



THE  
BLACKSEED  
GROUP

A REAL ESTATE INVESTMENT COMPANY

Putting Your Money  
To Work For You

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# Private Lending

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## WHAT IS PRIVATE LENDING?

A private money loan is a loan that is given to a real estate investor, secured by real estate. Private money investors are given a first or second mortgage that secures their legal interest in the property and secures their investment. When we have isolated a home that is well under market value, we give our private lenders an opportunity to fund the purchase and rehab of the home. Through that process, the lender can yield extremely high interest rates – 4 or 5 times the rates you can get on bank CD's and other traditional investment plans.

### **Sources of Private Money:**

- 401k
- Self-Directed IRA
- Profit Sharing
- Personal Savings, Trust Fund, or any other money sitting around...

Essentially, private money lending is your opportunity to become the bank, reaping the profits just like a bank would. It's a great way to generate cash flow and produce a predictable income stream - while at the same time, provide excellent security and safety for your principle investment. You can do what the banks have been doing for years, make a profitable return on investments backed by real estate. There is no other investment vehicle like it.

*Through private money lending, you have the opportunity to become the bank*

## HOW THE PROCESS WORKS

The process is simple. We find an extremely undervalued property we want to purchase - and once you give us the green light, we borrow the funds from you to purchase and renovate the property. At closing as a first position lender, you receive a mortgage on the home along with other important documents. Next stage is the property renovation. Once the renovations are complete (typically 3-6 months depending on the size of the project), we'll list and sell the property. When it's time for closing, you'll receive your principle plus the agreed upon interest payment. It's just that simple! The goal is to keep turning that money for you and keep you making substantial profits so you keep coming back to us – building a long term mutually beneficial relationship.

### **Typical Hold Time:**

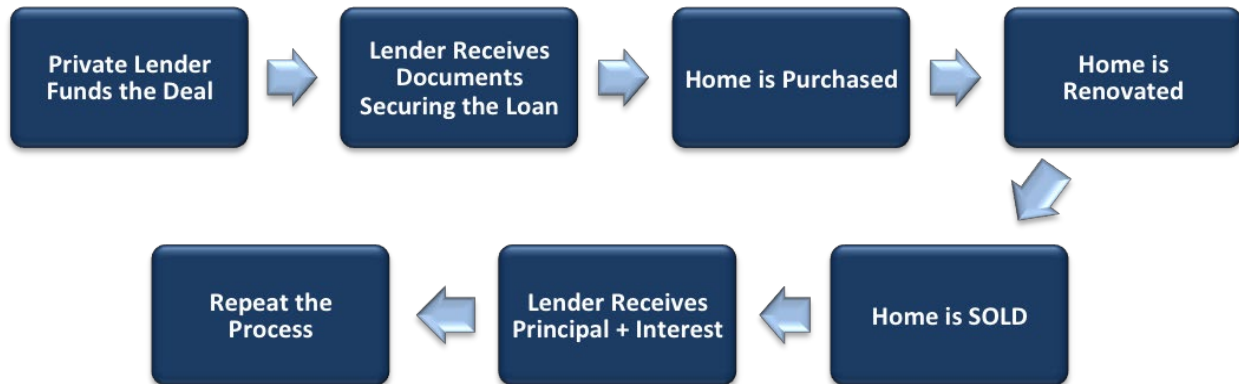
*Rehab Flip: 3-6 months  
Wholesale Flip: 3-15 days*

# Private Lending

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## OVERVIEW OF THE PRIVATE LENDING PROCESS



## INVESTMENT DEAL SCENARIO

Here's what the numbers would look like on a typical renovation project, with a 6 month hold (including rehab & re-sell time) with a private lender return of 10%.

Purchase Price:	\$ 95,000
Repair Cost:	\$ 68,000
Total Invested: <i>(6 Month Hold)</i>	\$163,000
<u>Sales Price:</u>	<u>\$250,000</u>
<b>Lender Potential Return on Investment =</b>	<b>\$ 8,150</b>

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# Private Lending

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## HOW YOU BENEFIT FROM PRIVATE LENDING

You, as the private money lender can benefit greatly from investing your capital. A real estate mortgage/ deed of trust provides you with security instruments you would not get with other investments. You also have added layers of protection because of how we buy, and because you have recourse available to you in case we were to default on the loan.

