

# The **8** Steps to Trust Deed Investing

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# Integrate Real Estate

Deciding where to invest your money is a daunting decision. The biggest question being, where are you going to get the highest return on your investment with the least amount of risk? Trust Deed investing provides you the ability to easily become a real estate investor, without all the hassle involved with traditional real estate investing. With the unpredictability of the stock market, people are looking for other ways to strategically invest their money to diversify their investment portfolio. That's where Ignite Funding comes into play.

Ignite Funding specializes in Trust Deed investments, connecting highly qualified borrowers with sophisticated investors. As an investor, you are on the Deed of Trust collateralized by the property and your investment dollars are lent to a borrower seeking to acquire, develop or construct their project.

Why do developers seek funding from Ignite Funding? Mid-size homebuilders and developers are bankable borrowers and usually have existing credit lines available to them through their banking relationships. While bank credit lines are less expensive, they are limited in size. In addition, the rules and restrictions on those funds make the bank credit line less flexible than funding from Ignite Funding. Another option available to borrowers is to partner in a joint venture with an equity partner. An equity partner can take up to half of the profits, making this a very expensive option, far more expensive than using Ignite Funding. Borrowers are very strategic on the use of bank credit lines and utilize Ignite Funding's money to fill gaps in order to acquire or complete their projects. If you average the bank financing and the Ignite Funding financing, the blended rate is far more palatable. Overall, Ignite Funding provides a flexible and affordable option for borrowers' needs.

This is how Ignite is able to provide you, the investor, a Trust Deed investment opportunity. **YOU** step in as the lender, and in doing so receive interest on the money you lend. At Ignite Funding, we work as a team to ensure you experience the same level of professionalism throughout the entire process. We do not believe in outsourcing. The loan underwriting and origination, capital fundraising, loan servicing, investor relations, tax reporting and statements, foreclosure process (if required), property management and sale of property are all conducted by our team. Ultimately, it is the goal of Ignite Funding to provide an investment vehicle for you to build your financial future.

In this resource we will walk through the 8 easy steps to getting you on your way to investing in Trust Deeds.

This resource will outline the following topics:

- Why do borrowers seek funding?
- How are the projects evaluated?
- How do I benefit from this process?
- How are the risk factors mitigated?
- What is your role as an investor?

# Borrower Seeks Financing



Why do borrowers come to Ignite Funding? There is a segment of borrowers who are looking for loans that are too large for community banks and yet too small for national banks. They need to find financing quickly so they can act on a project. They cannot wait for an evaluation period of 90 days as required by most banks. Banks also limit the percentage of acquisition, development and construction loans as a part of their portfolio. If a borrower does not fit into a check box, or if a bank already has that loan type filled, they won't lend their money.

Ignite Funding, on the other hand, provides:

- Short evaluation times
- No “check box” mentality
- Short-term loans
- No pre-payment penalties

Ignite Funding services a specific niche, borrowers looking for loans between \$500,000 and \$15 million to acquire, develop or construct land for residential homes across the western United States. Not all companies offering Trust Deed investments work with such a narrow borrower group. This provides us with expertise and knowledge about the developers' business needs, timelines and capabilities that assist us in our underwriting process.

## Evaluation and Underwriting



Ignite Funding evaluates and conducts a thorough underwriting review process on each project. We look at both the market drivers and the borrower's capabilities, but primarily we focus on the property itself.

Ignite Funding scrutinizes:

- Collateral - the property and the equity within that property
- Capacity - the borrower's ability to pay the debt
- Character - the borrower's history of completing like-minded projects
- Capital - amount borrower puts towards the property
- Conditions - current economic and market conditions where the project is located

Because the property is the most important aspect of underwriting, Ignite Funding visits every property we fund. We take a “Loan-to-Own” approach, meaning we evaluate the real estate project from the perspective that in a worst-case scenario if the borrower doesn't pay back the loan, would the property be ideal to own and/or are there viable buyers seeking this land in the area that we can easily sell it to? Upon approval, we originate the loan and only then would it be offered to investors.

Ignite Funding values diversification for our investors and prides ourselves on seeking out capable borrowers across a wide variety of markets and project types. When investing in Trust Deeds it is important the facilitator of the loan continuously evaluates the market influences such as job growth, economic stability and demand for homes as these can directly impact project value.

# Investor Chooses Loans



Ignite Funding believes that investing should be individualized. The investor chooses from the loans available, which loan they like, and the amount they would like to fund. As the land selected for the project is the ultimate collateral backing the investment, it is important that investors conduct their own due diligence of the project. This could include personally visiting the site, evaluating borrower historical performance records, viewing county records etc.

