

**PRIVATE
MONEY
LOAN
UNDERWRITING
GUIDELINES
PROCEDURE
AND
POLICY
IN
CALIFORNIA**



City Capital Realty 310-714-5616

Private Money Loan Procedure, Policy, and underwriting guidelines

City Capital Realty

Shawn Rabban

310-714-5616

CALDRE.00667328

NMLS. 298861/729817

Insurance License.0613659

Notary License.2424124

shawnrabban@yahoo.com citycapitalrealty.com

“California Bureau of Real Estate, Real Estate Broker”

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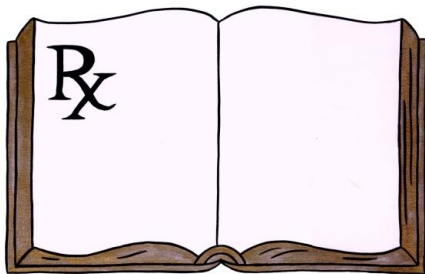
Mailing Address: 2355 Westwood Blvd. Suite 258, Los Angeles, CA 90064

Everything in this booklet is based upon my knowledge, experiences, opinions, and recommendations through 20 years of working in the field of real estate finance and mortgage business.

After reading this booklet, I hope you can apply the information and guidelines in order to make better investment decisions, as well as find the best financing option for your future investments.

For further assistance, consult your Legal Counselor, Accountant, CPA, Real Estate Broker or your Financial Adviser.

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QUICK MONEY FOR PURCHASING REAL ESTATE PROPERTIES

- Auction
- Probate
- Short Sale
- Foreclosure
- Commercial
- Office
- Medical
- Apartment
- Shopping Center
- SFR(non-owner)
- Warehouse
- Industrial
- Mix-Used
- Self-Storage



Looking for a California hard money lender?

Call us today at 310-714-5616 to discuss your hard money loan needs. We are making a hard money loan on commercial and residential properties in southern California.

We can typically fund quickly and have a large network of hard money lenders and private investors, which enables us to make many hard money loans that other hard money lenders cannot. Funding on some transactions can occur in as little as 7 days.

Additionally, we do work with borrowers directly. Hard money loans and commercial loans are our specialty.

We are very creative and can help you explore all hard money options available. Oftentimes, if your transaction falls outside of our typical guidelines we can still structure a loan to meet your needs through our network of individual hard money lenders and investors.

For either commercial hard money or residential (non-owner) hard money loan, we have a solution for you. Feel free to call or email your scenario and we will respond within 72 business hours.

Hard Money Loan Guidelines

Our hard money loan guidelines are very straightforward. We focus mainly on the collateral value of the property, creditworthiness of the borrower, experience, and ability to pay back the borrowed money. Typically we will lend up to 60 -70% of the collateral value.



Real Estate Fraud Prevention

Suspect Documents ___ Uninsured documents

Use this checklist to prevent forgery

1. Gift Deeds
2. Deeds without consideration
3. Deeds between spouse
4. Deeds with large time gaps between execution and recording
5. Reconveyances or releases without supporting transaction
6. Questionable use of the power of attorney
7. Grantor took title without an escrow or title insurance.
8. Grantor was recently involved in a divorce proceeding or is separated.
9. Grantor has a recent deed to the property.

Resolution

- Affidavit or declaration required from grantor
- Request for transaction documents from the prior uninsured deal
- Attorney's explanation
- Confirmation of payment in full of former lender

Pursue "suspicious" collection or customer service calls that may indicate fraud is taking place:

"Oh...this isn't my loan. I let someone use my name"

"My broker/realtor/seller is supposed to be making the payments"

"I'm not responsible for the payment. I only purchased the house for a friend/relative"

I deeded/sold this property to _____. Contact them for the payment"

"This isn't my loan. I never owned property at that address"

"I bought multiple investment properties from the same person and they are all vacant and in disrepair"

"I paid someone a fee to help me out of foreclosure and they ran off with my money"

"I paid a foreclosure rescue company to help me out of foreclosure and they stole my deed."

How can you spot an uninsured deed when you order a profile from Title Company and look at the deed?

- Look for an accommodation stamp.
- No title company or title company title order number.
- No escrow number showing on the document.
- No document stamp showing under the fee section.
- Handwritten document.
- Time recorded is not 8:00 am.

