

Private Money Partner Program of Affordable Housing Partners Group

Created by
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A Division of USA Housing Solutions, Inc.
www.AffHousingPartners.com

Become a Partner with us.

Investors are always faced with the dilemma of risk and reward, the safety of an investment compared to the return on that investment.

Does a high return always entail a high degree of risk? Does low risk always mean a puny return? We'd argue an emphatic "NO!"

If you're an investor looking for great returns, we have a great alternative to bank CDs and mediocre mutual funds...and that's real estate. Not just any real estate, but solid, income-producing on a constant basis, high quality residential real estate, and especially "bread and butter", "middle-income" single-family homes.

The economy goes up and down causing businesses to expand and contract, but people always need a place to live. And, managed with expertise, single-family residential real estate can be an extremely stable income producer.

How it works.

For a partnership to be successful, two or more parties must bring something to the table. Our **money partners** provide funding via our private funding program, and our company, Affordable Housing Partners Group (a Division of USA Housing Solutions, Inc.), provides access to deals, complete management from acquisition to operation to sale, and accounting and documentation. In other words, a true passive income. While you're enjoying time with friends and family, we're working. While you're relaxing, we're working even harder.

Successful people strive to earn more and work less. To help you be successful, then, we **must** do all of the work. Our highest aim is to have **partners** for life, and that only happens if we can help you achieve the success you dream of in the investing arena.



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What is private money partnering?

Q: What does it mean to become one of your **private money partners**?

A: When we're buying a property, we give our **money partners** an opportunity to fund the acquisition...and earn interest rates that are 7 to 10 times the current National Average rate that you can get for a 5 yr Bank CD.

How is the money used?

Q: How will you be using your **private money partners'** money?

A: As a professional real estate buyer we need to fund new purchases, raise money to fix up, maintain and occupy our properties... plus cover the other costs associated with buying and selling houses.

For properties we already own and manage, there are times when we want to convert some of our equity into cash -- without selling the property. This cash may be used to fund our house buying business, pay off other real estate notes that come due and handle unexpected cash needs.

Why?

Q: Why don't you go to banks or mortgage lenders?

A: First, banks and mortgage lenders are in serious trouble today! Second, they are not lending! Third, banks and other lenders require applications, approvals and must follow guidelines imposed on the banking industry.



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Then there are limits to the number of loans they want to make to any one company or individual. On top of that, the time it takes for their approval process is never certain, especially with today's credit crunch.

We can move much faster without these limitations by using **private money partners**. That allows us to negotiate more profitable deals while offering homeowners a quick and easy sale without new loan or deal breaking contingencies.

Q: How can you afford to pay 7 to 10 times the National Average rate for a 5yr Bank CD?

A: We make our money by providing valuable services to home sellers, home buyers, tenant/buyers and our **private money partners** we work with.

By cutting out the middlemen, we can avoid the costs normally paid out for real estate commissions, mortgage broker fees, loan fees and property management fees.

We also know how to get full appraised value from our buyers and avoid making price concessions. We can occupy houses fast to avoid holding costs and we know how to fix up and maintain properties for less money than most people pay to repair a house.

We always formulate our purchase offers so that our buyers and sellers get a great deal. At the same time, we establish a minimum profit of \$30,000 to \$50,000 earned or captured between the time we purchase an investment property and the time we sell it down the road. We just won't buy a property unless it makes sense for everyone involved because our philosophy is simple – we treat our **private money partners'** money more conservatively than our own; if a deal isn't win-win-win for all parties, we won't do it.



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Help for house sellers and home buyers

Q: How do you help house sellers?

A: A lot of house sellers today are having trouble finding a buyer when they decide to sell. And there are typically a lot of hassles a seller must endure to get their house sold. Using a long-term investing approach, we can offer house sellers an attractive price, close or take possession whenever they want... and give them an opportunity to avoid all the hassles of selling a house.

Q: How do you help home buyers?

A: We offer several great programs and unique opportunities for home buyers. This includes our owner financing program, our down payment assistance program and our sweat equity program. Home buyers today are finding it more and more difficult to qualify for loans. Our programs help home buyers get into a home they want to purchase quickly... allow them to start building equity for the future and help them avoid throwing their money away on rent.

Q: How do you help renters?

A: Tenants today face more restrictive rules and application requirements laid down by landlords and property management companies. We have positioned ourselves to be very flexible and creative in getting nice, well-deserving families and individuals into our homes, thereby providing a much needed service. We can even provide affordable housing to folks who recently had a bankruptcy or foreclosure.



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Market conditions

Q: Aren't you concerned about housing prices going down today?

