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NOTEWORTHY NEWSLETTER

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IN THIS ISSUE

BUILDING UP VS. DRAWING DOWN: AN IRA INCOME STRATEGY

By Carrie Cook

Much is said of the need to save and invest for our financial future. The typical path most of us take to save is by participating in our company 401(k)/pension plans, or possibly the old standby of contributing to an IRA. Some may even purchase and maintain rental properties for income. Then we are talked into creating an elaborate estate plan coupled with a strategy for growing and protecting the wealth we have obtained because we know it is critical to creating a successful retirement and personal legacy.

Unfortunately, not a lot of thought is given to creating a strategy on how to effectively use the retirement assets once we reach those latter stages of life. Most people will draw down their retirement accounts in large chunks. Chunks that will pay off a mortgage, or pay for an extended vacation, a large purchase, or to assist a family member.

As the retirement account is depleted, so is the income-producing potential of that account. Creating a retirement strategy that allows you to live comfortably from the interest and dividends payments derived from the amassed capital will ensure that those diligently accumulated assets will last a lifetime and even leave a legacy for the ones we care about.

Needs of Retirees

There comes a time in our life when we look back at all that we have done to provide for our families, raise our children, and hopefully saved enough for our retirement years to enjoy the fruits of our labor. Life changes pretty dramatically when the home is empty, and we no longer need to go to work. Retirees who are going through these life changes have specific needs that have to be fulfilled:

• Replace income from work through fixed-income investments, rather than equity investments to supplement other sources of retirement income such as Social Security and Pensions.
• Protect and preserve hard-earned capital to be able to weather the unpredictable, such as market fluctuations, inflation, public policy changes, etc.
• Have enough to pay for medical insurance before Medicare kicks in at age 65.
• Have enough to pay for healthcare costs that increase with age, including senior housing and caregiving.
• Be able to enjoy the fruits of their savings.

Bridging the Gap for Income During Retirement

The primary problem that retirees face is how to replace the income they used to earn for a living. Sources of income from pensions, social security, disability, and income properties may still not be enough. People who are at retirement age, and have saved their money in a retirement account, can use that retirement account to produce an additional source of income that will last their entire life! Imagine if you could take $120,000 from a retirement account and generate $1,000 per month of income in perpetuity without spending a dime of the $120,000. Sounds too good to be true, right?

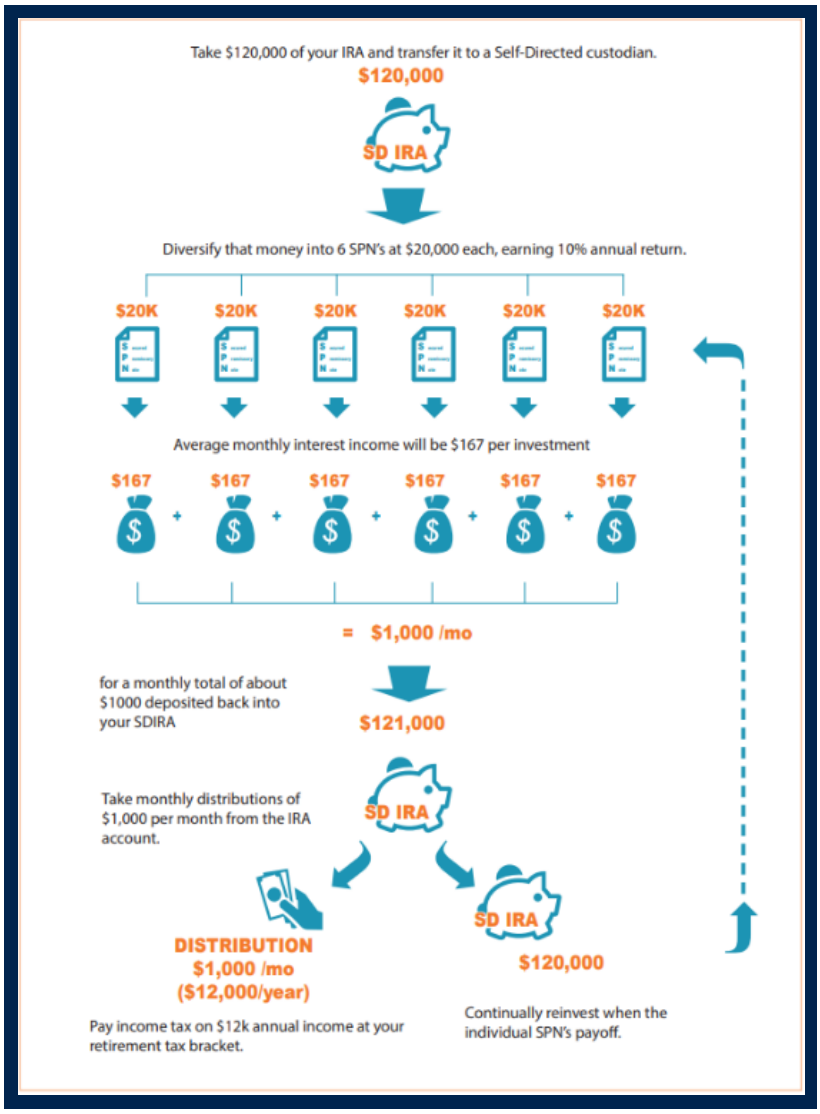
One of the ways this can be accomplished is by investing in Trust Deeds or Secured Promissory Notes (SPN) as they are commonly referred to. Trust Deeds with Ignite Funding can be an effective tool in creating a retirement income strategy. They have some unique product features that make them solid investments for use in a retirement income strategy:

