

WHAT NO ONE TELLS YOU ABOUT PRIVATE LENDING:

10 Things Smart Investors Ask Before
Their First Deal



The Stech Family Office



JUST BE THE BANK



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What No One Tells You About Private Lending: 10 Things Smart Investors Ask Before Their First Deal

Here's a question for you: Why might you NOT want to be a private lender?

As in, what might be stopping you?

Maybe in your case, nothing. Maybe you're already sold on the concept, and you're just here to learn more before you start sourcing deals. If that's you, head on down to the first chapter below.

But maybe you're like a lot of the folks I meet: you've considered private lending before, but you've got some doubts. You're asking yourself:

- *Am I really cut out for this?*
- *What if I make a bad loan?*
- *Do I need to be a real estate expert to succeed?*
- *Isn't private lending risky?*

These are smart questions to ask. In fact, the best investors *always* question things before they jump in. And that's exactly why I wrote this.

See, for whatever reason, a lot of investors seem to think that private lending is some mystical strategy and skill-set they'll never be able to get right. And that's just not true.

But it's no surprise *why* they think this way. There's a ton of misinformation out there about this business. I therefore believe it's critical to start by demystifying private lending and level-setting expectations so you understand what's actually necessary to have success.

Because here's the truth: **Private lending isn't as complicated as you might think. But there are things you need to know in order to do it right.**

That's what this ebook is all about.

In the pages ahead, we'll walk through 10 of the biggest questions, fears, and misconceptions that even the smartest investors have before their first deal. By the time you finish, you'll not only have clarity—you'll be ahead of 99% of investors who never take the time to learn how private lending *really* works.

Let's dive in.

#1 - “I don’t want to be on the wrong side of a market correction.”

The first hangup I hear (especially when people find out I’m a research nut/market timer) is:

"I don't want to get caught in a downturn, Dave. I feel like I need to be a market timer like you in order to be a private lender."

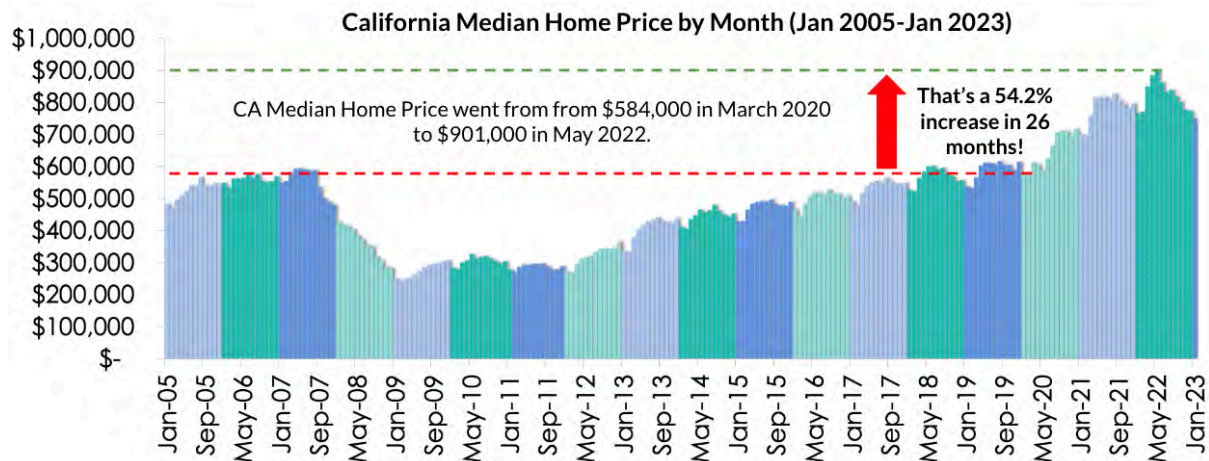
This couldn't be further from the truth.

Yes, the real estate market is ever-changing. Yes, prices are constantly fluctuating one way or the other to some degree. But you do NOT need to be an expert-level market timer to make private lending work like gangbusters.

Why Market Timing Isn't Critical

While the market *is* always changing, it changes slowly. Real estate is arguably the lowest-volatility alternative asset class. Think back to the housing collapse of 2007-2009—that was a crash like we’ve never seen, yet home prices in the worst-hit markets only dropped around 2% per month. The stock market, on the other hand, had multiple *days* during that period where it dropped 7%+.

More recently, during the housing-market tailwind created by COVID and the Fed's Zero-Interest-Rate/Quantitative Easing policies, prices went *up* about 2% per month in markets like California.



So it goes both ways. But again, even if you’re on the wrong side of a market correction, a property you have a loan on might lose *at most* 1-2% of its value per month.

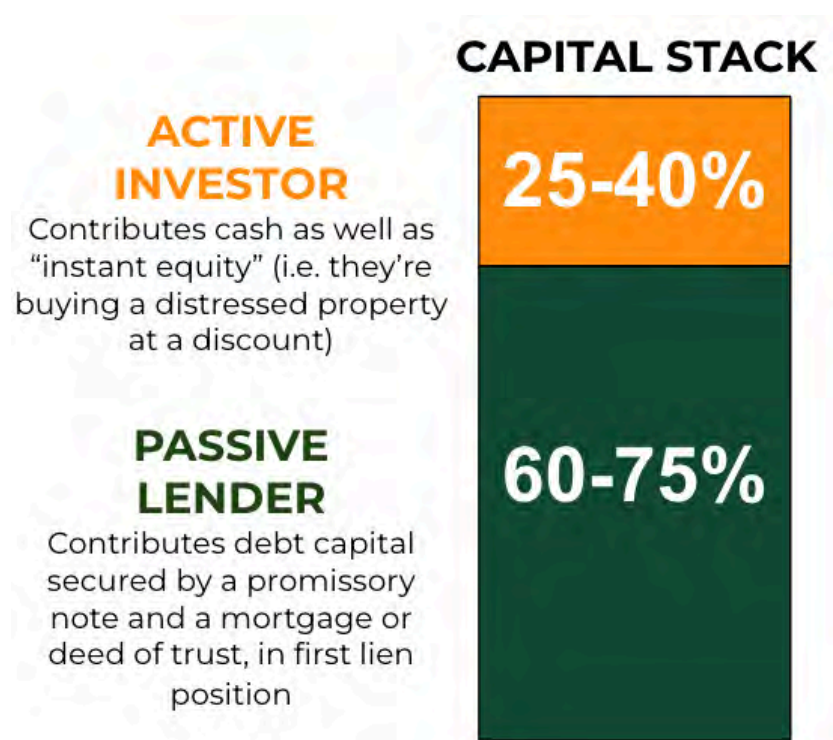
But doesn't that mean you're losing money? Doesn't it mean you're losing 1-2% per month on your investment?

Not at all. You're just the lender in this context. Your collateral is losing a little value, but you're a long way from losing actual money.

Who's Really at Risk if a Deal Goes Sideways?

In other words, who loses money first if things don't go as planned?

Easy: **the active investor-operator, aka the flipper**. He/she has the “**front line exposure**” in the deal because of how the capital stack is structured (see the figure below).



If this bar represents 100% of the property’s value, it’s the part in orange that gets eaten away first when home prices fall.

That’s the **flipper’s equity** in the deal, which is usually a combination of:

- Some cash they put down (because I require them to have “skin in the game”)
- And any discount off of retail value they got from the original seller (what I call “instant equity”).

The part in green is the **lender’s contribution** via the loan. As you can see, it’s at the bottom of the capital stack, meaning it’s the most protected from downside. The property would have to lose **25-40% of its value** (depending on the loan-to-value ratio) in order for it to be worth less than the amount of the loan (i.e. be “underwater”).

Lending Against ARV: Your Built-In Cushion

There’s one other key way you as a lender can protect yourself from downside: **lending against ARV**.

You should always, ALWAYS structure your deals such that you’re lending against the **After-Repair Value (ARV)** of the property, NOT the As-Is Value (AIV).

