

The Top 10 Questions to Ask About a Private Lending Program To Save Big Money and Headaches

1. **Is the private money loan being sought by an experienced and reputable real estate investment company?**

Basically, is the real estate investment company you're working with a "fly by night" operation or are they a reputable company, run by reputable investors with a track record for success?



2. **"Am I writing a check directly to the real estate investor? Or do I write it to an escrow/title company or attorney?"**

This is an important question to ask BEFORE you trust your hard earned money in a private lending transaction. Make sure that the company you work with has you write your check directly to the escrow/title company or the attorney handling the closing of the transaction. If the investor asks you to write them a check directly, be wary.

3. **"Do I get a copy of the preliminary title report and other documents before and after the transaction?"**

It's important as a private lender that you do your due diligence just as a bank does when they lend funds on a property. Ensure there is a title report done on the property and you are able to see the report before the transaction closes. Private lending is a very predictable, consistent, and easy way to make better returns to make the entire transaction even more secure makes sure you receive the proper documents from the real estate investment company you are working with.

4. **"Can I diversify my private lending by lending on multiple properties at the same time?"**

When you are working with a reputable real estate investment company, they ensure that they only take on properties that make good financial sense for all parties with multiple exit strategies in place. It may be a good idea if you have the opportunity to spread your funds out into multiple private loans to further diversify your private money loan portfolio. Ask the real estate investment company you are working with if this is a possibility.

5. **"What is the 'LTV' of the private money loan?"**

"LTV" means "loan to value". The higher the LTV the higher the risk may be on a particular private money loan. Many real estate investors work on tight margins

and buy properties at 80% and up. However, our real estate investment company purchases properties typically at 60-70% (or less) of the value of the property. We will never ask a private lender to loan more than 70% LTV on a particular property. This drastically increases the "wobble room" of the overall transaction and ensures that the investor and private lender are protected as much as possible.

6. "Can I do my own due diligence on the property and the transaction?"

You as the private lender should be able to do your own due diligence on a particular private money loan if you want to... we actually encourage it with our private money lenders and give you the tools to do so.

If a real estate investment company does not give you the opportunity to do your own due diligence on a property... you may want to evaluate your relationship with them. Our company provides our private money lenders with a full due diligence package on each property at your request so you can make sure everything is as you want it. Pretty refreshing huh?

7. "What is the real estate investment company's exit strategy?"

There were many "investors" who entered the market over the past 5 years who are gung ho at purchasing properties... but who lack to plan correctly for the exit strategy of the investment. Ask the company you are working with what the exit strategy is for each private money loan you consider... if the company has no clear exit strategy in place you may want to reconsider your private money loan with them.

Our company makes it a point to purchase properties with multiple satisfactory exit strategies in place BEFORE we purchase the property. If we do not have at least 3 exit strategies we will reconsider the purchase of that particular property.

8. "Is my private money loan properly secured and what documents will I receive that show my position in the property?"

This is a very important question to ask before you participate in a private money loan. Ask the real estate investment company what documents you will get before and after the transaction closes that show you're protection and position in the property. Also, ask the company if the proper documents will be filed with the county courthouse that places you as the "mortgagee" on the property.

Working with our company, our private lenders receive a full package of signed and recorded documents before and after the transaction takes place. These include the filed Trust Deed/Mortgage, disclosure statement, promissory note, insurance binder, and more.

9. "Does the real estate investment company have proper insurance on the property naming me as a lien holder/additional insured on the property?"

This is extremely important and often overlooked by first time private money lenders. A reputable real estate investment company will purchase proper insurance to cover the property and place you as the private money lender on the

policy as the "additional insured/mortgagee/etc." to protect you and your investment.

Our company places our private money lenders on the insurance policy to protect you and your investment in case of a catastrophic loss of the property and provides you with a copy of the insurance binder immediately after the close of the transaction. This is peace of mind here.

10. Has the real estate investment company "guaranteed" your investment?

While the word "guarantee" sounds warm and fuzzy... it is illegal for anyone to guarantee the returns on a private money loan. Private money lending with reputable real estate investment companies is a preferred choice of investment for many of the nations wealthy because of its higher returns and predictable consistency; however, if a real estate investment company "guarantees" your return you should run the other way. This law is the same one that prevents financial planners from "guaranteeing" stocks, mutual funds, etc. While they may be relatively safe investments when chosen correctly... they are not guaranteed.

Our real estate investment company believes in being honest with our private money lenders. While private money loans cannot be "guaranteed", they are among the most consistent and predictable ways to earn higher returns and they are backed by low LTV real estate... which provides an extra layer of "security" that traditional stocks do not provide.



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