Investigative Resources

- **Internet- Search and access records/information.**

- www.acurint.com (Accurint records database)
- www.lexisnexis.com (LexisNexis records database)
- www.mari-inc.com (Mortgage Asset Research Institute)
- www.searchsystems.net (public information)
- www.searchbug.net (people and company finder)
- www.salary.com (salary benchmarks)
- www.zillow.com (real estate database)
- www.trulia.com (real estate database)
- www.realtor.com (real estate database)
- www.whois.net (internet domain registry)



PRIVATE MONEY LOAN

Residential & Commercial

Residential (NON- OWNER)

Commercial property

Interest only payment

Approval in 72 hours

We work with many real estate investors and understand your needs for fast reliable funding. We pride ourselves on great customer service and creative funding solutions.

Location: Making loans on Southern California Metropolitan Cities

Position: First Trust Deed position only,

Term: One-year loan with interest payment only loan program

Need property information: **Purchase Agreement, Escrow Instruction, Title Report & Insurance.**
Provide us with the following information so we can expedite your loan request.

1003 Loan application

Signed credit authorization

Three months' personal bank statement

A copy of driver's license

Credit Check

Loan to Legal Entity

Please don't hesitate to call us and present your loan scenario.

Rates and terms are subject to change without notice. Some restrictions may apply.

City Capital Realty

Shawn Rabban

310-714-5616shawnrabban@yahoo.com

citycapitalrealty.com

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"California Dept of Real Estate, Real Estate Broker"

We can offer the following services for funding your hard money loan request.

1. Loan detail report(6 pg)
2. Note (3pg)
3. Interest-only addendum to fixed note addendum to note(2pg)
4. Prepayment addendum to note
5. California Deed of Trust (14 pg)
6. Prepayment rider (2pg)
7. Prepayment Addendum to note (2pg)
8. Default Interest rate rider (2pg)
9. 1-4 unit Family rider (Assignment of rents) (3pg)
10. Settlement statement (HUD-1) (3pg)
11. Hud 1 Certification addendum
12. General closing instructions
13. Specific closing instructions
14. Truth- In-lending disclosure statement
15. Itemization of the amount financed
16. Hazard insurance authorization and requirement
17. Balloon rider/ (2pg)
18. Balloon payment disclosure (1)
19. 4506- request for transcript (2pg)
20. Certification of NON-Owner occupancy and Indemnity(1pg)
21. California assignment of deed
22. California compliance agreement
23. California consumer credit score disclosure
24. California Fair Lending notice
25. California finance lenders law statement of loan
26. California hazard insurance disclosure
27. California per diem interest disclosure (1pg)
28. Mortgage loan disclosure / Good faith estimate
29. Personal Guaranty (2 pg)
30. Servicing disclosure statements
31. Payment letter to borrower



In addition to preparing the loan documents, we will collect all the necessary information regarding the borrower and real estate transaction itself.

- 1- 1003 loan application
- 2- Credit check
- 3- Verify the down payment
- 4- Open escrow
- 5- Order title report
- 6- Inspect the subject property
- 7- Underwriting the loan request
- 8- Check the value through different sources:
- 9- MLS, Zillow, Loop Net, Zip realty, Redfin, Losangelesshopper.com

These items are not part of APR

1. Credit report
2. Deed stamp
3. Homeowners due
4. Flood
5. Flood insurance premium
6. Fire insurance premium
7. Appraisal
8. Notary fee
9. Owners Coverage
10. Pest inspection
11. Recording Deed
12. Title insurance
Insurance binder



As a licensed Brokerage Company, we have fiduciary obligations to the borrower and private lender to disclose all the material facts. Also, we go the extra mile to make sure everybody understands their role. Therefore, more the information in advanced we have access to the better decisions we can make.

Reduce the error and negligence by the borrowers and pay attention to red flag

1. The vesting for a married man purchasing the subject building should be a married man as his sole and separate property. In addition, a quit claim deed is required from the wife before closing.
2. A proof of driver's license would help to check the correct name of the borrower.
3. 1003 loan application is required to become familiar with the personal information and financial status of the loan applicant and future obligations.
4. By checking the credit of the borrower we can find out the pattern of making monthly obligations as well as several different outstanding credits.
5. It is very important to track down the down payment for purchasing the subject property.
6. Escrow and title companies usually before funding will ask the loan applicant to fill out their personal information to check the different database: collection accounts, tax lien, bankruptcy, judgment, etc.
7. It is very important to know if the seller and borrower are related or not.
8. Is the property listed in MLS for sale?
9. In order to eliminate any future dilemma after loan approval, loan documents are to be signed in the presence escrow officer or loan officer.
10. Escrow should provide a copy of the pay-off demand from a lender before closing.
11. Parties to the transaction are affiliated.
12. No valid phone number
13. Work number is disconnected
14. Social Security number has been changed.
15. High Fico score.