1. **Fixed Income –** Trust Deeds do not fluctuate in value like many securities. They produce a fixed monthly income.
2. **Physical, tangible, real property as collateral –** Real estate is a hard asset that maintains a value, even in the worst conditions, making capital preservation a key feature of this investment.
3. **Inflation protected -** Real estate tends to appreciate the rate of inflation over time and is directly correlated with population growth.

(cont. to pg. 3)

4. Trust Deeds will typically produce a conservative 10-12% annual return and are short-term investments that typically run for 6-18 months.

Here is an illustration to demonstrate how $120,000 can be used to generate $1,000 per month of income in perpetuity.



Obviously, this is a very simplistic illustration. There are other variables that must be taken into consideration. Variables such as Trust Deed defaults, custodial (IRA) fees, interest downtime between Trust Deed investments, and variations in interest rates being offered by the Trust Deeds. However, the basic illustration gives the retiree an additional $1,000 per month of interest income, without ever reducing the value of the account! Furthermore, if the retiree does not take the distribution of income the initial investment in 10 years: $1,000 per month x 12 = $12,000 per year. $12,000 per year x 10 years = $120,000. The retiree could double the size of the retirement account, thus increasing the income-producing possibilities in the latter years of retirement as expenses continue to increase.

(cont. to pg. 4)

All Investing Comes with Risk

The fundamental risk involved in Trust Deed's is "liquidity risk". Simply stated, while these investments produce monthly income, they cannot be turned into cash on demand. Trust Deeds are loan contracts with borrowers who are paying interest only for the duration of the loan and paying off the principal with the sale or refinance of the property. On rare occasions, the borrowers may default on the loan contract and interest payments stop. When this happens, Ignite Funding will act on behalf of the investor to foreclose on the property, manage the asset until a buyer is found, and then sell the property to recoup the investor's principal. This process can take some time, on average about 1-3 years.

Ignite Funding employs an intensive underwriting strategy that enables diversification, whether it's across different borrowers, geographical locations, or types of real estate. This strategy coupled with low investment minimums means that investors can minimize the risk of anyone's investment going into default and foreclosure. In our example, we used 6 Trust Deeds at $20,000 investments, instead of 1 at $120,000 investment. So, if one of those 6 were to go into default and foreclosure, the investor could reduce their distribution to about $800 per month while they are waiting for the default to be resolved.

Case Study

We do not live in a perfect world, so let's take a look at two scenarios. One that reflects a retiree that is riddled with fear of entering retirement depleting a significant portion of their retirement account to pay off a large portion of their debt. In essence, reducing the retirement account that is the means to earn income during retirement, without realizing the impacts to be felt later. This happens a lot and, frankly, it is out of fear of the unknown. (*cont. to pg.* 5)

Let's take Ms. Allen as an example, she originally rolled over $200,000 to a Self-Directed IRA to invest in Trust Deeds as she was seeking diversification in alternative investment and tax-free income in her Roth IRA. In scenario one, when she retired, she like so many others paid off her house by taking a distribution of $120,000.