We currently pay 4-5 times what a typical bank CD is paying. Our rates will fluctuate very little all depending on the purchase price and rehab involved. The lower the price we pay for a home, we can pay a little higher rate to make sure our lenders make it worth their time. Private lending means you can relax while the money is in a truly safe place, working for you.

*It's a win/win opportunity for both the lender and borrower*

### ***What's in it for you?***

- Safe investment secured by real estate
  - High returns on your money
  - A predictable income stream because rates fluctuate very little
  - No management costs
  - No daily headaches with managing contractors
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# Private Lending

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Our equity is built in the purchase of the home, where we are buying 30-40% below a retail buyer – that creates instant equity at purchase. Also, in a typical transaction, we cut out the middleman cost, such as: commissions, mortgage broker fees, loan fees; and our attorney costs are also lower because there is less work for them to review.

Because of our buying strategy, we are able to offer our buyers a fully renovated home at or below everything else in the neighborhood. We walk away from hundreds of “close” deals that do not meet our specific buying criteria, and simply won’t buy unless it makes sense for everyone involved.

## *Why Private Lending is So Compelling*

- Passive income (minimal time involved)
  - No dealing with tenants
  - No manual labor renovating properties
  - No dealing with unscrupulous contractors
  - Short-term use of lenders money
  - Sense of security that money will be coming back soon
  - Secure collateral position in marketable and liquid real estate
  - Borrowers do the **HARD WORK** of finding the collateral
  - Borrowers put **THEIR MONEY** into lender's collateral
  - Borrowers put **THEIR TIME** and **LABOR** into lender's collateral
  - Borrower takes majority of the risk
  - If lender must foreclose, lender makes even more money
  - Multiple loans can be made at one time
  - It is easy and clean work
  - Huge annual industry business loan volume
  - You make money while you are sleeping
  - It improves the golf game by allowing more play time
  - Profits can be tax free
  - **It is PROFITABLE with no cap on earnings**
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# Private Lending

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## RISKS VS. REWARDS

Sitting in Bank	Real Estate Private Lending
\$100,000 x 1% interest	\$100,000 x 10% interest
12 Month Term = \$1,000 ROI	12 Month Term = \$10,000 ROI
	<i>*Backed by Real Estate Private Lending</i>

*You are making a 10x greater return  
on your money!*

Stock Market	Real Estate Private Lending
Completely Unsecured	Secured by Deed of Trust or Mortgage Deed
Completely Uninsured	Collateral is Fully Insured
Invest at Market Price	Collateralized Below Market Value
Returns Are Unknown	Returns Are Fixed and Agreed Upon Term
	Tangible Asset

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# Private Lending

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## HOW PRIVATE MONEY HELPS OUR COMPANY

Private money lenders bring speed and efficiency to our transactions, and our leverage is far greater when we purchase using private cash funds. Many of the homes we are purchasing are in need of quick sale within 10-14 days. *A traditional bank requires 30-45 days to close a loan.* Many traditional home sales fall out of contract because of financing issues. Using quick cash as leverage allows us to negotiate a much lower purchase price and reduce our risk.

### ***Our Benefits of Using Private Money***

- We won't have to deal with banks, applications, approvals, etc.
- We can buy at deeper discounts
- Gives us a competitive advantage above the rest

Being able to offer a fast closing with private funds motivates sellers to take our offer over the competition, and entices them to take a much lower price than they would from a conventional buyer. Also, lending guidelines are also continually changing and are requiring applications, approvals, junk fees and strict investor guidelines. They also limit the number of investment properties that can be purchased by one company.

On a new home purchase requiring renovations, private lender funds will be allocated to the purchase price, renovations, carrying costs, cost to resell and a small buffer for unexpected expenses.

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# Private Lending

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## WE PROTECT OUR LENDERS

Mortgages offer the banks solid, long-term, fixed returns. You can put yourself in the position of the bank by directing your investment capital, including retirement funds to well-secured real estate mortgages. Mortgages have ultimate safety because if default occurs, the bank can recover its investment as the first lien holder on the property.