How should I take ownership of the property I am buying?

This important question is one that California real property purchasers ask their real estate, escrow, and title professionals every day. Unfortunately, although these professionals may identify the many methods of owning property, they may not recommend a specific form of ownership, as doing so would constitute practicing law.

Because real property has become increasingly more valuable, the question of how parties take ownership of their property has gained greater importance. The form of ownership taken - the vesting of title - will determine who may sign various documents involving the property, and future rights of the parties to the transaction. These rights involve such matters as real property taxes, income taxes, inheritance and gift taxes, transferability of title, and exposure to creditor's claims. Also, how title is vested can have significant probate implications in the event of death.

The California Land Title Association (CLTA) advises those purchasing real property to give careful consideration to how the title will be held. Buyers may wish to consult legal counsel to determine the most advantageous form of ownership for their particular situation, especially in cases of multiple owners of a single property.

The CLTA has provided the following definitions of common vesting as an informational overview. Consumers should not rely on these as legal definitions. The Association urges real property purchasers to carefully consider their titling decision prior to closing, and to seek counsel should they be unfamiliar with the most suitable ownership choice for their particular situation.

SOLE OWNERSHIP

Sole ownership may be described as ownership by an individual or other entity capable of acquiring title. Examples of common vesting cases of sole ownership are:

1. A Single Man/Woman:

A man or woman who has not been legally married. For example: Bruce Buyer, a single man.

2. An Unmarried Man/Woman:

A man or woman who has previously married and is now legally divorced. For example: Sally Sellers, an unmarried woman.

3. A Married Man/Woman as His/Her Sole and Separate Property:

A married man or woman who wishes to acquire a title in his or her name alone.

The title company insuring title will require the spouse of the married man or woman acquiring title to specifically disclaim or relinquish his or her right, title, and interest in the property. This establishes that it is the desire of both spouses that title to the property be granted to one spouse as that spouse's sole and separate property. For example: Bruce Buyer, a married man, as his sole and separate property.

CO-OWNERSHIP

Title to property owned by two or more persons may be vested in the following forms:

1. Community Property:

A form of vesting title to property owned by husband and wife during their marriage which they intend to own together. Community property is distinguished from separate property, which is property acquired before marriage, by separate gift or bequest, after legal separation, or which is agreed to be owned by one spouse. In California, real property conveyed to a married man or woman is presumed to be community property, unless otherwise stated. Since all such property is owned equally, husband and wife must sign all agreements and documents of transfer: Under community property, either spouse has the right to dispose of one half of the community property, including transfers by will. For Example Bruce Buyer and Barbara Buyer, husband, and wife as community property.

2. Community Property with Right of Survivorship

A form of vesting title to real property owned by husband and wife during their marriage which they intend to own together. This form of holding title shares many of the characteristics of Community Property but adds the benefit of the right of survivorship similar to a title held in joint tenancy. There may be tax benefits for holding title in this manner. Interest must be created on or after July 1, 2001.

On the death of a spouse, the decedent's interest ends, and the surviving spouse owns the property by survivorship and owns the property in severalty. For example: Bruce Buyer and Barbara Buyer, husband and wife as community property with the right of survivorship.

3. Joint Tenancy

A form of vesting title to property owned by two or more persons, who may not be married, in equal interest, subject to the right of survivorship in the surviving joint tenant(s). Title must have been acquired at the same time, by the same conveyance, and the document must expressly declare the intention to create a joint tenancy estate. When a joint tenant dies, title to the property is automatically conveyed by operation of law to the surviving joint tenant(s). Therefore, joint tenancy property is not subject to disposition by will. For Example: Bruce Buyer and Barbara Buyer, husband and wife as joint tenants.

4. Tenancy in Common:

A form of vesting title to property owned by any two or more individuals in undivided fractional interests may be unequal in quantity or duration and may arise at different times.

Each tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property, and must bear an equivalent share of expenses. Each co-tenant may sell, lease or will to his/her heir that share of the property belonging to him/her. For example: Bruce Buyer, a single man, as to an undivided 3/4 interest, and Penny Purchaser, a single woman, as to an undivided 1/4 interest, as tenants in common.