Years Before and During Retirement	Self-Directed IRA Account Value	Earnings in the IRA from SPNs with and average annually yield of 10%.	Distributions used to pay off debt upon retirement and income strategy deployed during retirement.
2007	$200,000.00	$20,000.00	$0.00
2008	$220,000.00	$22,000.00	$0.00
SPN Default ($40,000 invested not earning interest.)			
2009	$202,000.00	$20,200.00	$0.00
2010	$222,200.00	$22,220.00	$0.00
Retirement Occurred			
2011	$244,420.00	$24,442.00	$120,000.00
SPN Default Resolved			
2012	$188,862.00	$18,886.20	$12,000.00
2013	$195,748.20	$19,574.82	$12,000.00
2014	$203,323.02	$20,332.30	$18,000.00
2015	$205,655.32	$20,565.53	$18,000.00
2016	$208,220.85	$20,822.09	$24,000.00

Increased Value of IRA	Total Earnings	Total Distributions
$8,220.85	$209,042.94	$204,000.00

Everything seems great on the surface of this illustration as her IRA account value has increased since 2007. But the big question is, is everything going to look this way in the future or is the $120,000 distribution to pay off her house going to have a future impact on her IRA account value that cannot be foreseen? Let's take a look...

Years Before and During Retirement	Self-Directed IRA Account Value	Earnings in the IRA from SPNs with and average annually yield of 10%.	Distributions used to pay off debt upon retirement and income strategy deployed during retirement.
2007	$200,000.00	$20,000.00	$0.00
2008	$220,000.00	$22,000.00	$0.00
SPN Default ($40,000 invested not earning interest.)			
2009	$202,000.00	$20,200.00	$0.00
2010	$222,200.00	$22,220.00	$0.00
Retirement Occurred			
2011	$244,420.00	$24,442.00	$120,000.00
SPN Default Resolved			
2012	$188,862.00	$18,886.20	$12,000.00
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2015	$205,655.32	$20,565.53	$18,000.00
2016	$208,220.85	$20,822.09	$24,000.00
2017	$205,042.94	$20,504.29	$24,000.00
2018	$201,547.23	$20,154.72	$24,000.00
2019	$197,701.96	$19,770.20	$24,000.00
2020	$193,472.15	$19,347.22	$24,000.00

Increased Value of IRA	Total Earnings	Total Distributions
-$6,527.85	$288,819.37	$300,000.00

(cont. to pg. 6)

The illustration is starting to change and not in a positive way. The account value is decreasing due to the distributions becoming larger than the income generated. It is not a secret that as we age the costs of care will increase. Over time she will deplete the IRA account value, thus eliminating the ability to generate income in perpetuity. Everything seems great on the surface of this illustration as her IRA account value has increased since 2007. Everything seems great on the surface of this illustration as her IRA account value has increased since 2007. But the big question is, is everything going to look this way in the future or is the $120,000 distribution to pay off her house going to have a future impact on her IRA account value that cannot be foreseen? Let's take a look...

What if she did not pay off the house? Let's take a look at scenario two...

Years Before and During Retirement	Self-Directed IRA Account Value	Earnings in the IRA from SPNs with and average annually yield of 10%.	Distributions used to pay off debt upon retirement and income strategy deployed during retirement.
2007	$200,000.00	$20,000.00	$0.00
2008	$220,000.00	$22,000.00	$0.00
SPN Default ($40,000 invested not earning interest.)			
2009	$202,000.00	$20,200.00	$0.00
2010	$222,200.00	$22,220.00	$0.00
Retirement Occurred			
2011	$244,420.00	$24,442.00	$0.00
SPN Default Resolved			
2012	$308,862.00	$30,886.20	$12,000.00
2013	$327,748.20	$32,774.82	$12,000.00
2014	$348,523.02	$34,852.30	$18,000.00
2015	$365,375.32	$36,537.53	$18,000.00
2016	$383,912.85	$38,391.29	$24,000.00
2017	$398,304.14	$39,830.41	$24,000.00
2018	$414,134.55	$41,413.46	$24,000.00
2019	$431,548.01	$43,154.80	$24,000.00
2020	$450,702.81	$45,070.28	$24,000.00
	Increased Value of IRA	**Total Earnings**	**Total Distributions**
	$250,702.81	$451,773.09	$180,000.00

What a difference one decision could make. Not only has the IRA account value increased over $250,000, but she could increase her income by $20,000 a year if she wanted to and still not have touched the original amount of the IRA from 2007.

(cont. to pg. 7)

Conclusion

The decisions we make today could have a lasting effect on our future. We cannot emphasize enough the importance of taking the time to create a "draw-down" strategy that will more effectively use retirement assets, making the most of the income-producing potential of your retirement account to ensure that those diligently accumulated assets, will not only last a lifetime but also leave a legacy for the ones we care about.