We get more into this during the *Just Be the Bank* workshop, but here’s the quick-and-dirty version:

- When you loan on what the property WILL be worth when it's all fixed up, you're creating a "cushion" in the deal.
- You're effectively inflating the value of the property to its future value and lending against that, but you reduce your maximum Loan-to-Value ratio to account for this inflation.

Look, whenever you're considering making a loan on a piece of real property, you'll always want an accurate, objective opinion of value. And it should be based on:

- **Current market conditions.**
- **What you can reasonably expect from the market over the next 6 to 12 months.**

Why only 6 to 12 months? Well...

You Want to Stay Short Term When the Market Is Peaking

Suffice it to say that when a market is at or near its peak (as it is as of this writing), you want to do shorter deals in case the market begins to soften.

When you're near the bottom, you can afford to do longer lending deals. You've got a market tailwind rather than a headwind, which increases the value of the property as the project is being completed. This reduces your risk a little every day — as the expected ARV goes up but the loan balance stays the same, your Loan-to-Value ratio is getting progressively lower. Pretty cool, right?

Bottom line: in any market cycle, the less exposure you have, the better. And the more risk you feel (everyone's risk tolerance is different), the more cushion and borrower **"skin-in-the-game"** you should require.



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#2 - “I don't want to go through a costly and time-consuming foreclosure.”

Who does?

I sure as hell don't make loans with the expectation that I'm going to have to foreclose on the borrower. That's the opposite of why I got into this business in the first place.

I got into the private lending business to do 3 overarching things:

- Own “paper” (i.e. the promissory note/mortgage for the loan), not projects
- Collect origination fees and interest payments (and other fees)
- Have a low-risk, PASSIVE experience. I have no desire to be an active property flipper.

As main objectives go, these work for me. And I think you'll find they'll serve you too.

(Side note: some scummy lenders actually DO lend with the plan to eventually foreclose. It's a predatory strategy called “lending to own”, where a lender funds a deal for a destined-to-fail borrower just so he can take back the property. If you've got even a shred of integrity, DO NOT DO THIS.)

How to Avoid Foreclosure Altogether

As of this writing, less than **1% of mortgages in America**—whether from private loans or publicly traded institutions—are in foreclosure. My private lending business has **never** had to foreclose on a borrower. Not once in the 10,000+ transactions we've completed.

How do we avoid it?

- I use a **deed-in-lieu-of-foreclosure**.
- If something goes wrong with the deal, this single piece of paper allows the borrower to transfer their property rights to me. My team can then complete the flip and get my money out without the hassle of a formal foreclosure process.

DEED IN LIEU OF FORECLOSURE

This Deed in Lieu of Foreclosure (the "Agreement") is made and effective [DATE].

BETWEEN: **[YOUR COMPANY NAME]** (the "Grantor"), a corporation organized and existing under the laws of the [State/Province] of [STATE/PROVINCE], with its head office located at:

[YOUR COMPLETE ADDRESS]

AND: **[GRANTEE NAME]** (the "Grantee"), an individual with his main address located at ☐ OR a corporation organized and existing under the laws of the [State/Province] of [STATE/PROVINCE], with its head office located at:

[COMPLETE ADDRESS]

RECITALS

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Grantor hereby grants to Grantee the following described real property in the State of [STATE/PROVINCE]:

[DESCRIPTION OF PROPERTY]

This deed is an absolute conveyance, the Grantor having sold the above-described real property to the Grantee for a fair and adequate consideration, such consideration being full satisfaction of all obligations secured by the deed of trust heretofore executed by Grantor. Grantor declares that this conveyance is freely and fairly made and that there are no agreements, oral or written, other than this deed between Grantor and Grantee with respect to the above-described real property.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

<p>GRANTOR</p> <p>_____ Authorized Signature</p> <p>_____ Print Name and Title</p>	<p>GRANTEE</p> <p>_____ Authorized Signature</p> <p>_____ Print Name and Title</p>
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The Advantage of Business-Purpose Loans

Even if a deal *does* somehow end up in foreclosure, it's not like you're necessarily in for some long, knock-down-drag-out legal battle.

See, the court may choose to shorten the foreclosure timeline for a private lender because the loan is what's called "business purpose." And that's exactly the type of loan I recommend you stick to.

Why?

- Business-purpose loans are extended to **businesspeople**, not consumers.
- These borrowers are considered "**sophisticated counterparties**" from a legal standpoint, meaning they're entitled to fewer protections in foreclosure or other legal situations.

This distinction is critical because as a private lender, your goal is simple: **get in, make a profit, and move on to the next deal.**

Seriously, tattoo that on your forearm. Because the longer a deal takes, and the more expenses you incur to consummate it, the more your ROI generally goes down. Anything that helps you profitably get in and get out faster — even a little faster — is a good thing. And sticking to business-purposes loans is one of them.

What Happens If Foreclosure Becomes Inevitable?

Look, I'll never minimize the value of a good foreclosure attorney. If you find yourself in a deal where foreclosure is your only option, a bulldog attorney can be worth their weight in gold. I absolutely recommend retaining one in these situations.

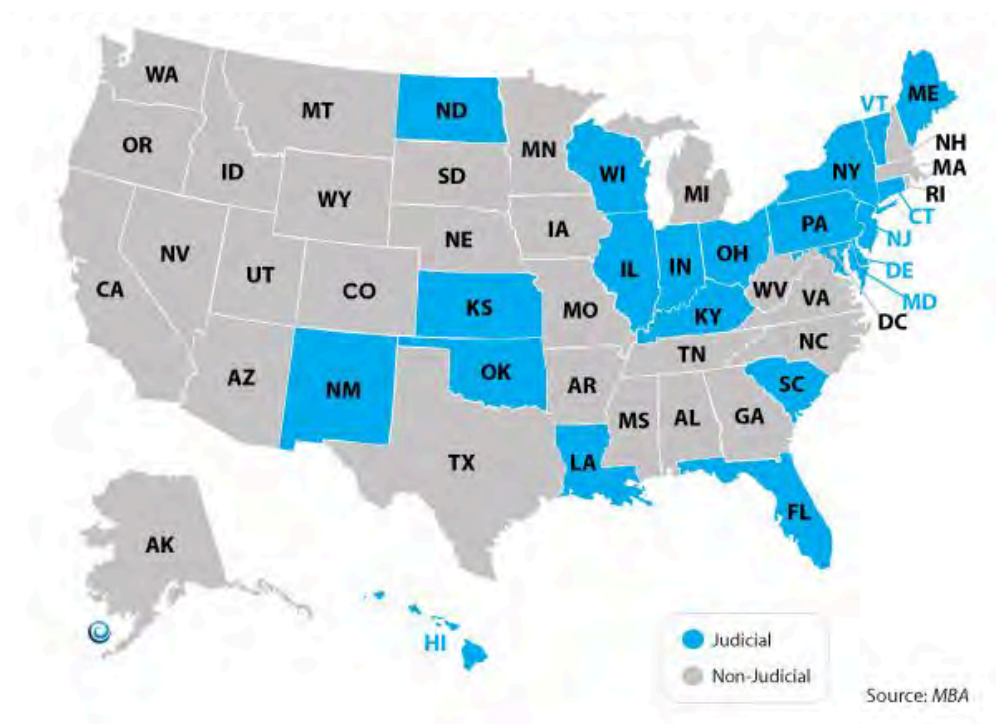
But even in the unlikely event you have to foreclose, there's potential upside:

- Because you'll be lending at a low Loan-to-Value ratio, you'll find that it's possible to make MORE money by taking the property back from a non-performing borrower...assuming you underwrote the deal properly in the first place.
- By taking the property back, you inherit the borrower's equity in the deal. YOU get to make the flipping profits that they expected to make, which in many cases are greater than the income you'd earn as a lender (from origination points, interest and fees).

Judicial vs. Non-Judicial Foreclosure States

Finally, it's important to understand the differences between judicial and non-judicial foreclosure states:

- **Judicial Foreclosure States:** These tend to have a longer foreclosure process because they involve court oversight.
- **Non-Judicial Foreclosure States:** These generally have a quicker foreclosure process because they avoid the court system.



