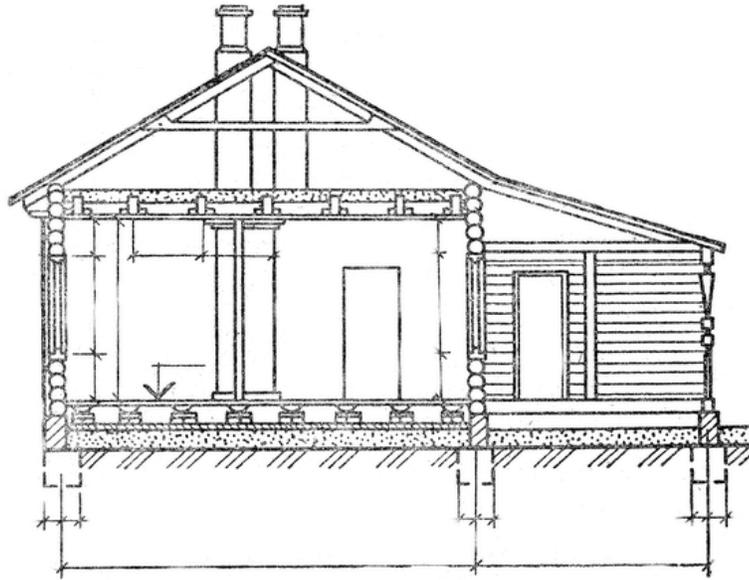


# SAFEGUARD CAPITAL PARTNERS

Private Lending: Mortgages & Trust Deeds



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## **Private Mortgage Lending (*Also Known as Trust Deed Investing*)**

Most investors have, at some time in their lives, borrowed money to complete a real estate transaction. Generally speaking, they have not had the opportunity to be on the other side of the table and be a lender...or banker. But, Safeguard's private lending option gives investors the ability to loan money secured by a 1st lien real estate deed of trust, or mortgage.



A private mortgage loan (or trust deed investment) is executed through a title and escrow company, or closing attorney, and subject to real estate licensing and laws of the state. Safeguard does not handle investment funds. Funds are wired from your bank account direct to an escrow or trust account for a specific transaction that is controlled either by a title company or closing attorney.

The loan is made up of two parts: a promissory note and a deed of trust or mortgage. The trust deed is a document that provides the collateral for the promissory note. It is filed with a county recorder's office indicating that there is a loan against a property, creating a secured 1st lien position.

### **Low Risk: 50 - 60% LTV (Loan-to-value)**

Risk associated with trust deed investing is low to moderate, especially when the lending package is based upon individual single family rental homes.

The more equity in a property that is being financed, the lower the risk for the lender. Safeguard's trust deed/mortgage loans requires the borrower to put 40 - 50% cash down on the property. With this much equity, or loan-to-value, the risk is low.

These loans are originated through Safeguard's local Partners who are turn-key providers of investment property. Typically, they acquire a property, rehab it, put a tenant in place and sell it to an investor for all cash or with financing.

When the investor/borrower needs financing to complete the transaction, our Partner informs Safeguard, and we match one of our clients for the trust deed/mortgage loan.

## Trust Deed/Mortgage Transaction Terms

- **Note Value Range:** \$35,000 to \$75,000
- **Security:** Note secured by Deed of Trust or Mortgage (1st lien position)
- **Note Term:** 5 year balloon note
- **Interest Rate:** 9 - 10%
- **Payment Terms:** monthly, interest-only, by direct bank transfer
- **Loan to Value:** 50 - 60% (based upon a third-party appraisal)
- **Option To Extend:** Yes
- **Risk:** Low

## Example of an Actual Transaction



One of our local Partners sourced a property, did the rehab and sold it to an Australian investor. The investor put 50% down and a note was originated at 9% interest.

A Safeguard client bought the note and is now receiving monthly payments for a term of 60 months. The client may renew the note at his option, but is not contractually obligated to do so.