Ignite Funding, LLC | 2140 E Pebble Road, Suite 160, Las Vegas, NV 89123 | P 702.739.9053 | T 877.739.9094 | F 702.922.6700 | NVMBL #311 | AZ CMB-0932150 | | Money invested through a mortgage broker is not guaranteed to earn any interest and is not insured. Prior to investing, investors must be provided applicable disclosure documents.

***About the Author**: Carrie Cook holds two executive-level roles consecutively as President of Ignite Funding and CEO of Preferred Trust Company. As the President of Ignite Funding since April 2011, Ms. Cook brings more than 15 years of experience specializing in private lending and is a licensed Mortgage Broker with the Nevada Mortgage Lending Division and Arizona Department of Financial Institutions. Ignite Funding offers real estate investments backed by collateral. More specifically, provide an alternative investment option that matches quality real estate Borrowers with Investors seeking capital preservation in collateralized turn-key real estate investments, while earning a 10% to 12% annualized return. Since 2011, Ignite Funding has funded over $1B in loans with Investor capital and paid out over $75mm in interest income to our investors.*

ASK THE NOTE EXPERT WITH KEVIN SHORTLE

Q: My servicing company sent me a payoff letter and asked me to bid the maximum or a lesser amount. What do I do?

A: They are asking you how much the foreclosure attorney should bid at the foreclosure auction. So, what you need to think about are these questions:

- What is the property worth?
- How much money do you have in this deal?
- Would you prefer to get the property, or would you like a chance to have a payoff after the sale?

If you want a chance of being cashed out at the sale, set the bid price where you think a real estate investor might bid more for it. If you what to end up with the property, set it as high as possible.

Do you have a question you'd like Kevin to answer?
Email: info@noteworthynewsletter.com

Kevin Shortle
Associate Editor
NoteWorthy USA, Partner
Real Estate Without Renters, Author
Note Expert & Industry-Leading Consultant/Educator

FROM THE PUBLISHER:

WHAT IS AN NFT, EXACTLY?

By Aaron Halderman

With all the current crazy, ups and downs in regards to Crypto, I came across an amazing resource that we recently implemented for live events.

As part of ticket purchase, we issued an NFT (non-fungible token) that attendees could claim once the event started and their attendance was verified.

Here's the verbiage we used to entice people to attend the event:

"*Every Attendee Will Get a* ***Limited Edition NFT!*** *We will be giving a* ***POAP (Proof of Attendance Protocol) NFT*** *that shows proof you attended this Summit. The NFT will provide you with exclusive access to the recordings, future videos, and discounts.*"

We live in exciting and ever-evolving times with the onset of DeFi, the metaverse, blockchain, crypto, NFTs, gaming, payments, and Web 3 ecosystems. To a lot of people, this is all very new and still foreign. I encourage you to learn more and to figure out what opportunities are out there that you can participate in.

Here's the platform we used to implement at live events - https://poap.xyz/.

What is POAP?

POAPs are digital mementos, minted in celebration of life's remarkable moments.

Each time they take part in an event, POAP collectors get a unique badge that is supported by a cryptographic record.

These badges are Non-Fungible Tokens (NFT) and open a whole new world of possibilities.

(cont. to pg. 10)

Each POAP is a gift from an issuer to collectors, in celebration of a special shared memory.

By minting these memories to the blockchain, collectors build a rich tapestry of tokenized experiences that unlock a world of possibilities.

Why use POAP?

POAP allows event organizers to better engage with their audiences by providing a customized experience. POAPs not only offer special designs but allow for a range of integrated services such as private chat rooms, raffles, and more.

Users can generate their own POAP collections to prove the places they've been to and earn bragging rights.

How does it work?

Organizers can create their own event on the POAP platform to customize the designs and products they will offer attendees.

We are excited to announce the upcoming 15th Annual NoteWorthy Investor Summit, April 8-9, 2022 in Phoenix, AZ.

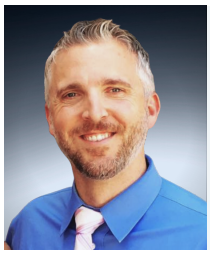
And YES, every attendee will get a limited edition NFT! We will be giving a POAP (Proof of Attendance Protocol) NFT that shows proof you attended this Summit. The NFT will provide you with exclusive access to the recordings, future videos, and discounts.