Each property we acquire is put through a rigorous evaluation process in order to assess the profitability before the property is ever purchased. "Integrity" is an essential part of our business, and we only make sound investment decisions. Also, for your protection, you are also provided these documents to secure your investment capital:

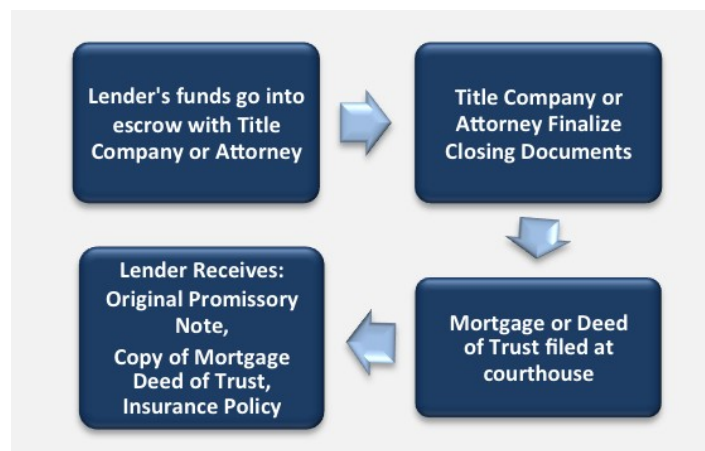
**Promissory Note:** This is your collateral for your investment capital

**Deed of Trust/Mortgage:** This is the document that is recorded with the county clerk and recorder to publicly secure your investment against the real property that we are providing as collateral

**Hazard Insurance Policy:** This is where you as the private lender would be listed as the "Mortgagee" for your protection in case of fire or natural disaster, etc.

We do pay for a title search as well as a title policy on the home just as we would in a typical transaction. For a rental investment with a long-term note, we always keep a valid hazard insurance policy on the property to protect against casualties. You'll be named as a mortgagee and notified if the insurance was not kept current. In the event of any damage to the property, insurance distributions would be used to rebuild or repair the property, or used to repay you.

## Overview of the Closing Process





# Common Ways Private Lenders Fund Deals

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## **Cash**

Cash held in most types of bank accounts can be accessed quickly and can fund your deals in minutes, instead of hours or days. Fees are generally minimal for wire transfers and cashier's checks.

## **Home Equity Line of Credit**

A home equity line of credit is a very powerful source of funding that many people have and don't even think of. Unleveraged equity is dead money and it's not making any interest. You can easily tap into that money. It's a way to make sure you're in first position when we're ready to pull the trigger and buy a property.

## **Personal & Business Lines of Credit**

Personal loans and "signature lines of credit" can be obtained from most banks or credit unions by anyone with good credit and a stable income.

## **Retirement Accounts**

More and more private money lenders are using their IRA funds to invest in real estate. A self-directed IRA is essentially the same as a traditional IRA, but allows you to purchase a broader range of investments, including real estate.

## **Liquidated Securities & Investments**

Investments are a way to put your savings to work earning more money. However, if your stocks and investments have not performed as you had expected, it might be time to consider other investments. As you know, stocks can be liquidated as and when you wish. Sometimes you need to liquidate your investments because you need the money for something you want to purchase such as real estate.

### ***Sources of Funding for Private Lenders***

- Cash
- Home Equity Line
- Personal & Business Lines of Credit
- Retirement Accounts
- Liquidated Securities & Investments

# Investing With a Self-Directed IRA Account

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Most people think that an IRA can only be used to purchase investments, like stocks and mutual funds. But that's not true! You can get private mortgage loans using the funds which are already in your IRA'S and other retirement plans.

As it pertains to lending for real estate investments, enter the Self-Directed IRA. The IRS has set forth guidelines on what you can and cannot invest in with your IRA. Many people are surprised at the scope of options available. From tax liens, gold, real estate investments and real estate notes, IRA's are much more powerful than most people ever realized. If you add to that power of a Roth IRA which allows you to enjoy your earnings tax-free or deferred, and you've got a fast road to an easy retirement!

However, in order for you to use retirement accounts for loans, they must first be administered by a third party custodian. After selecting your custodian, you simply send a transfer form to them and they'll do all the work for you, once you've done that you are ready to make private mortgage loans. We would be happy to recommend a local custodian we've worked with in the past who can assist you with setting up your account.

