

Letter from the Editor

Happy July! We hope you had a wonderful 4th, and are enjoying summer as it kicks into full swing. June was another very productive month. We originated five loans for a loan volume of 2.755M, which was almost the exact same volume as we had in May. The loans were all First Trusts, and three loans were in Maryland and two were in D.C. We also had one large loan close (it was 1.75M; see the Deal of the Month section for details). July will have a smaller volume than June as our available capital is currently outstripped by borrower demand.

CHUCKLE'S CORNER

"If you would know the value of money, try to borrow some." – Benjamin Franklin

FOOD FOR THOUGHT

The stock market is going through some rocky times and the housing market looks like it is starting to peak. As an alternative investment, we believe that our notes offer an excellent return. A note from us is a great vehicle for generating a monthly income stream. We have paid out 55 straight months of interest checks since 12/2013. Please reach out to us if you would like to increase your note position.

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Seven Ways to Find Owners of Vacant Houses

Vacant houses are usually the best deals. No one is living there, and someone would probably like to get rid of the property, especially if they're still making payments on it. To make a deal, you have to find the owner. Here are some tips for finding the owner of a vacant house.

1. Tax Records

Check the tax records to see if the owner filed a new address. If so, send them a postcard or letter asking if they would like to sell their house.

2. Postcard

If there is no new address for the owner, send a postcard to the existing address and write DO NOT FORWARD – ADDRESS CORRECTION REQUESTED on the front of the postcard. The post office will send the postcard back to you with a sticker on the front with the owner's new address. Why would you want to do this? Once you get the owners new address, you may want to just knock on their door instead of waiting for mail to get delivered. Time is of the essence, especially in foreclosure situations, so you need to act quickly.

3. White Pages/Internet Search

Look in the white pages for people with the same last name. Call everyone asking if they know how to reach the owner. Be careful here. They may think you are a debt collector. It is a good idea to explain that you are interested in buying their house at such and such address. Some popular websites you can use include www.thatsthem.com, www.zabasearch.com, www.411.com, and www.whitepages.com.

4. Skip Tracer

Hire a skip tracer in your town. Give a local private investigator the name and last address for the owner, and they can usually find them within 24 hours. The cost is \$75 – \$100 per search.

5. Personalized Note

Leave a note on the front door for the owner to find. Sometimes, the owner will come back to check on mail or get more things out of the house. Leave a bright yellow note taped to the front door that says, "I'm interested in buying your house. Please call me at ###-###-####."

6. The Neighbors

My favorite and most effective method for finding owners of vacant houses is to talk to the neighbors on either side of the property and perhaps the neighbor across the street. Once again, explain that you are interested in buying the house. The neighbors almost always know how to get in touch with the owner. **ALWAYS** leave your card!

7. Estate/Obituary Search

The owner of the house may have passed away. You can do an internet search for their obituary or simply go to the courthouse to find out if this person passed away. You can also do a "List of Heirs" search on the property.

I hope these tips prove helpful to you as you try to find the owners of vacant houses!

Three Negotiation Tools Borrowers Can Use for Working with CSF

Here are three ways our borrowers achieve better terms when they approach us for a loan:

#1: Increase their down payment.

Hard money lenders are constantly managing risk. However, nobody can be sure whether or not a borrower will default. The only way to prove to a lender that a borrower is reducing their default risk is when they increase their down payment. That way, the lender knows that the borrower will do everything possible to avoid a default and the loss of their own money that they have in the deal.

#2: Pay a higher rate and lower points.

In the hard money business, the lender is trying to "turn" their money as fast as possible in order to "churn points" and reduce deal risk. If a hard money lender is charging three points to originate a loan and twelve percent a year in interest, they really want the loan to pay off as fast as possible, so that they can increase their yield.

If the borrower believes that they can get in and out of a deal very quickly, they can ask us to increase their rate and lower their origination points. That way, we get a good yield if the borrower ends up having a longer maturity and we also get the upside of churning the money if they pay it off quickly.

#3: Execute faster.

Executing fast reduces risk and raises everyone's yield. If a borrower has a typical three draw project, they can take three weeks off of the timeline by using a general contractor that we have worked with previously. Assume that the borrower completes all of the framing on your project on a Friday, and their contractor plans on ordering the framing inspection on Monday. After that is complete, the contractor will need to purchase electrical and plumbing materials.

If we trust the contractor, we can advance the draw at the conclusion of the framing and prior to the inspection. If we wire the next draw for the materials on Monday morning instead of waiting a week for the framing inspection to be completed, the borrower has saved a week of time on their project. Assuming that it is a three draw 12-week long project, that can save 25% of the construction time just by expediting the draw process.

Borrowers show their commitment to the deal by increasing their down payment; paying a higher rate and lower origination points to help the CSF "churn money"; and executing faster by using a general contractor that we know well.

Deal of the Month

The deal of the month revolves around a property on Capitol Hill in Washington, D.C. The property address is 902 East Capitol Street, NE. It is a huge row house minutes from the Supreme Court and the Capitol building. The loan was a purchase/renovation loan. This type of loan is our bread and butter. The difference in this case was the size of the loan - a total amount of 1.75M (1.35M Purchase and 400K Renovation). The property has an After Repair Value of 2.5 M. The LTV to ARV is 70% (pretty conservative). The borrowers are experienced flippers in this high-end space. Stay tuned for more details on their progress!

June Deals



11204 Cherry Hill Rd, #T3



4320 Hawthorne Rd



420 Chesapeake St. SE



618 Southern Ave. SE



902 East Capitol St. NE