See you at the Summit! ***Get your tickets now! >>>***

Aaron Halderman
Publisher
NoteWorthy USA, Partner
Directed IRA, COO
eComVestors, Partner

THE NOTEWORTHY NEWSLETTER TEAM

Aaron Halderman
Publisher
NoteWorthy USA, Partner
Directed IRA, COO
eComVestors, Partner



Ben Fredricks
Editorial Director
NoteWorthy USA, Partner
Odell Barnes REO, Partner
eComVestors, Partner

John Leggett
Associate Editor
NoteWorthy USA, Partner
Odell Barnes REO, Partner
eComVestors, Partner

Kevin Shortle
Associate Editor
NoteWorthy USA, Partner
Real Estate Without Renters, Author
Note Expert & Industry-Leading Consultant/Educator

Jen Worsham
Managing Editor
NoteWorthy USA, Operations
Odell Barnes REO, Operations

Guest Contributors:

Carrie Cook, Kurt Coleman, Sherman Arnowitz, Mat Sorenson

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NEW & NOTEWORTHY WITH KEVIN SHORTLE

NOTE INDUSTRY UPDATE

Many "note experts" predicted and even promoted huge waves of inventory that would be showing up anytime now. At Noteworthy, my research indicated that we would not see these massive waves but rather a much smaller and smoother wave.

We are only going to see a small and smoother inventory increase because, for the most part, the government-issued forbearance plans worked. According to Black Knight Financial Services, 7.9 million people were given forbearances. Here is where we were in December, which is the latest data available.

- 52% are out of the program and performing
- 27% of the loans were paid off
- 6% are out of the plan but actively working with their lender
- 11% are still in active forbearance

Out of the 7.9 million, only 836,000 are still in an active plan.

The opportunity for note investors are:

- The 4% (322,000) that are out of plans and delinquent
- Whatever percentage of the 836,000 become delinquent when their plan expires

Based upon the numbers, I think 4%-10% is an accurate range of borrowers that will become delinquent when their plan expires. That would mean an additional 33,440 to 83,600 loans on top of the 322,000 already in trouble will eventually be sold and trickle down to individual investors.

The peak of the plan expirations will be in April but will continue through the end of the year.

If you want to see the best way to help people way to help these borrowers while maximizing your returns, contact me about my personal consulting program.

Kevin Shortle
Associate Editor
NoteWorthy USA, Partner
Real Estate Without Renters, Author
Note Expert & Industry-Leading Consultant/Educator

ECOMMERCE:

INTRODUCING FBA TO AMAZON STORES

By Ben Fredricks

Over the last couple of months, we've begun integrating FBA (Fulfilled By Amazon) into our eCommerce stores. After dealing with some lengthy suspensions, we began to seek out additional ways to run our stores with our team, and it became apparent that we needed to add FBA to our operation. There are a few benefits to adding FBA, but before getting into that, let me break down exactly what FBA is and how it works in comparison to dropshipping.

One of the main differences between dropshipping and FBA is that with dropshipping you don't have to carry any inventory. It's a straight arbitrage play with credit. FBA is where you actually become a partner with Amazon, and it requires that you stock some product on Amazon's warehouse shelf. This may seem riskier in that you're fronting products that may never sell, however, our team is only stocking a limited supply and products that are in demand.

Check out these graphics and you'll see the slight differences between the two.

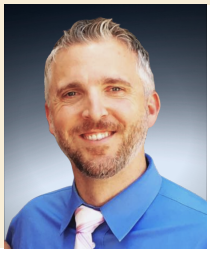
(cont. to pg. 15)

eCommerce, cont.

So why add FBA? A dropshipping store alone is viable, but far less exposed to suspensions, when Amazon sees your store as a partner. Amazon ultimately wants products delivered in their boxes as they get to control the process, and ensure customer satisfaction. FBA also makes the store an asset. If it's ever decided to exit owning a store, a dropshipping store doesn't really have value to it as an asset. An FBA store does because it's seen as a partner of Amazon with a potential return customer base.

Our ultimate mission is to make sure that the stores stay running, producing revenue, and we believe that adding FBA along with drop shipping will ensure this for the long term. We'll continue to share our results along the way!

If you have questions about getting involved with eCommerce, **CLICK HERE** and schedule a Discovery Call and we can see how it would help you increase cash flow.



Ben Fredricks
Editorial Director
NoteWorthy USA, Partner
Odell Barnes REO, Partner
eComVestors, Partner

SELF-DIRECTED IRAS:

RAISING CAPITAL IN A PARTNERSHIP LLC OR JOINT VENTURE

By Mat Sorenson

We've all heard the buzz words of crowdfunding, PPMs, and IPOs, but there are less complicated ways to raise money and start a business and one of the most reliable and most used methods is that of partnership LLCs or joint ventures.