OTHER WAYS OF VESTING TITLE INCLUDE AS:

1. A Corporation:*

A corporation is a legal entity, created under state law, consisting of one or more shareholders but regarded under state law as having an existence and personality separate from such shareholders.

2. A Partnership:*

A partnership is an association of two or more persons who can carry on business for profit as co-owners, as governed by the Uniform Partnership Act. A partnership may hold title to real property in the name of the partnership.

3. A Trust:

A Trust is an arrangement whereby legal title to property is transferred by the grantor to a person called a trustee, to be held and managed by that person for the benefit of the people specified in the trust agreement, called the beneficiaries.

*In cases of corporate, partnership or trust ownership the title company will require that it be furnished legal documents so that it may satisfy itself as to ownership rights of the parties to the transaction and any limitations which may exist on the sale, transfer, or encumbrance of the property. Required documents may include corporate articles and bylaws, certificates of ownership, and trust agreements.

4. Limited Liability Companies (L.L.C.)

This form of ownership is a legal entity and is similar to both the corporation and the partnership. The operating agreement will determine how the L.L.C. functions and is taxed. Like the corporation, its existence is separate from its owners.

*In cases of corporate, partnership, L.L.C. or trust ownership required documents may include corporate articles and bylaws, partnership agreements, L.L.C. operating agreements, and trust agreements and/or certificates.

Remember:

How title is vested has important legal consequences. You may wish to consult an attorney to determine the most advantageous form of ownership for your particular situation.



We would like you to become familiar with different terminology

Deed of Trust

There are three parties to a deed of trust the **TRUSTOR** (the borrower)

The **BENEFICIARY** (the lender),
and the **TRUSTEE** (a neutral third party).

The **Trustor** makes payments to the beneficiary; the trustee steps in to conduct foreclosure proceedings in case of default.

Promissory Notes

Make a promise to repay a debt. One person loans money, and the other

Signs a promissory note, promising to repay the loan (plus interest, in most cases).

Security Agreement

Creates a lien against the property and gives the lender the right to foreclose after default (deed of trust).

Relationship between a promissory note and security agreement

A person borrowing money to buy real estate signs a promissory note in the favor of the lender. In addition, the borrower signs a security agreement, such as a deed or mortgage.

The **SECURITY AGREEMENT** is a contract that makes the real property collateral for the loan. It creates a lien on the property. If the borrower doesn't repay as agreed in the promissory note, the security agreement gives the lender the right to foreclose.

Acceleration on default

An acceleration clause allows the lender to demand payment of the outstanding loan balance for various reasons, including if the buyer defaults on loan payment.

A Due-on-Sale clause

Is a type of acceleration clause that demands payment of the entire balance of the loan upon sale or transfer of title.

ALTA TITLE POLICY. (American Land Title Association) A type of title insurance policy issued by title insurance companies that expands the risks normally insured against under the standard type policy to include unrecorded mechanics liens; unrecorded physical easements; facts a physical survey would show; water and mineral rights; and rights of parties in possession, such as tenants and buyers under unrecorded instruments.

AMORTIZED LOAN. A loan to be repaid, interest and principal, by a series of regular payments that are equal or nearly equal, without any special balloon payment before maturity. Also called a Level Payments Loan.

BALLOON PAYMENT. An installment payment on a promissory note - usually the final one for discharging the debt - is significantly larger than the other installment payments provided under the terms of the promissory note.

DEFAULT . Failure to fulfill a duty or promise or to discharge an obligation; omission or failure to perform any act.

INTEREST ONLY LOAN. A straight, non-amortizing loan in which the lender receives only interest during the term of the loan and the principal is repaid in a lump sum at maturity.

INTEREST RATE. The percentage of a sum of money charged for its use. Rent or charge paid for use of money, expressed as a percentage per month or year of the sum borrowed.

NOTE . A signed written instrument acknowledging a debt and promising payment, According to the specified terms and conditions. A promissory note.

NOTE RATE. This rate determines the amount of interest charged on an annual basis to the borrower. Also called the .accrual rate. contract rate. or coupon rate..

PREPAYMENT PENALTY. The charge payable to a lender by a borrower under the terms of the loan agreement if the borrower pays off the outstanding principal balance of the loan before its maturity

RECONVEYANCE . The transfer of the title of land from one person to the immediately preceding owner. This instrument of transfer is commonly used to transfer the legal title from the trustee to the trustor (borrower) after a trust deed debt has been paid in full.

