



15 Secrets to Private Lending

Canadian mortgage expert reveals 15 strategy secrets that investors learn so they can lend their money more safely. Borrowers learn what a private lender looks for when approving their loan. By Author Gregory Stanley CFP CSEC





1 Triage the deals that makes sense

Just like how a medic on a battlefield chooses which soldiers can be saved - or not; Home n Work handpicks the files that make sense - from across Canada - for investors to look at. We represent you - the investor and not the borrower.

2 Know the Story

Bad things do happen to good people. Review the 'why' someone needs to borrow. Is need due to an explainable 'bump in the road' that could happen to anyone or does it show a 'pattern' of financial irresponsibility? Does the need to borrow make sense?

3 Situation Improves

Only lend if you are improving a borrower financially; part of proceeds must be used to pay off debts and/or improve the borrower's cash flow.

4 Borrower must have the ability to pay interest

We will structure the deal so it makes sense to both the investor and borrower. Sometimes we will take all interest on a 'prepaid' basis (directly out of loan proceeds) that will cover the 12-month lending period until the borrower can obtain conventional lending again.

5 Mortgage investments properties with reasonable resale value

Most properties in populated areas across Canada would satisfy this requirement. The property should be in an area that demonstrates real estate activity with comparable properties.

6 Each property is subject to a satisfactory appraisal to the private investor

It is important that the property is not the worse one on the street or the very best one on the street. For example, the property must be an average house on an average street and well maintained.

7 Pride of Ownership

We are looking for a sense of pride of ownership. Kids in a local school and involved in sports; the family involved in community events; tidy home - things that show that they are proud to live there and wish to remain in the same home over the short 12 month lending period.

8 Preferred loan to value 75% or less

The Bank Act states that a low ratio (low risk) mortgage is 80% or less of the appraised value of the home. Loan to value or LTV = total mortgages amount DIVIDED by total appraised value. The LTV calculation is applied after a 1st or 2nd mortgage loan is made from the private investor/lender to a borrower. Unless there is additional collateral security offered we want 75% or less.

9 Limit any subsequent mortgages for obvious reasons

Regardless of the number of mortgages placed on a property (1st, 2nd etc...) the total combined loan amount must stay within 'low ratio' limits.

10 A fair interest rate of return for the private investor

This is usually 10%-12% on a 2nd mortgage loan and a little less for a 1st mortgage. The mortgage broker will state the rate that the borrower has already agreed to accept on his commitment page. The rate paid by the borrower is the same amount paid to the investor. Payments to the borrowers are based usually on interest only payments only; but can be blended.

11 Owner Occupied residential properties preferred

Home n Work believes that the best mortgage investments are ones where the borrower owns and lives in the home or as a second best choice have 'quality tenants' with a proven and stable rental history.

12 Diversify into several smaller mortgage investments rather than one big one

Improve diversification further by placing those 2 smaller ones into two "different" geographical areas. For example, if you have \$100,000 to invest into private mortgages then place \$50k in BC and another \$50k in Alberta; or any other Province where a deal makes sense.

13 One investor matched for one client

"One investor invests in one property" as a general rule but flexible enough, when desired, to share with up to 4 others on a specific mortgage (Example: a husband and wife using RSP funds or 2 couples wanting to share an investment together). This gives you ultimate control on your money. You match a specific borrower and property that suits your needs best while 'sharing' with another investor. That benefit of sharing, when desired, lets you diversify further by reducing the size of investment you need to make. All investors are registered directly on title of the property. All investors are paid directly from the borrower on a monthly basis. An investor can use registered or non-registered funds. TFSA's can be used too.

14 Full Disclosure

Investor receives full documentation on borrower, appraisal, proposed commitment and terms. Actual name of investor(s) will be registered as a mortgage charge on the actual title. Copy of complete legal file given.

15 No costs incurred by the private lender

The mortgage broker does not charge a fee to the private lender. The rate charged by the borrower is the rate received by the lender. The borrower pays for all appraisal and legal costs which includes independent legal advice given to investor "free of charge." The private lender enjoys a predictable rate of return with no additional costs with investing. Full disclosure / service contract provided.

Advice Matters!®



Advice Matters!®

Investor's Benefits

- Enjoy equity protected investments in private mortgages
- Each client earns a high, predictable return.
- Mortgages that are 'triaged' are placed by Home n Work and administered by the legal/RSP Trustee
- Monthly income is generated; that can either grow inside a RSP/TFSA fund that will earn monthly income that may fund their current insurance programs, income retirement planning and investment programs.

Borrower's Benefits

- Obtains independent legal advice (ILA) prior to funding
- Obtains a 1st step of two steps towards conventional financing
- Pays off immediate short term debts
- Reduces stress and has a financial plan to succeed
- Improves current cash flow and repairs credit rating
- Obtains new conventional financing at the end of the year

Benefits to Advisors

You are able to provide your clients a better predictable return on their non-registered or registered investments. Your clients will be paid a 8-12% rate of return; paid monthly, directly to them *or* into their RSP portfolio.

lender/broker fees may apply



Gregory Stanley CFP CSEC
reveals 15 secrets on
mortgage investing

For more information visit
www.MortgageSwap.com