If you‘re raising money from others in an LLC, partnership, or joint venture, you must take specific precautions in structuring your documents so that the investment of money from any member, partner, or joint venturer does not constitute a violation of federal or state securities laws. Failure to comply with the securities laws can result in civil and criminal penalties. Many real estate investments and emerging companies rely on numerous strategies to raise capital that are outside of publicly traded stock and that do not require registration with a state securities division or the federal Securities and Exchange Commission. This article addresses those strategies and outlines some of the key issues to consider when raising funds through an LLC, partnership, or joint venture arrangement.

Is the LLC Member, Partner, or Joint Venturer Contributing More Than Just Money?

The courts have widely held that an investment in an LLC, joint venture, or partnership is a security when the investor is investing solely cash and has no involvement, vote, or say in the investment. In these instances where the cash partner just puts in cash (sometimes called "silent cash partner" arrangements), the investment will likely be deemed a security. In a famous securities law case called Williamson, the Fifth Circuit Court of Appeals held that a joint venture contract investment is a security if the investor has little say or voting power, no involvement in the business or investment, and no experience that would provide any benefit to the business or investment. ***Williamson, 645 F.2d 424*** As a result, to avoid triggering these factors and having your investment or business deemed a security we strongly recommend that all cash partners, whether individuals or self-directed IRAs, in Joint Venture agreements, LLCs, or partnerships have voting rights and that they participate in the key decision-making functions of the investment or business.

(cont. to pg. 17)

Cash partners do not have to be part of the management team but they do need to have voting rights and need to have real opportunities to use those voting rights. For example, they could have voting rights on incurring additional debt, on management compensation, and/or on buying or selling property.

Don't Give Yourself Unlimited Control as Manager

In most LLCs with cash partners, the person organizing the investment and running the operations is often the manager of the LLC, partnership, or joint venture and has the ability to bind the company or partnership. When making this selection as the manager, it is key that you do not give yourself unlimited control and authority. If you do give yourself unlimited control as a manager, your investors may be deemed to have purchased a security since their voting rights will have been extinguished by placing too much control and power in the manager/management. What is recommended is that the members have the ability to remove the manager by majority vote and that the manager may only make key decisions (e.g. incurring debt, selling an asset, setting management salaries, etc.) upon the agreement and majority vote of the investors. While key decisions and issues should be left to the members, day-to-day decisions can be handled by the manager without a vote of the members/investors.

Don't Combine Too Many People Into One LLC, JV, or Partnership

The Courts have consistently held that even if a cash partner is given voting rights and has an opportunity to vote on company matters the cash partner's interest can be deemed a security if there are too many other cash partners involved in the LLC, JV, or Partnership. Holden, 978 F.2d 1120. As a general rule of advice, you should only structure investments and partnerships that include 5 or fewer cash partners as the securities laws and the involvement of more individuals than this could potentially cause the investment to be deemed a security. When there are more than 10 cash partners it is critical for clients to consider structuring the investment as a Regulation D Offering and that they complete offering documents and memorandums and make notice filings to the SEC. Many people refer to this type of investment structure as a PPM. When there are a lot of investors involved, a Regulation D Offering provides the person organizing the investment with exemptions from the securities laws and can allow someone to raise an unlimited amount of money from an unlimited amount of investors.

(cont. to pg. 18)

Self-Directed IRAs, cont.

In sum, there are many factors and issues to consider when raising money from others in an LLC, JV, or partnership and it is crucial that you properly structure and document these investments so that they can withstand these challenges of securities law violations. For help in structuring your partnership LLCs and joint ventures please contact the law firm at ***www.kkoslawyers.com***.

About the Author: *Mat has been at the forefront of the self-directed IRA industry since 2006. He is the CEO of Directed IRA & Directed Trust Company where they handle all types of self-directed retirement accounts, which are typically invested into real estate, private company/private equity, IRA/LLCs, notes, precious metals, and cryptocurrency. Mat is also a partner at KKOS Lawyers. He is published regularly on retirement, tax, and business topics, and is a VIP Contributor at Entrepreneur.com. Mat is the best-selling author of The Self-Directed IRA Handbook, the most widely used book in the self-directed IRA industry.*

JUNIOR LIEN CORNER:

THE ~~OLD~~ NEW FRONTIER

By Sherman Arnowitz

About three years ago, an associate of mine, Phil, who had invested in several of my non-performing second mortgage funds called to say he had an offer I couldn't refuse. Phil went on to explain he owned several mobile home parks and his goal as an owner was to capitalize on cash flow. What this meant was for any mobile home that became available for sale in his park, Phil preferred not to finance the deal with the Borrower himself, but would prefer to get paid in full, upfront by an investor. Phil would then use that cash to purchase more mobile homes.

