

# 5 Misconceptions of TRUST DEED INVESTING



Investing in real estate has always been an option that many people do not regard themselves as being a part of. When asked, “Do you invest in real estate?” most responses include some sort of comment regarding their inability, the risk or the hard work. However, the vast majority of Americans own a home. This ownership in a personal home is an investment in real estate that over time appreciates in value. A Deed of Trust is the collateral note behind the real estate investment; once you pay off a mortgage company they release the note to you for free-and-clear ownership of your home. Investing directly in Deeds of Trust have been a viable option for ‘hands-free’ real estate investing that has gotten a bad rap over the years. The most common misconceptions of Trust Deed investing are the following:

**1 Trust Deeds are for rich people to invest in.**  
Historically first Trust Deeds were opportunities only available to ‘accredited investors’ or the wealthy. This still holds true in some states that regulate Trust Deeds as a security product with the SEC. This does not apply to all states. In fact, over 20 states regulate Deeds of Trust as a mortgage product under state laws, effectively opening up the investment to anyone that meets minimal suitability requirements.

**2 Only unworthy borrowers need hard money loans.**  
Financial institutions restrict the size of loans, types of loan, and quantity of loans they offer for acquisition, development and construction projects. This provides numerous limitations in the amount of money mid-sized home builders have access to. Ignite Funding borrowers, like other indirect lenders use our financing as they do not fall into the lending variables of banks of any size. Additionally indirect lenders can provide faster financing for quicker transactions and flexibility than the traditional banking model

## ADDITIONAL BONUS CONTENT

Hard money lenders, like Ignite Funding, help make their borrowers stronger by providing them with the capital necessary to take their companies to the next

level. They are able to accomplish more projects they otherwise wouldn't have access to, which stimulates job growth within the company and the community that they build in. The continued success of borrowers in the long-term generates more quality investment opportunities for Ignite Funding to provide to their investors. Sometimes the borrowers become so successful that they eventually are able to acquire financing from traditional institutions.

**3** **The investments cost too much to get started.** Investing in first Trust Deeds with Ignite Funding does not cost you, the investor anything. We, like many indirect lenders, get paid by the borrowers allowing the investor to activate their entire investment value on each investment selected. Additionally some self-directed IRA custodians do not charge investment fees for trust deed investments offered by a broker. This provides a new investor with minimal barriers.

**4** **Everyone loses in real estate.** Over the past 50 years, real estate has been a very viable investment vehicle, however, it has its risk, as with any other type of investment. Real estate does not directly correlate to the stock market, providing it with added security when traditional markets waiver. Historically, real estate goes through market corrections of approximately 15%-20% every 7-10 years. By understanding these variables and diversifying your investments across location, borrowers and asset types; you mitigate the impact that a market correction may have on your overall portfolio.

**5** **My financial planner doesn't offer this so I can't do it.** There are various types of financial planners, advisors and brokers that provide both traditional and alternative investment options. Many are not permitted to invest in any type of product, other than what they represent, however, many are. Ignite Funding actively works with Registered Independent Advisors, financial advisors and planners across the country to integrate Trust Deed investments into their client portfolios. As the traditional markets waiver, many advisors/brokers are educating themselves on alternative investment options and offer new types of diversification for their clients.

#### **ADDITIONAL BONUS CONTENT**

**There is a lack of regulatory oversight over hard money lenders.**

Residential and commercial broker regulation and oversight is mostly determined on the state level. There are varying levels of strictness state-by-state, but there is always regulatory supervision in some shape or form. Ignite Funding operates in Nevada, which happens to be one of the most stringent with



licensing requirements, lending practice regulations and oversight in the nation. As a commercial broker, Ignite Funding is required to be licensed and are held to the same high standards as residential lenders. Many states offer exemptions to licensing for commercial lenders. In adherence to state supervision, there is annual continued education, monthly and annual activity reports are submitted, annual company financials are provided, and even something as simple as relocating the office has to be pre-approved before it can be executed. There are also compliance examinations administered by the state to ensure continued compliance standards are being met, and there are no deficiencies in policies and procedures that need to be remedied.

### **Trust Deed investments are a type of security investment.**

The definition of a security is somewhat vague in regard to alternative investments in real estate, so it is understandable that there is confusion. An important differentiation between Trust Deed investments offered by Ignite Funding and securities is that securities are regulated by the SEC. Ignite Funding is regulated by the Nevada Division of Mortgage Lending.

Once someone can overcome the misconceptions of Trust Deed investing and truly investigate the viability, many will find that there are ideal investment options available that are returning double-digit returns in every community. The key is to find the ideal investment scope and company that matches your goals. Seek a reliable, transparent company that receives some sort of regulatory oversight to ensure you are not taking on unnecessary risk.



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