A: We're prepared to hold the properties we buy for 5, 10, 15 and even 20 years. That way, we're not as concerned about near term price fluctuations in home prices as other investors are. Most of our investing plans are determined by the income we expect the property to produce now and in the future. If we think a property may go down in value...then we make any adjustments needed upfront... before making an offer to buy.

Rate and term

Q: What interest rate do you pay your **private money partners**?

A: We currently pay 7 to 10 times (deal dependent) the current National Average rate offered on 5 year, FDIC insured bank CDs. As of the close of the day on **March 25, 2019**, the National Average rate for a 5-year CD was **1.48%**. You can research the nationwide current CD interest rates by visiting the following link:
<http://www.bankrate.com/banking/cds/current-cd-interest-rates/>
 You'll always know exactly what interest rate you will be locking in with us prior to making any investment.

Q: What determines the interest rate you pay your **private money partners**?

A: We currently pay a slightly higher interest rate on a second or junior lien position versus the interest rate we offer for a mortgage in first lien position.



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Q: How long will the **private money partner's** investment funds be tied up?

A: Most of our **private money partners'** loans are setup on a 5 year term like a 5 year CD at your local bank. However it depends on what our partner wants and needs... and what we want and need. So depending on our plans for the property, we might be able to offer our partner a 3 year term... or we may ask if he/she is willing to commit to a 7 or 10 year plan... if that's our preference. Regardless, our **money partners** always decide what term works for them on any note they invest in.

Q: What if a **private money partner** doesn't want to go longer than 3 years?

A: Then we'd have to wait for a special opportunity where that would work for both of us.

Q: What if a **private money partner** commits to 10 years and then needs the money sooner?

A: Real estate notes are illiquid investments. However, our policy is to pay off (or replace) any **private money partner** who requests an early payoff whenever we can. Sometimes a partial early payoff meets the **private money partner's** needs, allowing the rest of their money to continue to earn the high rates. We ask that our **private money partners** give us advance notice, preferable 60 days, so we can do whatever we can to meet their request. We would attempt to meet such a request by refinancing the property, selling the property or, most likely, finding another one of our **private money partners** who'd like to take over their position.



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Q: Do you guarantee interest for 10yrs if a **private money partner** gets into a 10 year note?

A: Our **private money partners'** interest is fixed and locked for as long as the note is out. However we may sell or refinance the property before the full term is up. Our **private money partners** always earn their note interest until it's paid in full. But we do have the right to pay any **private money partner** off early.

Q: What if you pay a **private money partner** off only a month after he/she invests with you?

A: We understand that our **private money partners** might be liquidating investments or foregoing another investment program to get our high rates of returns. Therefore we agree in writing, spelled out in their note, that they'll receive a minimum of 3 months interest. So if we needed to pay a **private money partners** off sooner than expected, we would either give him/her the opportunity to move their mortgage (security instrument) to another property, or pay him/her off in full including a minimum of 3 months of interest earned.

Q: Will your **private money partners** receive monthly payments?

A: In most cases they can receive monthly payments of interest only. Interest only payments keep their entire initial investment working for them each month.



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Q: Can a **private money partner's** interest accrue and grow if he/she doesn't want payments?

A: In many cases yes, but it depends on the project. Sometimes we prefer to make monthly interest payments to maintain a protective cushion of equity in the property over time. However, on smaller second mortgages, we may prefer to let the interest accrue if that works for him/her. That way, we can simplify our bookkeeping and at times avoid a negative cash flow.

Q: If your **private money partner** wants his/her interest to build up without getting payments, will you pay them a compounded rate of return?

A: Yes! If a **private money partner's** main goal is growth then there's nothing like compounded interest. The amount of interest they earn grows larger each month as the outstanding balance on their original investment grows each month. This can be quite attractive when it's compounded for many years.

Minimum

Q: What is the minimum investment for your **private money partners**?

A: A minimum of \$15,000 is required when working with a **private money partner**. If a project needs less than that, then it may be easier and less of a hassle for us to just use our cash reserves.



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Guarantee

Q: Is your investment program insured by the government?

A: **No.** There is no government backed guarantee on these privately held real estate notes. Our **private money partners** main protection and security is the amount of equity in the property that secures the note. With enough equity a **private money partner** can use a legal or voluntary process of taking ownership of the collateral and then (if desired) sell the property to recapture the money invested plus any costs incurred in doing so.

Approved

Q: Has the IRS approved your program for retirement accounts?