Phil went on to explain that when he did offer financing to Borrowers, he was getting between 11% to 13% over a 5–7-year period. He also informed me there was a default rate on these loans of less than 4%.

I thought it was a pretty good deal but told Phil there wasn't enough of an incentive for an investor. We had to come up with something unique and out-of-the-box.
Phil called me up a week later and said, "what if the park owner offered a "personal guarantee" to the investor that should the Borrower ever default, the park owner would cover any lost money to make the investor whole on their agreement?"

My response to Phil was, "what's the incentive to the Park Owner to offer this kind of promise?" Phil replied, "if the Borrower defaults because this type of deal is considered, "chattel", like a car, I can go to court and get them evicted within 30 days. Once the Borrower is out of the mobile home, I pay off the investor their full amount owed, get the title transferred back to me, refurbish the mobile home and I get to sell it all over again, potentially doubling my money!

And so, for the last three years, I've offered this incredible program to a select number of investors. I currently have deals with over 50 mobile home parks and have brokered over 75 mobile homes with no defaults. This type of program doesn't exist anywhere in the U.S.

(cont. to pg.20)

Junior Lien Corner, cont.

Here's an example of how it works:

1. The Borrower comes to the park and selects a mobile home for sale (Lot 10) with a list price of $35,000. The Borrower usually puts down a 10% deposit payable to the Mobile Home Park and finances the balance with us.
2. The Borrower fills out a Park Application and once approved, fills out our "Underwriter Application" to see not only if they can afford to live in the park, but will they also be good neighbors. The Underwriter also makes sure the deal is Dodd-Frank compliant.
3. Once the Borrower is approved by the Underwriter, we reach out to our Investors to see who is willing to finance the deal at the agreed-upon terms.
4. A Mobile Home Agreement is signed by the Borrower(s) and Investor. The Borrower also needs to provide proof the Mobile Home is insured, and the Investor is listed as an additional Lienholder.
5. A Personal Park Guarantee is signed by the Park Owner and Investor and money is wired to the Park Owner.
6. A title from the Department of Motor Vehicles is completed and mailed to the Investor for safekeeping.

Altogether the entire process takes about 3 weeks.

Check out the numbers:

Lot Number: 10
List Price: $35,000
Down Payment: $3,500
Finance Amount: $31,500
Interest Percentage: 13%
Number of Years: 7
Monthly Payment: $573.05
Commission Fee: $3,000
Net Profit on Deal: $13,635 (Guaranteed by the Park Owner)
IRR: 10.02%

We continue to reach out to Mobile Home Parks throughout the country and hope to have over 100 in our program by the end of this year. As the number of Mobile Homes needing to be financed continues to grow, our goal is to create a "Mobile Home Fund" to finance these deals.

(cont. to pg. 21)

Here are some interesting facts and trends regarding mobile homes and mobile home parks:

- Mobile home parks increased in value by 12% when most other real estate asset classes went down in value during Covid-19. Demand for mobile home parks which are the only affordable housing and non-subsidized option increases as the economy tightens.
- Important trends show a surge in the population aging into retirement increases the demand for affordable housing. The age 55-plus cohort in the U.S. will grow by nearly 1.7 million people in 2020, and through 2025, another 7.6 million will reach this milestone. As these residents retire, many will consider purchasing manufactured homes in age-restricted communities, boosting mobile home park demand even more.
- A worker earning the average wage does not have many other housing choices, with the national mobile home park lot rent at the $375-425 range per month. In comparison, the average rent on a one-bedroom apartment was $892 a month in 2017. Families have even fewer choices. A two-bedroom apartment was $1,103, according to the Fair Market Rents kept by the U.S. Department of Housing and Urban Development according to the Manufactured Housing Institute.
- For 5 decades, mobile home parks have outperformed other real estate sectors. Even outperformed other real estate sectors during the most recent recession by a large margin and were the top-performing real estate asset class even in 2020.

Below, I've created a FAQ section to cover any topics I may have missed.

FREQUENTLY ASKED QUESTIONS

Do investors need to be accredited?
No. Because investors will be purchasing the mobile homes from their own funds and the deal will be directly between the investor and the borrower, they don't need to be an accredited investors.

What's the minimum investment needed?
The average cost of the used mobile home is $35,000. However, new mobile homes cost around $125,000. The Borrower usually puts down 10% and finances the balance for from 5 to 10 years depending on the amount financed. We ask investors to be able to invest between $35,000 to $60,000.

