is indeed under contract.

- "Well, I need to borrow $75,000."

Ok. Tell me about the project.

- "Well, it's a single family home and I'm going to buy it, fix it and flip it."

How long will you need the money?"

- "Well, I'm pretty sure we can get it done in 12 months."

When will you need the money? How quickly do you need to close?

- "We need to close before the end of the month."

Ok, well it's the 1st, I could probably close within the next 30 days. How much personal cash are you willing to invest?

> Six: Finding and Vetting the Borrower

- "Well, we're buying it for $75,000, and we figure it needs about $25,000, so we would like you to lend us $100,000."

Ok, so you have absolutely no skin in the game. You've got none of your own cash into this deal?

- "Yeah, that's right."

Ok, have you ever done investing before? Have you ever invested in real estate?

- "No."

Do you own your own home?

- "No."

Do you have a job?"

- "No."

How's your credit?

- "Bad."

Obviously this is not the type of borrower that you want to be looking for. You want somebody that is going to be putting some of their own cash, collateral, or friend or a family member that has assets or collateral to co-sign on the deal. We need to make sure that this is a good, safe deal for us – the lender.

- You need to understand how the borrower plans to collateralize the loan? If they don't have any money to put down, how are they going to get you, the lender, below the 65% threshold of appraised value that you need to be at to feel comfortable?

- You need to understand what the long-term plan for the project is? Again, private lenders, you need to ask these questions so that you can ask them if you decide to go about this yourself.

Some other things you need to know:

- The borrower's financial history, if the borrower is new.
- What is the value of the proposed property based on surrounding comparables? (at least 65% of LTV)
- What is the borrower involvement? Are they going to put skin in the game?
- Do they have other assets to cross-collateralize?
- What is the nature of the project? I get this a lot and many times it goes something like this:

> Six: Finding and Vetting the Borrower

- "Oh Lee, I've got a thousand acres under contract and we're going to do this five star development." I got a loan application just last night for a 1200 acre development on the island of Jamaica. I've been to Jamaica, and I'm thinking, "Is there 1200 acres of property that hasn't been developed?" As I'm reading through the loan application, they want to build a five star resort with a restaurant. They project the revenue and operational income to be$20 million/month. Then below where it says, "What's your experience?"

Financial peace isn't the acquisition of stuff. It's learning to live on less than you make so you can give money back and have money to invest. You cant win until you do this."

- They put, "This will be my first deal."
- "Really? Your first deal you're going to do a 1200 acre, five star development? Wow."
- Under the nature of the project, we need to know, have they done something like this before? If they haven't, that's a big lender beware. We certainly don't want to

steal dreams, we don't want to discourage people, but at the same time, we need to help people be a little more realistic. They probably need to start smaller and grow from there.

- The first deal I ever did in real estate, 18 years ago now, was a little $35,000 house. Since then I have done $25 million plus developments. But it started with a little $35,000 house. I like to see that same type of progression in new borrowers.

- What's the address of the property?
- What's the year it was built?

If you are going to do this by yourself, I would encourage you to order an appraisal and a lot of these questions will be addressed and answered in the appraisal:

- What's the size of the property and the lot?
- What kind of condition is the property in?
- What do you anticipate or estimate the repair costs to be?
- What is the current prescribed use of the property? How is it zoned? If it's zoned commercial and you're going to make it

residential, that's not going to fly with the city. If it's residential zoning and you want to use it as business, we've also got a problem. The use must match the zoning. If the zoning's not in line, they won't be able to rebuild or refinance and you're going to end up getting that property back. The only way you're going to be able to sell it off now is to sell it and carry financing on behalf of the new buyer, which means you're going to be stuck in that project for a long, long time.

- Title History. Is it owned free and clear? Do they have a mortgage against it? Is there a mortgage or underlying lien that you will have to pay off?
- What are the details of the sale? How long was the property on the market? Has the borrower put earnest money down? Have they structured and set a closing date? Is it in foreclosure? Have they identified a title company that they are working with? Is there a real estate agent or a loan officer involved if their exit strategy is to refinance conventionally?

> Seven: The Lender Checklist

Here is the Lender Checklist:

- Advertise in the market you're interested in. If you are new to the lending space, I'm going to encourage you to lend locally. If you're lending through me, you can lend nationally because you can purchase a buyout agreement offered by a large fund we work with. This fund will buy the note from you at 100 percent of your principle if a deal goes sideways. If you put $100,000 into a deal and 4 months you get payments and everything's going great, and then on the 5th month they stop paying you, rather than having to foreclose, take the property back yourself, the fund will buy the note from you and you get your $100,000 back. The buyout agreement is only available on loans underwritten by my company because we are underwritten by the fund.

- Review loan summaries and all the other due diligence and pick the one you're most comfortable with.

- Once the funding request is approved:

    - You're going to get the lender agreement from them.

    - Set up wiring instructions all through a 3rd party service (we don't touch your money).

    - Get a copy of the closing documents.

- Have them sign your lender agreement.