RECORDING . The process of placing a document on file with a designated public official for public notice. This public official is usually a county officer known as the County Recorder who designates the fact that a document has been presented for recording by placing a recording stamp upon it indicating the time of day and the date when it was officially placed on file

TRUST DEED. Just as with a mortgage, this is a legal document by which a borrower pledges certain real property or collateral as a guarantee for the repayment of a loan.

VESTING INFORMATION SHEET

The following information regarding vesting is provided for informational purposes only. We suggest contacting an Attorney and/or Certified Public Accountant for specific advice as to how you should actually vest your title.

| WITH | TENANCY IN COMMON | JOINT TENANCY | COMMUNITY PROPERTY | COMMUNITY PROPERTY RIGHT OF SURVIVORSHIP |
|---------------------------|---|--|---|---|
| Parties | Any number of persons. (can be husband and wife). | Any number of persons, (can be husband and wife). | Only husband and wife or domestic partner. | Only husband and wife and only when interest is created on or after July 1, 2001 or domestic partners created on or after January 1, 2005. |
| Division | Ownership can be divided into any number of interests, equal or unequal. | Ownership interests cannot be divided. | Ownership interests are equal. | Ownership interests are equal. |
| Title | Each co-owner has a separate legal title to his undivided interest. | There is only one title to the whole property. | Title is in the "community". (Similar to title being in a partnership). | Title is in the "community". (Similar to title being in a partnership). |
| Possession | Equal right of possession. | Equal right of possession. | Equal right of possession. | Equal right of possession. |
| Conveyance | Each co-owner's interest may be conveyed separately by its owner. | Conveyance by one co-owner without the others breaks the joint tenancy. | Both co-owners must join in conveyance of real property. Separate interests cannot be conveyed. | Both co-owners must join in conveyance of real property. Separate interests cannot be conveyed. |
| Purchaser's Status | Purchaser becomes a tenant in common with the other co-owners. | Purchaser becomes a tenant in common with the other co-owners. | Purchaser can only acquire whole title of community; cannot acquire a part of it. | Purchaser can only acquire whole title of community; cannot acquire a part of it. |
| Death | On co-owner's death, his interest passes by will to his devisees or heirs. No survivorship right. | On co-owner's death, his interest ends and cannot be willed. Survivor owns the property by survivorship. | On co-owner's death, 1/2 goes to survivor in severalty. Up to 1/2 goes by will or succession to others. (Consult attorney with specific questions). | On co-owner's death, decedent's interest ends and cannot be willed. Survivor owns the property by survivorship.. |
| Successor's Status | Devisees or heirs become tenants in common. | Last survivor owns property in severalty. | If passing by will, tenancy in common between devisee and survivor results. | Last survivor owns property in severalty. |
| Creditor's Rights | Co-owner's interest may be sold on execution sale to satisfy his creditor. Creditor becomes a tenant in common. | Co-owner's interest may be sold on execution sale to satisfy creditor. Joint tenancy is broken, creditor becomes tenant in common. | Co-owner's interest cannot be seized and sold separately. The whole property may be sold to satisfy debts of either husband or wife, depending on the debt. (Consult attorney with specific questions.) | Co-owner's interest cannot be seized and sold separately. The whole property may be sold to satisfy debts of either husband or wife, depending on the debt. (Consult attorney with specific questions.) |
| Presumption | Favored in doubtful cases except husband and wife. (see community property). | Must be expressly stated and properly formed. Not favored. | Strong presumption that property acquired by husband and wife is community. | Strong presumption that property acquired by husband and wife is community. |

THIS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. SPECIFIC QUESTIONS FOR ACTUAL REAL PROPERTY TRANSACTIONS SHOULD BE DIRECTED TO YOUR ATTORNEY OR C.P.A



Private Money Loan

For

Fix and Flip properties

Short term- No pre-pay

No appraisal fee - No inspection fee

No underwriting fee - No processing fee



Quick Loan Approval- Local Decision Making

Common Sense Underwriting

| **First Position only** | Los Angeles Metropolitan Area |

| **Non- Owner Residential** | **Commercial –Apartment** |

Submission Requirements :

|1003 Loan Application | Credit Report | Purchase Contract | Title Report |

| Escrow Instruction | Three Months Bank Statements | Copy of Driver License |

| Insurance policy | Proof of Down Payments | Loan to Legal Entity |

City Capital Realty | Shawn Rabban | 310-714-5616 |
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1575 Westwood Blvd, Suite 201, Los Angeles, CA, 90024
shawnrabban@yahoo.com | citycapitalrealty.com
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