Make sure you research the foreclosure laws in your state — or more specifically, the state in which the property resides — so you're prepared for any situation.

Bottom Line: Foreclosure is a valid concern, but it's far from a deal-breaker. With the right strategies, tools, and safeguards in place, you can dramatically reduce your risk of foreclosure while maintaining profitability — even if foreclosure becomes necessary.



#3 - “I’m not sure how to legally safeguard my funds. What if I never see my money again?”

Fair question. It speaks to the first rule of accumulating wealth...

Don’t lose it.



The common refrain from uninitiated investors is that private money lending seems high-risk. They worry they’ll make some catastrophic mistake and POOF, there goes their money, never to be seen again.

I’m here to tell you: private lending just isn’t that complicated.

In fact, with the right tools and strategies, you can safeguard your funds and mitigate risk, just like large banks, credit unions, and yes, professional private lenders.

Essential Legal Protections for Your Loan

The first tool-of-the-trade to protect your loan is an executed **promissory note**. This document outlines all of the terms and conditions of repayment from the borrower to you. It serves as legal proof of the borrower’s obligation to repay the loan, and establishes your legal rights to pursue repayment in the event of default.

STANDARD PROMISSORY NOTE

1. THE PARTIES. This Standard Promissory Note ("Note") made on _____, 20____ is by and between:

Borrower: _____, with a mailing address of _____, ("Borrower"), and

Lender: _____, with a mailing address of _____, ("Lender").

2. LOAN TERMS. The Lender agrees to lend the Borrower under the following terms:

a. **Principal Amount:** \$ _____

b. **Interest Rate:** _____% compounded per: (check one)

☐ - Month

☐ - Annum

☐ - Other: _____

c. **Borrower to Receive the Borrowed Money on:** _____, 20____

Hereinafter known as the "Borrowed Money."

3. PAYMENTS. The full balance of the Borrowed Money, including all accrued interest and any other fees or penalties, is due and payable in: (check one)

☐ - **A LUMP SUM.** The Borrower shall repay the Borrowed Money as a lump sum, in full, in the amount of \$ _____ (principal and interest) by _____, 20____ ("Due Date").

☐ - **INSTALLMENTS.** Borrower shall pay principal and interest installment amounts equal to \$ _____ with the first (1st) payment due on _____, 20____ and the remaining payments to be paid: (check one)

☐ - **Weekly** with any remaining balance payable on _____, 20____ ("Due Date").

☐ - **Monthly** with any remaining balance payable on _____, 20____ ("Due Date").

☐ - **Quarterly** with any remaining balance payable on _____, 20____ ("Due Date").

Hereinafter known as the "Repayment Period."

4. PAYMENT IS DUE. Any payment made by the Borrower is considered late if made more than _____ day(s) after any payment due date ("Payment Due Date"). This shall include, but not be limited to, any payment made related to the Repayment Period, the Due Date, or any other payment mentioned in this Note.

Next is the **security instrument**, which comes in one of two forms depending on the state you're lending in:

- A **mortgage** in judicial foreclosure states.
- A **deed of trust** in non-judicial foreclosure states.

In either case, the security instrument is recorded in public records to secure your interest (hence the term) and notify the world that you have a lien on the property

Importantly though, **not all liens are created equal**. Nor is the order of priority of your lien.

I'm old school, so when it comes to lien priority, I'd encourage you to focus on **first lien mortgages** rather than second or third liens—at least initially. First lien mortgages are the safest type of lien because they have the highest priority in the event of a foreclosure.

What If the Borrower Defaults?

Even with these protections, the question remains: **What if the borrower defaults on the loan?**

Here's where additional legal tools and strategies come into play:

1. **Personal Guarantee:** This is a promise from the borrower to *personally* repay the loan in the event of default. It adds an extra layer of security by holding the borrower accountable as an individual, such that they can't hide behind their LLC (or other entity).
2. **Assignment of Rents:** If the property generates rental income, this provision gives you the right to collect rent directly from the property if the borrower defaults.
3. **Cross-Collateralization Agreement:** This allows you to use multiple properties as collateral for the loan, increasing your security and minimizing risk.

These tools ensure that even in the worst-case scenario, you have legal options to protect your investment and recover your funds.

Bottom line: Don't let misconceptions about risk hold you back. With the right legal safeguards in place, and the right tools and strategies for thorough deal analysis, private lending is one of the safest alternative investments out there.



#4 - “No one borrows money at these exorbitant, double-digit interest rates.”

I get where you’re coming from on this one, but I suspect there’s some *recency bias* at play here.

And you can blame it on the Fed. Their zero-interest-rate and quantitative easing policies from 2010-2021 led to nearly a decade of 3-4% mortgage rates, which everyone came to think was normal.

Heck, post 2022 — after the most aggressive Fed tightening cycle in 40 years — we still barely eclipsed **8% mortgage rates**, yet **mortgage applications** dropped to their lowest level since 1995.



If that’s the case, why in the world would someone willingly pay you double-digit interest on a loan?

The answer lies in a concept I like to call “**Speed and Greed.**”

For real estate investor-operators (the flippers you’re lending to), the cost of money isn’t the most important factor. **Speed** is. These investors live in a highly competitive world, where deals are won or lost in a matter of days, sometimes hours. If they can’t move quickly, the opportunity vanishes.

That’s where you come in.

Banks vs. Private Lenders: A Case of Opportunity Cost

Traditional bank loans might offer low rates, but they come with two major disadvantages:

1. Banks typically don't like lending short term. They make their profit from servicing rights and net interest margins, both of which necessitate long loan terms. In essence, their model is to make loans with as long a term as possible (30 years, for example), and hope the borrower keeps paying until the loan comes to maturity.
2. Banks are painfully slow. They often take months to approve and fund a loan, with rigid underwriting standards that don't adapt well to the fast-paced world of real estate investing.

As a private lender, you can do what banks can't. You can:

- Make decisions in 24 to 72 hours.
- Offer fast, consistent, and reliable access to funds.
- Structure deals with flexibility tailored to the borrower's needs.
- Be consultative (i.e a source of counsel and strategy for the borrower, not just capital)

In my Family Office, we've funded deals the same day the opportunity came across our desk. That kind of speed is invaluable to flippers, and they're willing to pay a premium for it.

The Value You Bring as a Private Lender

It's important to understand: most borrowers don't see your higher interest rates as a burden. They actually see them as the price of opportunity—the ability to move quickly and secure a deal far outweighs the cost of the money itself. In my experience, the majority of flippers don't begrudge me my interest rates, they're simply grateful to find a lender that empowers them to take quick action on deals.

The point is, your borrowers just want three things from you. They want you to be:

- **Fast**—provide quick access to capital when timing is critical.
- **Consistent**—your funding process is repeatable and predictable, with no surprises.
- **Reliable**—borrowers trust you to deliver when they need it most.

Together, these three qualities are what truly matter to borrowers. It's not about the price of the loan; it's about the value they get from working with you.

How You Make This Work

To maintain this speed and consistency, you'll need to develop a streamlined process:

1. **Keep your finger on the pulse of local real estate conditions** so you can price your loans effectively and provide counsel to your borrowers when they need it

2. **Build “fewer better” borrower relationships** and develop a filtering system to screen out unqualified borrowers quickly
3. **Establish a firm credit policy (your loan parameters)** so you never spend even a single minute underwriting a deal that doesn't align with your goals and values

The 10 Point Framework for a Bulletproof Credit Policy

- 1) Loan Amount Range
- 2) Loan Term
- 3) Geographic Parameters
- 4) Property Types
- 5) Borrower Experience Requirements
- 6) Base Pricing
- 7) Loan-to-Cost and Loan-to-Value Ratios
- 8) Origination Fee Schedule
- 9) Renovation Project Parameters
- 10) Borrower Credit Score and Background

Once you've mastered these steps, decision-making becomes second nature. You'll be able to fund deals fast, giving your borrowers exactly what they need to succeed—and justifying the higher cost of your capital.

Remember: In the world of private lending, it's not about being the cheapest option. It's about being the most valuable. And that's a position you're uniquely qualified to own.