MONEY

> Seven: The Lender Checklist

- Approve the closing documents through your counsel.
- Wire funds to independent closing service.
- Set up the closing.
- Sign and fund the deal.
- Post close.
- Set up your servicing so you collect your ongoing monthly payments.
- Once they've got it fixed up, cleaned up, and sold off, they are now going to request a payoff. You'll sign the payoff and reconveyance through the new purchaser and lender.
- You earn up to 8-12%*
- You do it over and over again.

What does Secured Investment Corp do?

- We create and present the borrower's loan package, which includes the application, income, and asset documents, as well as a host of other documents.
- We provide the agreements between the investor and the lender.

*Actual results may vary.

OPPORTUNITY

> Seven: The Lender Checklist

- We gather, review, and present title information as required.
- We order, review, and present an appraisal or other asset valuation on the property.
- We coordinate title and escrow services.
- We coordinate the fund transfers from you and/or your self-directed custodian. We never touch the money and all funds go through a 3rd party. In many cases we will prepare the direction of investment forms on your behalf, or at least walk you through those.
- We help you create the final loan documents and coordinate loan settlement for closing.
- We determine the loan servicer and transfer information to the servicer at the end of the transaction.
- We keep you advised on the loan status.

There are only 5 Steps if you choose to have us handle it:

- You let us know that you're interested. Send us an email or go to our deal site at privatemoneyexchange.com/deals and fill out the NCND. Then Heather Dreves or CB Wentling, Directors of Funding at Secured Investment Corp, will follow up with you to identify how much money you have and how much you want to deploy, how how to get it liquid. You will need to fill out the

> Step Seven: The Lender Checklist

New Funder Form and a disclosure document if you have not already. Once you've picked out a loan, they'll send you a due diligence packet and walk you through it.

> It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.
>
> - Robert Kiyosaki

- You sign a NCND with SIC and let us know your preference as to lending areas, the amounts, etc.
- You choose the loan at your comfort level. You don't wire money to us. Our company never touches your money and everything goes through 3rd party independent escrow service providers. We also don't co-mingle funds or pool your money with other investors. You put your money into a property. You are the named lender, the docs are written in your name or your company's name, and then we can service it on your behalf, if you would like.
- We arrange closing, you sign the loan documents.
- You earn interest payments and then we help with the final pay-off.

We've done everything, in my opinion, that we can do to simplify this process so that if you are a working professional and you've got a couple hundred thousand bucks and you would like to put it to work, that's what we are here to offer you, the chance to place money with private loans secured by real estate.

OPPORTUNITY

> Get Involved in the Circle of Wealth

After years of teaching and mentoring around the nation, I found that education doesn't mean a lick, if the person being taught doesn't have the capital to put their knowledge into genuine action.

So, I took the challenge and created a place, Private Money Exchange, where real estate investors could go for unlimited funds for their non-owner occupied investments.

While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on private money loans secured by real estate, and make higher returns than they were currently seeing in the stock market, bank CDs, or bond investments.

> Get Involved in the Circle of Wealth

As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

Through this model, what we call *"The Circle of Wealth,"* we also noticed that people who entered in at the training level and borrowed funds for their real estate investments, eventually became lenders in their own right. They then helped others obtain the capital needed to grow their real estate portfolios.

This allowed everyone, on every side, to win!

It is our goal that **<u>everyone</u>** can enjoy some level of success in ***The Circle of Wealth***, and inevitably lap it several times over! We hope you're one of them!

<u>Circle of Wealth Member</u>

"I chose to workwith Private Money Exchange because I have watched Lee over the past few years. I have been impressed by his attitude, ethics, and humility. My experience has shown that the company performs excellent due diligence before agreeing to an investment.

Becoming a lender was an easy business decision for me. But a thank you gift was icing on the cake. Where do I send my thank you note.

I have to believe this is a terrific place to work! Thanks for all your help."

- Susan C.

> Who is Lee Arnold?

Like most self-made millionaires, I began at the bottom of the financial food-chain. My humble beginnings started as a bag boy at a local grocery chain in Spokane, Washington working for $3.90 per hour. My first “aha moment” happened while I was aspiring to a management role at the store and was reading the life-changing book, “Rich Dad, Poor Dad” by Robert Kiyosaki. Suddenly my management aspirations looked very small, but my future possibilities became extremely big.

My second “aha moment” happened while I was sitting in a philosophy 101 course in college. My attention span was divided between the slow ticking of the clock and my professor’s long winded discussion on the economy. While the minutes ticked by, he let it slip that he was making only $45k a year. That information and the knowledge I gained from Kiyosaki’s book, made me realize I was on the wrong path to success and needed to make some very important changes fast. So, from those experiences and an influential nudge from an incredibly persuasive late-night infomercial, I went into real estate.

I began the way many people do—in the educational and training space. Like many, I went to real estate seminar after seminar and bought course after course. Through long years of trial and error, I built up a very profitable, million-dollar real estate business from the ground up. I’m proof-positive that the training system can and does work! Because of this, I decided to help others by teaching them how to translate workbook education and real estate theory into the real world of real estate investment.

THE Lee Arnold SYSTEM OF REAL ESTATE INVESTING

1121 E. Mullan Ave
Coeur d’Alene, Idaho 83814

Phone: 800-341-9918
cs@securedinvestmentcorp.com