## ***Retirement Accounts That Can Be Self-Directed***

- Roth IRA's
- Traditional IRA's
- SEP IRA's
- SIMPLE IRA's
- 401k (solo)
- 401k (qualified plan)
- Educational Savings Accounts
- Health Savings Accounts

***\*Profits can be tax free or tax deferred when you invest with one of these vehicles***

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# Investment Terms & Conditions

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## TERMS & CONDITIONS

### Minimum Investment:

When working with private lenders, \$10,000 is our minimum standard investment. When first investing with us, a lower initial investment amount may be agreed upon to ensure you're confident when working with our company.

### Mortgage Terms:

The majority of our loans are set up on an 7-12 month note; however, it depends on the size of the project. If we are doing a teardown and rebuild, we will have to wait on the county inspectors for many approvals - thus causing delays. We account for all of those details upfront and will give you estimated time frame for the return on your investment. Also, we do not pool funds – As a 1<sup>st</sup> position lender, your funding will be tied to one piece of property secured by a deed of trust.

### ***Investment Terms & Conditions***

- Minimum Investment - \$50,000
- Interest Rate – 10% on average
- Payment Schedule – paid monthly on the 1<sup>st</sup> of the month
- Mortgage Terms – 12 months (*projects usually completed in 3 to 6 months*)
- Return of Principal and Interest – paid back at closing
- 1<sup>st</sup> or 2<sup>nd</sup> Lien position
- Option to renew
- All documents recorded

### Payment Schedule:

Typically, we pay one large lump sum at closing on a short-term note. This is much easier to manage for both of us, especially if we're working out of a retirement account. On a longer note, we will pay monthly just like a typical mortgage.

### 1<sup>st</sup> Position:

The Investor, as "mortgagor," has the right of first lien holder and Power of Sale on the property. The 1<sup>st</sup> lien position is placed behind a senior mortgage. You are probably used to hearing the term first and second mortgage. The 1<sup>st</sup> lien holder will receive a lien note, Deed of Trust/Mortgage, promissory note, and listed as additionally insured on the insurance policy. All other positions receive a promissory note and listed as additionally insured on the insurance policy.

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# *Taking The Next Steps*

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## **GETTING STARTED WITH US**

If we haven't already, it's important to sit down and discuss all these details. We will need a clear definition of what your goals are, i.e. long term investment or short term, and the amount you are comfortable initially investing. At that point, we will present you with any current opportunities that fit that criteria or contact you as soon as we have one that fits.

If you have any interest in this opportunity, please complete our short form via our website at <https://www.theblackseedgroup.com/partner> .

## **REFERRAL PROGRAM**

Word of mouth is typically how we are able to work with private lenders like you. It would be greatly appreciated if you passed our information on to anyone that may be interested in the opportunity to be a lender. In our business, it's always important that we have a steady stream of lenders.

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# Frequently Asked Questions

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## **WHAT IS PRIVATE LENDING?**

When we have isolated a home well under market value, we give our private lenders an opportunity to fund the purchase and rehab of the home. Lenders can also earn high interest rates - generally 4 or 5 times the rates you can get on bank CDs and other Traditional Investment Plans.

## **HOW IS THE MONEY USED?**

On a new home purchase requiring renovations. The cost will be allocated to the purchase price, renovations, carrying costs, cost to resell, and also a small buffer for unexpected expenses.

## **WHY DON'T YOU GET A TRADITIONAL LOAN?**

There are many reasons, but the primary reason is, time and negotiation leverage. Many of the homes we are purchasing are in need of a quick sale within 10-14 days. A traditional bank requires 30-45 days to close a loan. Also, our leverage is far greater when we purchase using cash funds. Many traditional home sales fall out of contract because of financing issues, and this allows us to negotiate a much lower purchase price and reduce our risk.

Lending guidelines are also continually changing. New requirements include applications, approvals, junk fees, and strict investor guidelines. They also limit the number of investment properties that can be purchased by one company.

## **HOW CAN YOU AFFORD TO PAY SUCH HIGH RETURNS?**

We make our money on the purchase. We may pay very high returns, but it allows us purchase 20-30% below a retail purchaser. That instantly creates thousands of dollars in equity. Also, typically we cut out the middleman in transactions, such as: commissions, mortgage broker fees, loan fees; and our attorney costs are lower because there is less work for them to review.

## **ARE YOU REALLY HELPING SELLERS?**

Absolutely. With your cash funding we can offer something very few buyers can. We are buying on their timeline in as little as 10-14 days. Knowing that we're going to renovate the home and buying in as-is condition is a very important factor to most sellers of distressed property. They also won't have to pay any additional fees.