What's my collateral?
The mobile home is the collateral along with the "Title" issued by the Department of Motor Vehicles proving the investor is the lien holder.

(cont. to pg. 22)

Junior Lien Corner, cont.

What is the default rate on mobile homes?
While there is no "guarantee", the industry default rate average is below 4%.

How often is the investor paid?
The investor is paid monthly directly from the borrower. The investor usually gives the borrower their routing and bank account number so the money is automatically put into their account monthly.

What if I don't want to deal with any of the management of dealing with the Borrower?
We offer to take care of all communication and servicing with the borrower for $25 per month.

How is Keyhole Financial paid?
The broker fee for facilitating each deal is $3,000. When the investor wires the mobile home funds to the park owner, they must also wire the broker's fee to Keyhole Financial Services.

What is the net IRR?
The net IRR is calculated by taking the total interest amount the investor will earn and subtracting the broker fee and then dividing that number into the amount invested. The IRR usually falls between 10% to 12% depending on the number of years the loan will be financed and the amount of the loan.

Can I invest with my SDIRA?
Yes. Each SDIRA company has different requirements, so you need to check with them first.

What happens if I want to get out of my investment?
Once you commit to the specifics of the mobile home you purchased, you're obligated to those terms. Should you need to get out of your investment earlier than what's in the agreement, we can help by listing your unit for sale and trying to sell it to another investor.

For further information or if interested in becoming an investor, feel free to call me at 516-750-0392 or email us at **info@keyholefinancial.com**.

About the Author: *Sherman Arnowitz is the Founder & President of Keyhole Financial Services. Under his leadership, Keyhole Financial Services has been buying, selling, and managing distressed second mortgages for over 25 years. Sherman has created numerous funds managing thousands of notes and continually pays out returns in excess of 20% to private investors. In 2015, Sherman created Keyhole Academy for those wanting to learn how to invest themselves. Students also participate in Keyhole Academy's Private Mentorship Program, which offers more private, hands-on training. Learn more about how to join Keyhole Academy's Private Membership by clicking* ***here.*** *Subscribe to Sherman's YouTube Channel* ***here.***

SPECIAL EXPERT EDITORIAL:

THE INVESTMENT CHANGING THE CASH-FLOW GAME

By Kurt Coleman

It's an exciting time to be an investor. Long gone are the days when your main investment options are Wall Street or real estate. Today's investor needs to be savvier; educated on the myriad of potential revenue streams available.

So, what is the status of your portfolio?

Are you looking for a foundational investment to bolster your portfolio? Maybe you are searching for a measured risk with significant upside. Wherever you are with your current investment plans, there is one opportunity that you really should know about.

A growing number of investors have been looking past market trends and identifying the changing demographics of the country, specifically age demographics.

America's rapidly approaching silver tsunami is about to cause an unprecedented wave in the senior population.

This nation is home to 77 million baby boomers, with 10,000 people turning 65, and 4,000 turning 85, every single day. What does that mean to the investor? It means opportunity.

(cont. to pg. 24)

Special Expert Editorial, cont.

Senior housing returns are among the highest in real estate, and this trend isn't ebbing any time soon.

Thanks to the baby boomer generation, the demand for senior housing is strong and will be for the next 20 years. And best of all, it doesn't depend on what markets are doing, the demand is based on demographics.

Currently, there are not enough assisted living beds to accommodate the rising need, making senior housing a huge opportunity. The elder-care market is worth an estimated $350 billion, and it is only expanding.

Residential Assisted Living is the investment model that combines a lucrative business with the ROI potential of real estate.

The Residential Assisted Living Academy teaches investors everything they need to know to be successful. We have the proven formula to help you provide your family with significant monthly cash flow and protect your investment from market fluctuations.
Our RAL model helps owners earn an additional $5000 - $15,000 net cash flow per month for one single-family home. Even more incredibly, this business offers investors the opportunity to leave a positive legacy, helping the rapidly growing senior community.

With returns like this, Residential Assisted Living might be just the investment you are looking for. If you want to learn more and see if this opportunity is right for you, click ral101.com and we'll show what this booming market can do for you.

About the Author: *Kurt Coleman brings a wealth of skills and experience to the RALAcademy team. Kurt is a graduate of Arizona State University with years of experience as a team leader, systems developer, and writer. He is the lead copywriter for this incredible company that corners the market in the Residential Assisted Living niche. He loves writing and sharing with investors how to use their skills, know-how and expertise in the real estate industry to translate into this new exciting market.*

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