#5 - “I’m not wealthy enough to be a private lender”

Again, not true. You don’t need millions of dollars sitting in a bank account to start lending. In fact, many successful private lenders never lend more than \$50,000 per transaction. Some even start with far less, leveraging creative strategies and alternative sources of funds.

Let’s break this down and explore why private lending is more accessible than you might think.

Low Barriers to Entry: You Don’t Need Millions

The beauty of private lending is its flexibility. Unlike other investment strategies that require significant upfront capital, private lending allows you to start small.

- **Fractional Private Loans:** These days, a number of online platforms offer opportunities to invest as little as \$5K in private loans. The way it works is simple — a flipper posts a deal on the platform for which he needs a loan, and you and others can choose to buy a fractional piece and get paid interest in accordance with your contribution. Not a bad way to dip your toe in, right?



- **Scaling Up Gradually:** Once you gain confidence and experience doing loans (whether whole or fractional), you can scale your lending operation over time. There’s no rush to jump in with large sums.

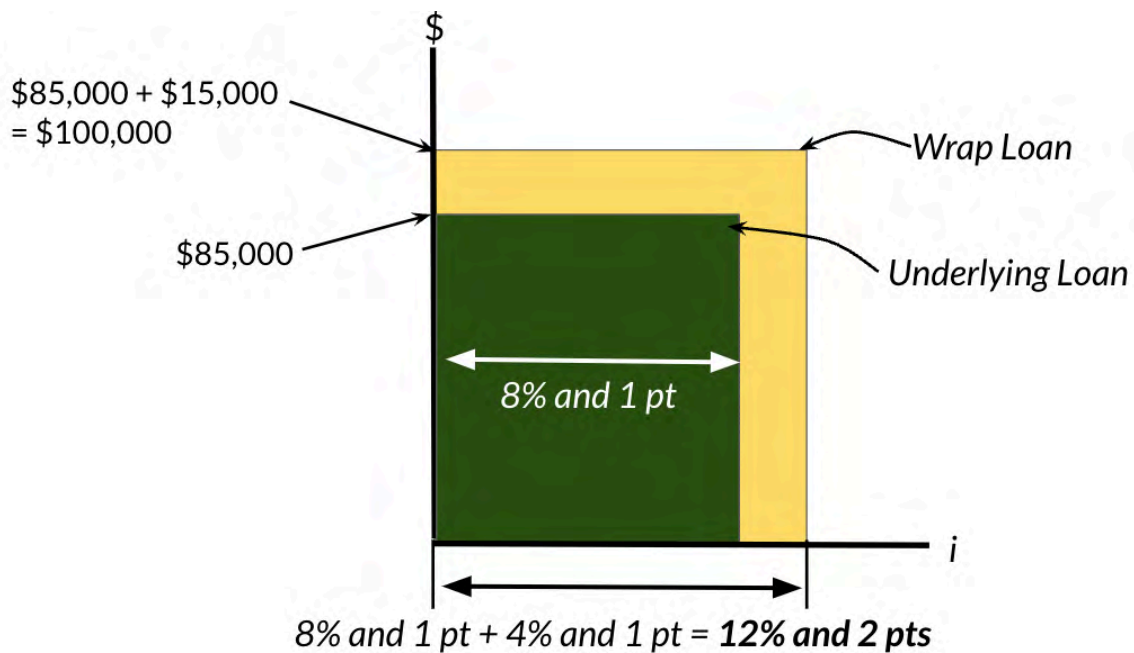
Creative Funding Options

One of the most powerful aspects of private lending is the ability to combine and leverage multiple sources of funds to grow your lending capacity. Here’s how:

1. Your Own Capital

Of course, you can start with your own money. Even modest amounts can get you in the game; the key is structuring deals with favorable terms that maximize your returns.

One strategy we teach in our *Just Be the Bank* workshop is Wrap Lending, where you source a deal and recruit an “underlying lender” to supply the majority of the funds. You then put up the balance, and “**wrap**” your funds around the **underlying loan** such that you earn interest on your capital contribution AND theirs. It’s a very cool form of arbitrage that can lead to massive double-digit returns.



2. Family and Friends

Using money from family and friends can be one of the ultimate win-wins — you not only increase your capital pool, you also help your favorite people put their money to work and generate passive income. In terms of structure, you can do joint ventures on specific deals, or simply pool family and friends money with yours and act as the “manager”, funding loans as you see fit.

3. Other People's Money (OPM)

For a lot of new lenders, there's a real sexiness in the idea of raising capital from strangers. I don't suggest starting here (there are quite a few hoops to jump through to be compliant), but it's an understandable goal to shoot for if you want to take your lending to the next level.

- **Flexibility:** By using OPM, you're less likely to be “tapped out” and have to refuse borrowers because all your personal capital is tied up.
- **Leverage:** Borrowing other people's money allows you to take on larger deals, increasing your earning potential and your return-on-effort.
- **Arbitrage:** You can create a spread between what you pay your investors (e.g., 6-8% annual returns) and what you earn from lending (e.g., 12-15% annual returns). That spread is pure profit.

In our *Just Be the Bank* workshop, we even offer a **bonus module** on how to raise capital effectively, showing you how to pitch your opportunities, establish credibility, and attract investors.



Legal Structures For Using OPM

1. **Fractional deeds of trust.** One of the oldest structures around, used for one-off transactions. Put simply, more than one party appears as the lender on the mortgage.
2. **Promissory Note.** Perhaps the simplest and quickest way to raise OPM. You issue a Promissory Note memorializing the amount you're receiving and terms you've agreed to with the person providing the capital.
3. **Regulation D Private Placement (Fund).** A securities offering that is exempt from being registered. There are a few flavors:
 - Fund size
 - 504 - offerings up to \$5M in 12 months. General solicitation is allowed as long as it's limited to accredited investors. No need to restrict a purchaser's right to resell securities.

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Flexibility and Freedom

Private lending isn't a one-size-fits-all model. You have the freedom to design your lending business around your unique circumstances and financial goals. Whether you're looking to lend smaller amounts for quick returns or leverage partnerships to grow a bonafide lending business, there's a pathway for you.

Here's why this matters:

- **Low Risk, High Reward:** Starting small allows you to test the waters and learn the process without risking large sums of money.
- **Scalability:** As your confidence and experience grow, you can scale your operations at your own pace.
- **Accessibility:** With creative strategies, even those without significant capital can participate in private lending.

Why This Works for So Many People

Private lending is one of the most inclusive investment strategies out there. It's not limited to the wealthy elite—it's available to anyone willing to learn the ropes and take action. Whether you're using your own money, partnering with others, or raising funds, the opportunities are endless.

So, the next time someone asks if you need millions of dollars to become a private lender, you'll know the truth: **You don't need millions. You just need the knowledge and the willingness to get started.**

Ready to learn how to start small, think big, and unlock the full potential of private lending? We've got you covered. Just go here to kick your private lending journey into high

#6 - "Won't I Lose My Money If I'm Not in First Lien Position?"

This is one of the concerns I hear more from experienced real estate investors who haven't yet started doing private lending. And it's a valid one—protecting your capital is THE top priority. You always want to protect your principal first and solve for ROI second.

The good news is that it's actually pretty straightforward. Maintaining **first lien position** is really just a matter of good title work, the right insurance policies, and thoughtful clauses in your loan docs.

Let's break this down step by step, so you can see exactly how this works—and why this concern doesn't have to hold you back from becoming a private lending boss.

What Does "First Lien Position" Mean?

First, let's clarify what **first lien position** actually means.

When you lend money secured by real estate, the lien is your legal claim against the property. If the borrower defaults, your lien gives you the right to foreclose on the property and recoup your investment.

Being in **first lien position** means your claim is at the top of the list. If the property is sold or foreclosed upon, you're the first to be paid out. Any additional liens—such as second mortgages or HOA liens—only get paid after your loan is satisfied in full.



So it's no wonder lenders prioritize this position. It's the ultimate form of protection, ensuring you're first in line to recover your investment if things go sideways.