## **WHAT IF THE MARKET GETS WORSE AND VALUES GO DOWN?**

This is a great question and valid concern. However, our strategy is not to speculate 5 years down the road. Our goal is to purchase quickly and sell even faster. Most of our projects are complete in 2-4 months and will be sold in 6-8 months. The market doesn't tend to shift that dramatically in a matter of months - it's typically a longer process for an area to decline. Remember, we're buying in strategic areas where inventory is already low and demand is high; this greater minimizes our risk.

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# Frequently Asked Questions

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## **WHAT INTEREST RATE DO YOU TYPICALLY PAY YOUR PRIVATE LENDERS?**

We currently pay 4-5 times what a typical bank CD is paying. Our rates will fluctuate very little all depending on the purchase price and rehab involved. Most of our lenders are paid from 10%-14%. The lower the purchase price, we can sometimes afford to pay a little higher rate to make sure our lenders make it worth their time.

## **HOW LONG WILL MY FUNDS BE HELD?**

The majority of our loans are set up on an 6-12 month note, but it depends on the size of the project. If we are doing a teardown and rebuild, we will have to wait on the county inspectors for approvals. This will cause delays. But, we account for all of those details upfront and will give you estimated time frame for the return on your investment.

## **WHAT IF I'M ON A SHORT-TERM NOTE AND SELL THE HOME AFTER ONLY 1 MONTH?**

It's extremely important to us that we do not waste your time. However, occasionally, situations may occur where we find a buyer immediately. In this scenario, we provide you with two options: we can either move the note to another property, or provide you with a minimum of 3 months interest. Most investors see the strength of our purchase ability at that point, and simply move the note to another property.

## **WHEN WILL I RECEIVE PAYMENTS?**

Typically, we pay one large lump sum at closing on a short-term note. This is much easier to manage for both of us, especially if we're working out of a retirement account. On a longer note, we will pay monthly, just like a typical mortgage.

## **IS THERE A GUARANTEE ON YOUR INVESTMENT?**

No. There is no government backed guarantee on these privately held real estate notes. As a 1<sup>st</sup> position lender, you are deriving protection from the equity in the real estate. If at any time we were to default on the note, you have legal right to take the home (essentially foreclose on us). Many investors laugh about this one and say, "I hope you're a day behind on payments I'd gladly take this one off your hands". You have to remember we plan for the worst, and our homes have thousands of dollars of equity in them; and worse case scenario, often times is we don't make "as much" as we hoped for.

## **IS THE IRS APPROVED TO USE RETIREMENT ACCOUNTS IN THIS MANNER?**

Yes, these are established tax guidelines, and it is completely legal. However, we always recommend the services of a custodian to invest retirement funds tax deferred or tax-free.

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# Frequently Asked Questions

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## **WHO BUYS INSURANCE?**

We do. We pay for a title search and also a title policy on the home, just as we would in a typical transaction.

## **WHAT KIND OF INSURANCE POLICY DO YOU GET ON THE HOME?**

If we purchase a renovation, we purchase a builders risk policy (Vacant Dwelling Policy). In case of any damage, insurance distributions would be used to rebuild or repair the property, or used to pay you off.

## **HOW MUCH IS IT GOING TO COST ME TO LEND TO YOU?**

It is our policy to pay for all the closing costs so that your entire investment goes to work for you. We will pay for the closing agent, document preparation fees, notary fees, overnight mail fees, bank wire fees and recording costs. We do not charge any fees or commissions to our private lenders.

## **WILL MY MONEY BE POOLED WITH OTHER INVESTORS?**

No, we do not pool funds. Your funding will be tied to one piece of property secured by a deed of trust.

## **IF YOU DEFAULT ON THE LOAN, HOW DO I ACQUIRE THE PROPERTY?**

In this unlikely scenario, we would simply transfer ownership of the property to you, if possible. If for any reason we did not (or could not), then you have all the legal rights of a secured lender. The best way to legally protect your interest in case of a default would be to hire an attorney. They normally would seek to get your investment back, any unpaid interest, any collection costs, all your attorney fees and maybe even more. A legal representative could advise you if it makes sense to foreclose or seek ownership the property to protect or recoup your investment.

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