A: The IRS does not approve or endorse investment programs but they do establish guidelines that must be followed in order for our private lender partners to invest in real estate notes tax deferred or tax free. They may need the services of a custodian to invest retirement funds tax deferred or tax free. We have been pleased working with a couple of excellent companies. First, Advanta IRA in Atlanta, GA (www.AdvantaIRA.com). Our personal point of contact at Advanta IRA is Mike Ventry and he can be reached at 678-513-8913. Second, American IRA located in Asheville NC (www.AmericanIRA.com). Our personal point of contact at American IRA is Jim Hitt and he can be reached at 828-257-4949. Third, Cama Plan IRA headquartered in Ambler, PA. Our personal point of contact at Cama Plan IRA (www.CamaPlan.com) is Carl Fischer and he can be reached at 215-283-2868. We'll be glad to answer questions about this to get our **private money partners** setup right.



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Loan to value

Q: How does your **private money partner** know if there's enough value or equity in the property to sufficiently protect his/her investment?

A: It's our policy not to borrow more than 75% of the value of a property using money from a private lender partner. That leaves at least a 25% cushion of equity. We will provide our **private money partners** with full details on the value, status and condition of the property whenever we present him/her with an opportunity to fund a project for us.

Cost and insurance

Q: Do you provide title insurance?

A: Our **private money partners** can always buy title insurance if they want; however, we will buy our partner a lender's title policy if he/she gets involved in funding one of our new purchases. However, if we are refinancing a property we already own then we don't usually offer title insurance.

Q: What are the upfront costs involved in investing with you?

A: It is our policy to pay for all the closing costs so that our **private money partner's** entire investment goes to work for them. We will pay for the closing attorney, document prep fees, notary fees, overnight mail fees, bank wire fees and recording costs. We do not charge any fees or commissions to our **private money partners**.



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Q: What happens if the property burned down?

A: We'll always keep a valid hazard insurance policy on the property to protect against casualties. Our **private money partner** will be named as a mortgagee and notified if the insurance was ever not kept in full force. Insurance distributions would be used to rebuild or repair the property, or used to pay a partner off.

Loan positions

Q: Will a **private money partner's** money be pooled with other **private money partners**?

A: **No.** We do not pool funds! One **private money partner's** funds will fully fund one real estate note secured by a security deed on a property with sufficient equity as protection.

Q: What is a junior lien?

A: It's a loan secured by real estate that is positioned behind a senior mortgage. In the case of a default, a lender can seize the property through a simple deed transfer or through the legal foreclosure process. Junior lien holders need to payoff or protect any senior lien holders in order to protect their position.

Q: How do you protect a senior lien?

A: You can either pay them off in full or bring their loan current (making up any back payments if needed) and then making any other payments that come due. This helps to stop or prevent a senior lender from foreclosing, allowing the junior lender to foreclosure from their position.



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Q: What happens if a **private money partner** doesn't protect a senior lien holder?

A: If the senior lien holder forecloses then junior lien holders could lose their secured position on the property, putting their entire investment at risk. This added exposure to a junior lender is why we offer a higher interest rate. Many of our **private money partners** are fine being in junior positions because they get higher interest, are protected by the equity cushion and typically have enough faith in us to take such risks.

Common concerns

Q: If you default and don't keep all your promises, how does a **private money partner** get the property?

A: We can't make any guarantees but if we were in a position where we could not keep our agreements, we'd simply transfer ownership of the property to our **private money partner** if possible. If we did not (or could not) then our **private money partner** would have all the legal rights of a secured lender. The best way for our **private money partners** to legally protect their 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 a **private money partner** if it makes sense to foreclose or seek ownership of the property to protect or recoup their investment.

Q: If you rent the property out, what happens if your tenants trash it?

A: We're the property owners and it's our responsibility to protect our property as well as to protect our **private money partners'** collateral.



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We'd fix it or take care of it and a **private money partner** should never have to get involved in such an incidence. It would only affect him/her if we were in default and he/she repossessed the property to protect his/her interests.

Next step

- Q: What happens next if a potential **private money partner** wants to get started?
- A: We'll have to get to know each other and talk before the potential **private money partner** is accepted. After acceptance, we'd want to know how much our new **private money partner** wants to begin getting a higher rate of return on, and when those funds are available so we can begin looking for a project for him/her. When we select one that meets his/her goals and investment needs, we'll give him/her all the details and then they can decide to pass or play.
- Q: Can you partner with people I know who might be interested in your program?
- A: It is our policy only to partner with individuals that we have an existing relationship with. You can certainly refer potential **private money partners** to us and we will be happy to explain the program and begin to learn more about their investment needs and goals. Once we get to know them more, then there is a good chance they can also become one of our **private money partners**.



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