How to Guarantee First Lien Position

Here's how you protect your first lien position and ensure your investment remains secure:

1. Preliminary Title Search

Before finalizing any deal, you'll always have the title company conduct a **preliminary title search**. This search verifies the property's title history and identifies any existing liens, claims, or disputes. If the title is clear, you'll proceed with confidence, knowing there are no competing claims that could jeopardize your position.

ABC Title Co.

3478 Buskirk Avenue, Suite 335, BA
Pleasant Hill, California 94520
Office Phone: (877)648-8279
Office Fax: (925)937-4153

Escrow Officer Email:

Our Valued Customer
3478 Buskirk Avenue, Suite 335, BA
Pleasant Hill, CA 94520
Attention: Esther Escrow

Our Order No. 123456
Property Address: 123 Meadows Avenue,
Long Beach, California

Preliminary Report Dated as of January 7, 2019 at 7:30 A.M.

In response to the above referenced application for a Policy of Title Insurance,

North American Title Insurance Company

Hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and limitations on covered risks of said Policy or Policies are set forth in Exhibit A attached. The Policy to be issued may contain an Arbitration Clause. When the amount of insurance is less than that set forth in the Arbitration Clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the Parties. Limitations on covered risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a deductible amount and a maximum dollar limit of liability for certain coverages are also set forth in Exhibit A. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The form of Policy of title insurance contemplated by this report is: ALTA Extended Loan Policy and America First Homeowner's Policy

Please note that the America First Homeowner's Policy (CLTA/ ALTA Homeowner's Policy) can only be issued on transactions involving individuals as purchasers and residential 1-4 properties. Any indication that the America First Homeowner's Policy (CLTA/ ALTA Homeowner's Policy) will be issued in a transaction that does not meet these criteria is hereby revised to state that the policy contemplated is a Standard Coverage Policy.

Tom Title, Title Officer

Rev. SAT 8/22/13 Page 1 Order No. 123456

2. Lender's Title Insurance Policy

Once you've received the title search and been told it's "clear" or "clean", you'll secure a **lender's title insurance policy**. This policy is worth its weight in gold; it protects you against unforeseen title issues that could arise *after* your loan is recorded. Things like...

- Undisclosed heirs claiming ownership
- Clerical errors in previous documentation
- Screw-ups by the title company
- Fraud or forgery in past transactions

So, even if a claim emerges, *title insurance* means you're covered. Now it's on the insurance company to come out of pocket to provide legal support and/or make you whole.

3. Owner's Title Insurance Policy

In addition to your lender's policy, the borrower will receive an **owner's title insurance policy**. This protects them as the property owner, ensuring their interests are safeguarded as well. Together, these policies create a robust safety net for both parties.

Additional Protections: Building a Solid Note

Beyond title searches and insurance, you can add another layer of protection directly into the loan agreement itself.

Restrict Additional Liens

Your promissory note can (and should) have a clause that restricts the borrower from putting any other liens on the property without your written consent. This helps position you to remain the only party with a claim on the property throughout the life of your loan.

Call the Note Due for Breach

If the borrower breaches the note — for example, by taking out a second loan without your approval — you have the right to:

- **Call the note due:** Demand full repayment of the loan immediately (per the acceleration clause in the loan docs).
- **Leverage the deed-in-lieu-of-foreclosure:** Ask the borrower to honor the deed-in-lieu you had them sign as part of the original loan docs. This transfers their property rights directly to you and allows both parties to avoid a bonafide foreclosure.
- **Foreclose on the property:** Failing the above, protect your position and recover your investment through formal legal action.

These terms give you control and enforceability, further reducing your risk.

Why First Lien Position Matters

Maintaining first lien position isn't just about protecting your capital — it's about ensuring peace of mind. When you're in first lien position:

- You're **first in line** to recover your investment.
- You're insulated from the financial risks of second or third lienholders.
- You maintain a level of control over the property that gives you confidence in any market conditions.

That's a big deal if maximum return on effort — and ultimately financial freedom — is your goal.

Why This Objection Doesn't Need to Hold You Back

Look, it's natural to feel cautious right as you're starting out as a private lender. But lien-related concerns don't need to be a cause for that caution. By conducting a title search, securing title insurance, and structuring your note properly, you'll have everything you need to protect your first lien position and sleep like a baby (while earning double-digit interest!)

With these protections in place, you can move forward confidently, and take full advantage of the wealth-building potential of private lending.

Ready to learn more about how to structure secure, first-lien loans? Let's dive into the details on our Private Lending Masterclass Webinar.



#7 - "Can I Legally Be a Private Lender?"

One of the most common concerns I hear is:

"Am I even *allowed* to do this?"

If you're new to private lending, the legal side of things may seem a little daunting. It's natural to worry about whether lending your own money is allowed, what the rules are, and how to ensure you're staying on the right side of the law.

Here's the good news: **Yes, you can legally act as a private lender — if you follow the right steps.**

Let's break this down so you can be confident about your ability to participate in private lending while protecting yourself from potential legal pitfalls.

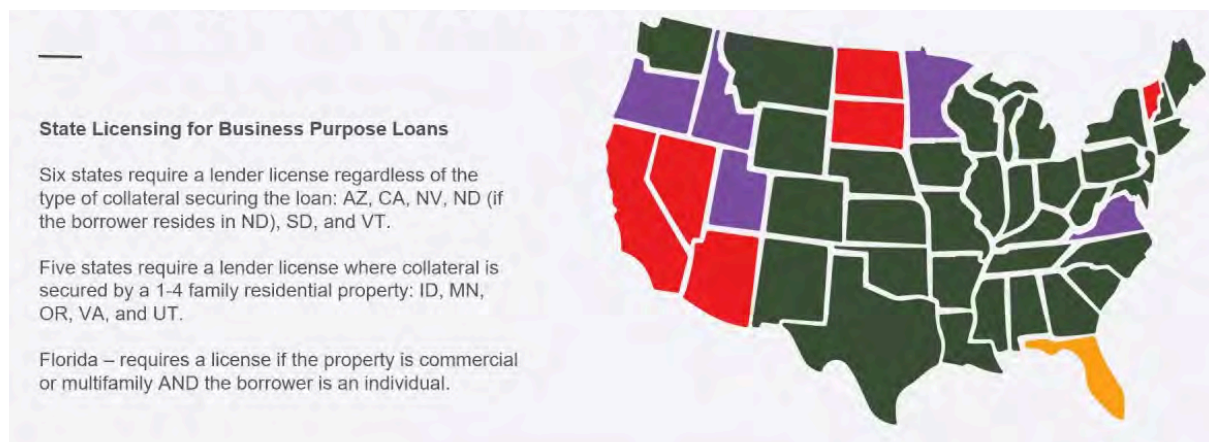
How to Stay Squeaky Clean with Your Lending

To protect yourself legally and ensure compliance, here are the steps you'll want to follow:

1. Understand State-Specific Regulations

Not all states have the same rules for private lending. For example:

- Some states may require licensing if you're making multiple loans per year.
- Others may have restrictions on the types of properties you can lend on or the terms you can offer.



Source: Geraci Law Firm

If you're at all unsure, don't hesitate to consult with a real estate attorney who understands the private lending laws in your state. It shouldn't cost more than a few hundred dollars for an hour-long consultation — a small price to pay to get the peace of mind that your lending activities are fully above board.

2. Avoid Consumer Lending

One of the easiest ways to avoid legal complications is to **stick to business-purpose lending**. This means lending exclusively on investment properties—like fix-and-flips, rental properties, or other commercial ventures—and steering clear of loans on owner-occupied or consumer properties.

Why?

Consumer lending is subject to stricter regulations designed to protect individual homeowners. These rules often require additional licensing, compliance with complex disclosures, and adherence to federal laws like the Truth in Lending Act (TILA).

By focusing on business-purpose loans, you sidestep these requirements and keep your lending activities simple and straightforward.