Property overviews (facts sheets) are provided to investors with the following information about the property:

- Property Description
  - Loan Amount
  - Loan-to-Value
  - Annual Interest Rate
  - Duration of Loan
  - Exit Strategy
- Depending on the project:
- Guarantees
  - Broker Price opinion value and date executed
  - Borrower history

Each project underwritten by Ignite Funding is conducted under the individual state lending division regulator body where the project resides. Each state has different licensing requirements and compliance that Ignite Funding continuously reviews to remain compliant. Due to Trust Deed investments being governed under the lending division throughout the U.S., investors only need to meet minimum suitability standards to invest of \$70,000 household income for 2 continuous years or \$250,000 net worth not including the value of a primary residence.

Loan documentation is required to be processed by the investor for each investment selected. This documentation outlines all components of the project and regulatory disclosures. A Special Power of Attorney form is required to be notarized and provides Ignite Funding the ability to act on the investors' behalf (only on this loan) in processing payments and conducting active dialog with the borrower.

# Investor Lends Funds



The minimum investment amount is \$10,000. Investors can utilize a number of investment methods.

Investment methods available:

- Individual or Joint Cash Accounts
- Self-directed IRA accounts (Traditional, Roth, Simple and SEP IRAs)/Solo 401k
- Corporations, Partnerships and LLCs
- Trusts
- Pension Plans

There may be multiple investors on a loan. An investor's lending percentage equals the investor's principal balance divided by the total loan balance, representing a percentage of the total loan on the property.

As Ignite Funding is non-depository, funds transferred are held in an independent trust account until presented to the title company to fund the loan. There are no fees to invest with Ignite Funding as the borrowers cover all costs associated with the loan. Self-directed IRA custodians may charge an investment fee to process the transaction.

## Trust Deed is Recorded



A Trust Deed investment is a promissory note, payable to the investors specifying the interest rate, repayment amount and time frame, secured by the Deed of Trust.

Investors will receive a copy of the following documents after the funding of a loan:

- Executed Promissory Note
- Recorded Deed of Trust
- Title Policy
- Insurance on the Property

A Deed of Trust is recorded as a public document. The deed lists the investor(s) and their percentage of ownership in the property.

Deeds of Trust can be recorded on a project in 1st, 2nd or 3rd lien position however Ignite Funding generally offers 1st lien position loans to provide a lower level of risk. (Lien position will be identified on the loan Fact Sheet.)

## Monthly Interest Payments



Immediately upon funding the loan the investor begins to accrue interest. Interest payments are due at the beginning of the month payable by the 10th and are paid monthly throughout the duration of the loan per the specific loan terms. Interest payments are immediately directed back to the investor through their designated account or directly back to the IRA.

Investors can receive their funds in several ways:

- Electronic deposit to bank account
- Electronic deposit to IRA account
- Check mailed to investor

Additionally, investors can view their statements to see all transactions to their account at any time by viewing their online statements.

# Borrower Pays Off Loan



At the end of the loan term the borrower pays back the loan. Upon repayment of the loan by the borrower, the investor receives principal payoff in full. This can also be viewed on the investor's online statement.

Investor's funds are now available for reinvestment on another loan of the investors choosing or to utilize however the investor wishes.

If an investment is impacted by Borrower default or market effects, Ignite Funding employs a team of professionals to coordinate the resolution of your asset. Communications are provided to the investor throughout the process and all resolutions are voted upon by the investors in a 51% majority ruling. Due to Ignite Funding primarily focused in non-judicial states, the foreclosure process is controlled by Ignite Funding, the title company, and state foreclosure requirements and not the judicial system. However, it could require extended periods of resolution depending on the unique scenerio of the investment project. Ignites' Loan Resolution Department provides the dedicated resources required to service and work through Investors' REO portfolio assets, with the goal to return as much investor capital as possible, if a default occurs.

# Property Titled Back to Borrower



Borrower is granted title to the property when the loan is repaid. The investors names are removed from the title and the borrower's name is placed on the documents. The borrower can now complete the next phase of their project, whether that be holding the property, getting more funding to develop or construct on the property, or selling the property to an end user. Your funds have been working to increase housing as well as employment to better communities across the United States.

# Who can Benefit from Trust Deed Investments?

- Investors looking for income
- Investors looking for passive real estate investments
- Investors looking to diversify their portfolios beyond traditional investments
- Investors tired of paying broker commissions or product loads
- Investors looking to compound returns in qualified retirement plans

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