### 3 BR/2 BA Single Family Home

Borrower - Australian investor

Sales Price - \$88,000

Down Payment - \$44,000

Loan Amount - \$44,000

LTV is 50% (based upon an appraisal)

5 year note @ 9%

Monthly interest only payment of \$330.00

Principal balance due to note holder at end of term - \$44,000

## Closing a Transaction



1. Initial information on an available loan is delivered by email. The info includes a 3rd party appraisal and after-rehab photos of the property.
2. When initial information is approved, a Note Purchase Agreement (NPA) is generated through DocuSign. This facilitates an online digital signature.
3. The NPA is forwarded to the closing agent/attorney at the title company who then sets up an escrow account and prepares the closing documents.
4. Closing documents are emailed to Safeguard for review and approval and then forwarded to the lender for review and approval.
5. The closing package includes the HUD-1 closing statement on the purchase of the property, original note and deed of trust (or mortgage), assignment of both, hazard and liability insurance listing the lender as the additional insured and the title policy in the lender's favor.
6. Once the lender approves the loan package and wires funds to escrow, the closing attorney records the transaction at the county courthouse putting the lender in the 1st lien position. Hard copy documents are typically delivered with 4 to 6 weeks.
7. During closing, Safeguard collects bank wiring information from both the lender and borrower. This facilitates the set up of an online 3rd party note payment system so that monthly payments are automatically deposited into the lenders bank account. *(Except in rare cases, this is the de facto method of receiving payments.)*

## Summary

A private loan facilitated by Safeguard with an LTV of 50 - 60% on the underlying property (based on an appraisal), offers a high-yielding promissory note at 9 - 10% . The loan is secured by a 1st lien (deed of trust). Although a default on a loan is highly unlikely since the property owner has invested 40 - 50% cash down to acquire the property, it is of course, possible. In this event, Safeguard will work closely with the local Partner to insure that the foreclosure process is implemented properly and rental payments are redirected to you.



## **SAFEGUARD CAPITAL PARTNERS - DISCLOSURES**

### **Investment Performance / Due Diligence**

There are **NO** guarantees of performance for any investment. There are only high risk, medium risk and low risk investments. The type of real estate investment options offered through Safeguard are in the **low risk** category. These investments have the added benefit of being able to produce **cash flow** even if the value of a property falls.

You should be aware of your risk tolerance level and financial situations at all times. You should not make any decision based solely on the contents of this website or information given by anyone associated with Safeguard Capital Partners without undertaking your own independent due diligence.

### **Use of Self Directed Retirement Funds**

Self Directed IRA & 401(k) funds are eligible and suitable to invest in trust deed or mortgage notes in accordance with applicable laws, rules and regulations as established by the Congress of the United States, the Department of Labor and the Internal Revenue Service.

Investments have been structured to provide an environment in which the investor does not risk the possibility of a prohibited transaction, self dealing or otherwise violate the rules and regulations which are intended to insure that retirement funds are preserved for the future benefit of the account holder.

### **Local Partners**

We are very familiar with our local Partners and can affirm that they conduct business ethically and transparently with an emphasis on excellent customer service and ongoing communications.

Each Partner is properly licensed (if required) and/or is conducting business in accordance with the real estate and other laws of the state(s) in which they are operating.

### **Life Changing Event**

If at any time after acquiring a trust deed/mortgage note, you suffer a life changing event that dictates the need to cash out, Safeguard Capital Partners will help you dispose of the note at a reasonable cost, disclosed prior to our assistance.

## Compensation for Transaction

Trust deed/mortgage note investors DO NOT incur fees or closing costs related to the purchase of a trust deed note. There is a small monthly fee associated with the automatic payment system which is designed for direct bank to bank transfer. As is customary in a transaction of this nature, a fee is paid by the borrower and/or note originator to Safeguard for facilitating the process. The purchase price of the property, or the note, is not inflated to cover this fee. It is a cost of doing business by the seller that would otherwise apply regardless of who facilitated the transaction.

*Robert Hubbard*

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