3. Again, Consider Hiring an Experienced Lender's Attorney

An experienced attorney can be one of your most valuable resources as a private lender. They can:

- **Review your loan docs** to ensure they're compliant with state laws.
- **Advise on licensing requirements** based on your state and the volume of loans you plan to make.
- **Provide guidance on loan structuring** to maximize your protection as a lender.

Think of your attorney as your legal safety net — someone to fall back on if you're ever in doubt, and someone who ensures you're set up for success while minimizing risk.

Why Legal Concerns Shouldn't Hold You Back

While it's natural to feel cautious about the legal side of private lending, the reality is that the barriers to entry are lower than you might think. With proper guidance and a focus on business-purpose loans, you can confidently navigate the legal landscape and take advantage of the wealth-building potential of private lending.

Here's why:

- **Private lending is inherently flexible.** You're lending your own money, which gives you control over who you lend to and the terms you set.
- **You have resources at your disposal.** From attorneys to REIA meetings to educational workshops, there are plenty of people out there to help you get started and avoid mistakes.
- **The risk is manageable.** With a clear understanding of the rules and proper legal documentation, you can eliminate most of the potential headaches before they arise.

Your Next Steps

If you're ready to explore private lending, here's what you can do right now to address any legal concerns:

1. **Consult with a private lending attorney** to understand your state's specific rules.
2. **Educate yourself on business-purpose lending** and focus your efforts exclusively in this area.
3. **Avoid owner-occupied or consumer loans** to keep your lending activities simple and compliant.
4. **Consider attending our 2-day *Just Be the Bank* workshop**, which will arm you with everything you need to successfully do your first or next private loan in the next 90 days.

With these steps, you can confidently move forward, knowing you're protecting your interests and staying fully compliant with the law.



#8 - “I can't afford to hire the team needed to run a private lending business.”

Do you need a big team to succeed in private lending?

In a word, no. You don't need a large team or significant business infrastructure to make lending work like gangbusters. But many people assume you do, and that (mistaken) assumption often stops them from ever getting started.

The reality? **Private lending is one of the simplest and leanest business models you'll ever encounter.**

Not only can you operate successfully without a big team, many experienced private lenders *intentionally* keep their operations small and focused to maximize efficiency and profits.

Let's unpack why this is the case and what you actually need to build a thriving private lending business.

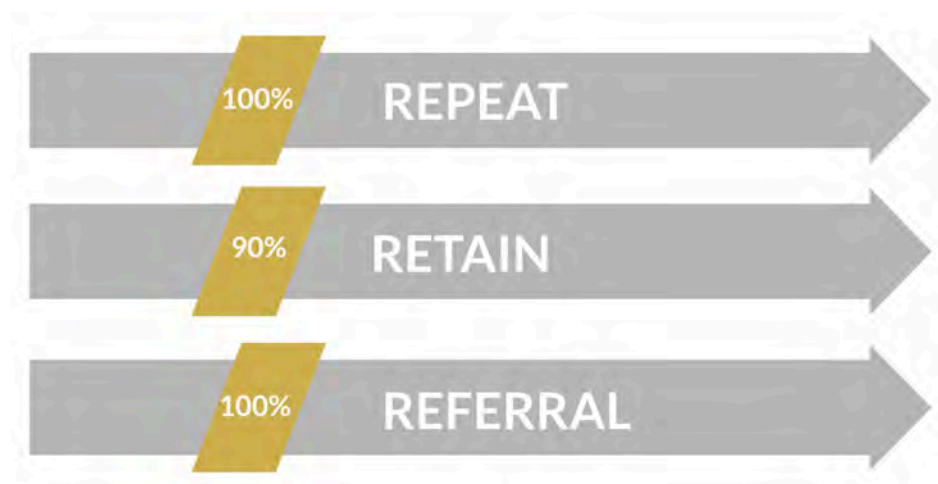
Why You Don't Need a Big Team

1. You Don't Need Hundreds of Borrowers

Unlike some businesses where you need a constant influx of new clients, private lending operates on a much smaller scale. The key to success isn't quantity—it's **quality**.

For example, my team has completed over 1,000 loans in a single year with a small, dependable group of borrowers. Why does this work?

I've built ALL my businesses on this 3-legged model:



- **Repeat Borrowers:** Once you establish relationships with trustworthy flippers, they'll come back to you for funding again and again...provided you treat them right. Give them the kind of service and support that leads 100% of them to do repeat business with you.

- **Retain 90% of Your Borrowers:** Treat your best borrowers like gold. Reward them with discounted pricing and occasional gifts make them customers for life, but be willing to “fire” your worst 10% of borrowers every year.
- **Referrals:** Happy borrowers are your best source of new business, so set a goal to get 100% of them to refer. They’ll introduce you to other reliable flippers like them, reducing the need for marketing or lead generation (and the expenses that come with them).

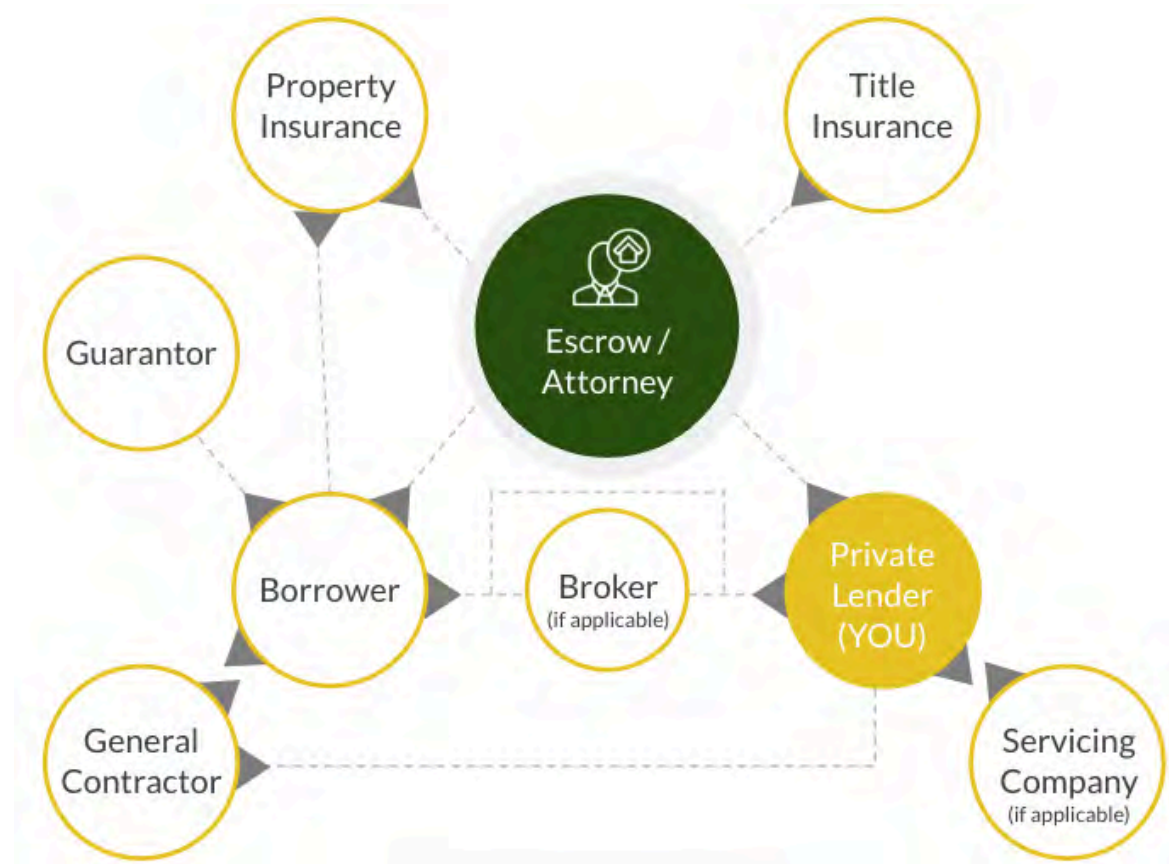
With just a handful of great borrowers, you can build a highly profitable and sustainable private lending operation. I know. I’ve done it.

2. You Don’t Need a Full-Time Staff

The beauty of private lending is its simplicity. With the right tools and processes in place, you can manage most of the business yourself—or with minimal help from trusted vendors.

- Title and escrow companies handle your closings.
- If necessary, attorneys review your contracts.
- Loan servicing companies collect payments and handle administrative tasks.

By outsourcing these key functions, you eliminate the need for a large in-house team, keeping your overhead low and your profits high.



As you can see in the graphic above, the only players you as the lender need to communicate with are:

- The escrow company or closing attorney (some states use escrow, others require that an attorney manage the transaction)
- The borrower
- (If applicable) The broker who brought the deal/borrower to you (in which case, the broker may interface with the borrower so you don't have to)
- (If applicable) The servicing company to whom you outsource the collection of payments

What You DO Need

1. Dependable Vendors

Having the right vendors in your corner is much more important than having a large staff. A solid network of professionals — such as title agents, attorneys, appraisers, and (perhaps) loan servicing companies — will ensure your deals run smoothly without requiring you to micromanage.

2. Reliable Borrowers

Again, your borrowers are the lifeblood of your business. Your #1 job as a private lender — the one thing that makes everything else easier — is to build relationships with experienced flippers. By “experienced,” I mean flippers who...

- Have a track record of successful projects. Four or more profitably re-sold flips in the last 12 months is a good baseline, but I'd prefer to see more.
- Communicate clearly and professionally. Their deal-doing vocabulary is on point and they keep you in the loop. You could wake them up from REM sleep and they could articulate exactly what they like about a deal.
- Understand the importance of meeting deadlines and obligations. They know the right order of operations and milestones for a successful flip, and they go above and beyond to get them done right and on time.
- Treat your money with the respect and care it deserves. They stick to the budget, follow procedure and don't surprise you with things that weren't in the original plan.

3. Systems, Technology, and Business Controls

Scaling any business—whether it's private lending, a dental practice or anything else—requires three foundational elements:

- **Systems:** Document your processes so every deal follows a consistent, repeatable workflow.
- **Technology:** Use tools like loan management software to automate tasks, track payments, and streamline communication. Even free software like Google Sheets is plenty good enough for loan tracking within a small to mid-sized operation. (*See below for an example*)

EXAMPLE LOAN TRACKING SHEET

Borrower Entity Name	Property Address	Property City	Prop.State	Prop.Zip	Total Loan Amount	Monthly Interest	Per Diem	Prorated Interest	Net Funded Amount	Holdback Amount
Example Flipper LLC	123 Main St	Whittier	CA	90605	\$594,000.00	\$4,950.00	\$165.00	\$3,300.00	-\$1,650.00	\$0.00
ABC Flipping LLC	321 Niam St	Houston	TX	77067	\$172,500.00	\$1,545.31	\$51.51	\$1,030.20	-\$515.10	\$46,600.00
Redacted Reno Inc	124 Main St	Atlanta	GA	30318	\$195,800.00	\$1,794.83	\$59.83	\$239.31	\$239.31	\$59,900.00
Example Flipper LLC	322 Niam St	Deland	FL	32724	\$116,200.00	\$1,065.17	\$35.51	\$0.00	\$1,065.17	\$60,000.00
ABC Flipping LLC	125 Main St	Rancho Cucamonga	CA	91730	\$479,400.00	\$3,995.00	\$133.17	\$2,663.40	-\$1,331.67	\$0.00
Example Flipper LLC	323 Niam St	Forney	TX	75126	\$175,400.00	\$1,607.83	\$53.59	\$214.38	\$1,822.21	\$0.00
Redacted Reno Inc	126 Main St	San Diego	CA	92139	\$373,400.00	\$3,267.25	\$108.91	\$435.63	\$3,702.88	\$0.00
Example Flipper LLC	324 Niam St	La Puente	CA	91744	\$540,000.00	\$4,725.00	\$157.50	\$630.00	\$5,355.00	\$0.00
ABC Flipping LLC	127 Main St	Colton	CA	92324	\$269,000.00	\$2,353.75	\$78.46	\$0.00	\$2,353.75	\$0.00
Example Flipper LLC	325 Niam St	Sacramento	CA	95838	\$208,800.00	\$1,827.00	\$60.90	\$1,218.00	-\$609.00	\$0.00
Redacted Reno Inc	128 Main St	Montclair	CA	91763	\$424,000.00	\$3,533.33	\$117.78	\$1,413.34	\$4,946.67	\$0.00
Example Flipper LLC	326 Niam St	Cypress	CA	90603	\$520,000.00	\$4,333.33	\$144.44	\$2,022.23	\$6,355.56	\$0.00

- **Business Controls:** Implement checks and balances to minimize errors and protect your investment, such as regular borrower evaluations and deal reviews.

With these three pillars in place, you can operate efficiently and scale without adding unnecessary complexity.

Scaling Without Stress

Private lending isn't about working harder—it's about working smarter. It's about maximizing your return on effort. By focusing on relationships, leveraging vendors, and relying on systems and technology, you can achieve significant scale without overwhelming yourself.

Here's why this works:

- **Lean Operations:** Fewer moving parts mean fewer opportunities for mistakes or inefficiencies.
- **Low Overhead:** By outsourcing key functions and using technology, you keep your costs low, maximizing your returns.
- **Repeatability:** Once you establish your processes, every deal becomes easier to manage, freeing up your time to focus on growth.

Why This Objection Shouldn't Stop You

The idea that you need a big team to succeed in private lending is a myth. You don't need an office full of employees or a CRM of hundreds of borrowers. Instead, focus on building a small, dependable network of borrowers and vendors, supported by smart systems and tools.

In fact, the simplicity of private lending is one of its greatest advantages. It allows you to create a highly profitable, scalable business while keeping things lean and manageable—perfect for busy professionals like you.

#9 - "How Will I Ever Find Good Borrowers?"

It's a valid question — hell, borrowers are the lifeblood of your private lending business. Without them, there are no deals, no returns, no path to greater financial freedom.

But here's the truth: **Good borrowers are out there.** And they're easier to find than you might think. With the right strategies and tools, you can build a steady pipeline of trustworthy flippers who need funding for their deals and will come back to you again and again.

The first thing to know is that there are plenty of flips being done every month, even in tiny, obscure markets like Salisbury, MD (population 33,149) and East Stroudsburg, PA (population 9,042). See below for proof.



Proven Ways to Find Borrowers

Here are some of the best ways to connect with borrowers, whether you're just starting out or looking to grow your network:

1. Leverage Real Estate Investment Associations (REIAs)

Real estate investment associations (REIAs) are goldmines for meeting flippers. These groups bring together all kinds of real estate professionals, investors, contractors, and lenders, making them the perfect place to network.



- **Attend “Haves and Wants” Sessions:** Many REIAs have a segment where attendees share what they need or have to offer. For example, a flipper might say, “I need funding for a deal,” and you can step in to offer your services.
- **Pitch Yourself:** When I first started, I’d stand up and say something like, “How many of you need money? I lend to flippers and I’ve got a bunch of money burning a hole in my pocket. I make loans on single-family flips, ideally three-bedroom, two-bath. Meet me in the back of the room.” That 30-second pitch was enough to draw a crowd of interested borrowers.

2. Use Technology to Track Market Activity

Nowadays we have tools that allow us to monitor entities buying and selling homes in our preferred markets. By tracking this activity, you can identify active flippers and reach out directly to offer your lending services.

3. Network with Contractors

Here’s a creative approach: drive around neighborhoods where you see active renovation projects. Stop and talk to the contractors on-site, and ask them who they’re working for. They’ll often provide the flipper’s name, giving you a direct lead on a potential borrower. Some contractors may even have flips of their own for which they need funding.

4. Let People Know You Have Cash

One of the simplest ways to attract borrowers is to let the world know you’re a lender. Whether it’s through casual conversations, social media, or in-person events, your message is powerful: **“I have money to lend, and I want to work with experienced flippers.”**

You’ll be surprised how quickly word spreads. Flippers are always on the lookout for reliable funding sources, and if they keep seeing and hearing your name, their likelihood of reaching out goes up.

Building Your Borrower Pipeline

When you’re just starting out, it can feel daunting to build a borrower network from scratch. I get it—when we began, we didn’t have any borrowers either. But with consistent effort and the right strategies, we went from zero to building what became a billion-dollar company and the largest lender in America to flippers.

Here’s what you need to remember:

- **You Don’t Need Hundreds of Borrowers:** Even with a small number of repeat borrowers, you can build a highly profitable lending business. Many flippers will come

back to you again and again for funding, creating steady deal flow. And the kind of borrowers you want — what I call “fewer better” or Tier 1 borrowers — will often have multiple flips going at once.

- **Focus on Relationships:** The quality of your borrowers is more important than the quantity. Focus on building strong relationships with trustworthy flippers who deliver on their projects and communicate well.

Rule of Thumb: Number of Borrowers

In most markets, for every \$1M you have to lend initially, you want roughly 1-2 of these “fewer better” borrowers.

We’ve Got You Covered

Finding borrowers may feel overwhelming at first, but it doesn’t have to be. In fact, we dedicate an entire module in our training to this topic. During this module, we’ll share:

- **Every strategy we’ve used** to find and connect with borrowers.
- **Tools and resources** to monitor market activity and identify potential borrowers.
- **Tips for building a referral network** that keeps your pipeline full.

You don’t have to use every strategy we teach, but you’ll walk away with a toolbox of proven methods to find borrowers quickly and effectively.

Why This Objection Shouldn’t Stop You

Here’s the bottom line: **Good borrowers are not hard to find.**

With the right mindset and strategies, you can easily build a network of flippers who need your funding and appreciate the value you bring to their projects.

Private lending is a relationship-driven business. If you’re willing to put yourself out there and let the world know you have cash to lend, borrowers will find their way to you.

#10 - “I’ll never understand all of the steps involved in doing private lending correctly.”

If you’re new to private lending, it’s easy to feel overwhelmed by the thought of all the moving parts. From evaluating deals to protecting your capital, it can seem like a daunting process. You might even think, “**I’ll never get the hang of this.**”

Let me reassure you: **Private lending is a skill anyone can learn.**

Like anything else in life, it’s a process that becomes second nature with the right guidance, repetition, and a commitment to following clear, consistent steps. Let’s break this down so you can see how manageable — even enjoyable — the private lending mastery process can be.

Consistency Is Key: Following Guidelines Every Time

The most successful private lenders don’t rely on gut feelings or hunches when making decisions. Instead, they follow **guidelines** and stick to them every single time, no matter how tempting it might be to waive the rules for a “great deal.”

Here’s why guidelines are essential:

- **They Remove Emotion:** It’s easy to get swept up in the excitement of a deal, especially if the borrower is charismatic or the property looks amazing. Guidelines keep you grounded and ensure you make decisions based on logic and data, not emotion.
- **They Protect Your Capital:** The number-one rule in private lending is **capital preservation**. Guidelines help you avoid risky deals and focus on opportunities that align with your goals.
- **They Create Efficiency:** When you know exactly what steps to follow, you can evaluate deals faster and more confidently, freeing up your time for other priorities.

The Blueprint: A Step-by-Step Guide to Private Lending

To help you master private lending, we’ve developed what we call the **Private Lending Blueprint**. This comprehensive framework walks you through every step of the process, covering:

- How to evaluate deals using holistic, proprietary criteria.
- The exact loan documents you’ll need to lend with confidence and protect your interests.
- How to establish a **credit policy** that defines the types of loans you’ll make—and the ones you won’t.
- A full **package checklist** to ensure you never miss an important detail.

For example, Stage 1 in the Blueprint is *Due Diligence*, which has 6 steps:

Private Lending Blueprint Stage 1: Due Diligence

Step 1: Vet the Market

Step 2: Accept a Complete Loan App

Step 3: Understand Their Loan App

Step 4: Vet the Borrower

Step 5: Vet the Property / Deal

Step 6: Memorialize a Term Sheet

Our goal with this Blueprint is to give you the tools and confidence to say “**no**” as soon as **possible** to deals that don’t meet your standards. This isn’t just about avoiding bad deals; it’s about freeing up your energy to focus on the “fewer better” opportunities that actually deserve your time...and your capital.

The Learning Curve: Why Repetition Is the Mother of Skill

When you’re just starting, the process might feel overwhelming—but that’s only because it’s unfamiliar. Like any new skill, private lending gets easier with practice.

Here’s what you can expect:

- **The First Deal:** It’s natural to feel unsure or nervous during your first deal. This is where the blueprint and checklist become invaluable, giving you a clear roadmap to follow.
- **The Second Deal:** You’ll notice a boost in confidence as the steps begin to feel more familiar.
- **The Third Deal and Beyond:** By your third or fourth deal, the process will start to feel second nature. You’ll evaluate deals more quickly, identify red flags with ease, and trust your ability to make sound decisions.

The bottom line? **Repetition is the mother of skill.** Every deal you complete builds your confidence, competence, and momentum.

The Two Pillars of Success: Preservation and Returns

At its core, private lending revolves around two fundamental goals:

1. **Return of Capital:** Your first priority is to protect your principal investment. This means following strict criteria, doing thorough due diligence, and ensuring the deal is structured to minimize risk.
2. **Return on Capital:** Once your capital is protected, your next goal is to generate a strong, consistent return. By sticking to proven lending practices, you can achieve excellent returns while keeping risk in check.

**FIRST PRIORITY:
RETURN OF CAPITAL**



**SECOND PRIORITY:
RETURN ON CAPITAL**



When you focus on these two pillars, private lending becomes a reliable and rewarding wealth-building strategy.

Why You Can Learn This Too

If you've ever learned a new skill—whether it's mastering your profession, learning to cook, or even figuring out how to use new technology—you already know that the hardest part is starting. Private lending is no different. Once you take the first step, everything else falls into place.

Here's why I'm confident you can do this:

- **You Don't Have to Start Alone:** Our Private Lending Blueprint is designed to guide you through the process, step by step. You'll have all the tools and knowledge you need to succeed.
- **You Don't Need to Be Perfect:** Mistakes are part of the learning process. The important thing is to follow the guidelines, learn from each deal, and refine your approach over time.
- **It Gets Easier:** The more you practice, the more confident and efficient you'll become. Before you know it, you'll be evaluating deals and managing loans like a pro.

Your Next Steps

If you're ready to stop feeling overwhelmed and start mastering private lending, here's what you can do:

1. **Commit to Learning:** Trust the process and give yourself the time to learn and practice.
2. **Consider Attending Our [Just Be the Bank Workshop](#) to Learn the Full Blueprint:** In just 2.5 days, you'll go from theory to execution—gaining the knowledge, tools, and confidence to fund deals safely and profitably. We'll walk you through every step of the process, so you leave ready to take action and start making money as a private lender.
3. **Take Action:** The only way to learn is to start. Your first deal might feel daunting, but it's also the gateway to building a skill set that will serve you for life.

Remember: Every private lender started where you are now—uncertain, curious, and maybe even a little intimidated. But with the right guidance, consistency, and repetition, they built successful businesses. And so can you.



JUST BE THE BANK

What No One Tells You About Private Lending:

When you step into the lender's seat, it's natural to have questions.

Am I really cut out for this? What if the market turns? How do I protect my money? This straight-talk guide tackles the 10 questions smart investors ask **before** their first deal—and turns each into a clear, practical step.



Inside, you'll learn why you don't need to "time the market" to lend safely, how short terms and lending on **ARV** create built-in cushion, and the exact protections pros use to keep control if things ever wobble.

You'll see how to start **without millions** (from small checks to creative structures and OPM), run a lean operation without a big team, and build a pipeline of repeat borrowers using simple, repeatable tactics (REIAs, market tracking, contractor intel, and referrals).

Most importantly, you'll adopt the habit that separates amateurs from lenders who last: **get to NO fast** so you can fund the **fewer, better** YESes that compound.

If you've ever thought, There has to be a better way to invest, this is your on-ramp to being the bank.