

THE 10 COMMANDMENTS OF PRIVATE LENDING:

How to Lend Like a Pro and Generate
Double-Digit ROI Every Time



The Stech Family Office



JUST BE THE BANK



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How to Lend like a Pro and Generate Double-Digit ROI Every Time

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INTRODUCTION

Ready for a truth-bomb? Private lending *isn't* hard.

Hell, it predates money itself. Said one Sumerian to another: "Lend me one of your goats, I'll care for it, and we'll split the milk."

Deal.

It's really as simple as that. That's part of private lending's beauty—and why anyone can do it.

But there's a caveat: lending money and lending it right are two very different things.

The difference between success and failure in private lending isn't luck, intuition, or even experience. It's process. Following rules. Ignore the rules, and you might get lucky for a while—but eventually, the market, a bad borrower, or an avoidable mistake will catch up with you.

That's where this ebook comes in.

In the pages ahead, I'll walk you through **The 10 Commandments of Private Lending**—the fundamental rules that separate winning lenders from those who put themselves at risk. These aren't theories or feel-good concepts. They're proven principles based on thousands of successful loans, designed to help you:

- **Avoid risk** and structure deals that protect your capital
- **Vet borrowers with confidence** (even if you've never made a loan before)
- **Set yourself up for double-digit ROI every time**
- **Make private lending a reliable, repeatable investment strategy** that you can rely on well into your golden years, and that you can teach to your kids (and grandkids).

Most investors never take the time to learn these principles. They jump into deals blind, assume the borrower knows what they're doing, and hope for the best. That's a great way to end up with a migraine.

Instead, I'm going to show you how pro lenders think, evaluate, and structure their deals—so you can invest with clarity, confidence, and control.

Whether you're brand new to private lending or looking to sharpen your skills, this book will give you the blueprint to lend like a pro and generate double-digit ROI every time.

Let's dive in.



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Commandment # 1

"It's YOUR Money"

Ever heard of the Golden Rule?

No, not the “do unto others” one. The one that says...



This is part and parcel of the first commandment of private lending...

“It's YOUR money”

What I mean is: if you're lending out your money, it is YOUR money.

It's not your “speculating” money. It's not your “hope for the best” money. And it's definitely not the flipper's money just because you loaned it to them.

It's yours. It's just as precious and valuable as any other money you have. And you *must* treat it as such.

So what does this mean in a private lending context?

It means you should always be looking for reasons to say NO. Your goal is to weed out the bad deals quickly so you can focus your time, energy, and capital on the great deals — the ones managed by top tier borrowers who pay like clockwork and treat your capital better than they treat their own.

I tell people this all the time: **Every day, in everything you do, you can give one of three answers—YES, NO, or MAYBE.** Now, which of these is the worst answer?

Most people think it's "NO." After all, no one likes rejection, and saying no can feel uncomfortable. But in private lending — and in most areas of life — the worst answer is actually **MAYBE**.

Here's why:

- A "MAYBE" leaves you in limbo. You're wrapped around the axel, wasting time and mental energy that could be better spent on deals where you really have conviction.
- A "MAYBE" often turns into a hesitant "YES," which can lead to subpar deals that tie up your money and cause headaches down the line.

Why "NO" is the Most Powerful Answer You Can Give

Many people assume that "YES" is the best response because it's affirmative, open-minded, and growth-oriented. And in some areas of life, that might be true.

But in private lending, **"NO" is your superpower:**

- Saying "NO" protects your capital by filtering out bad deals before they become bad investments.
- Saying "NO" frees up your time to focus on the few, high-quality opportunities that deliver strong returns.
- Saying "NO" ensures you maintain control and stick to your lending criteria, rather than bending the rules for a deal that doesn't quite fit.
- Saying "NO" is a sign that you're disciplined, strategic, and focused on long-term success rather than "getting a deal" or "being in the market".

The best deals you'll ever do are the ones you're 100% confident about. And the only way to get there is by saying "NO" to anything that feels like a "MAYBE." Saying "NO" often and confidently clears the path for the few, well-considered "YES" deals that truly align with your goals.

BEST ANSWER:

NO

SECOND-BEST ANSWER:

YES

WORST ANSWER:

MAYBE

The Six Levels of Due Diligence

To help you confidently say “NO” when a deal doesn’t measure up, let’s touch on the six critical areas of due diligence. Each one is designed to help you make informed decisions and protect your capital.

Here’s what you’ll evaluate:

- 1. The Borrower:** Who are they? What’s their track record? Are they reliable, communicative, and experienced in flipping/real estate investing?
- 2. Finances and Reserves:** Does the borrower have adequate reserves to cover unforeseen expenses? Are they financially stable enough to see the project through?
- 3. The Location:** Is the property in a desirable area with a lot of buyers? Does the location align with your lending goals and criteria?
- 4. The Collateral (The Property):** What condition is the property in? What’s its current value, and what will it be worth after repairs?
- 5. The Market:** Where are we in the market cycle? Is the geographic market experiencing growth or decline? Are there any red flags on a zip-code or neighborhood level?
- 6. Exit Strategies:** What’s the borrower’s plan for repaying the loan? Are there multiple exit strategies in case the primary one falls through?

Each of these areas is essential to making smart, confident decisions as a private lender. If you want to go deeper, consider jumping on the waitlist for our Just Be the Bank weekend workshop. On Day 2, we give you our full [private lending blueprint](#)—diving deep into each of these six due diligence buckets and giving you an expert-level understanding of how to evaluate deals and mitigate risk.

Consistency Builds Confidence

Finally, remember this: success in private lending comes from **repetition** and **consistency**. The first time you go through the due diligence process, it might feel overwhelming. But by the second or third deal, it'll start to click.

With each deal, you'll build confidence, sharpen your instincts, and strengthen your ability to spot great opportunities. The more you practice, the more natural it becomes—and the more successful you'll be.

Bottom Line: It's your money. Treat it with the respect it deserves. Learn to say "NO" often, and focus on the deals that truly align with your goals. When you master this mindset, private lending becomes not just profitable, but also deeply rewarding.



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Commandment #2

Guilty Until Proven Innocent

The second commandment of private lending is simple yet powerful: **Guilty until proven innocent.**

It's like "trust but verify", but in reverse (and thus more exacting): "Verify, then trust."

See, when you decide to fund a loan for a specific borrower, they effectively become part of your extended financial family. And a family doesn't work without trust. The difference is, in private lending, trust isn't implicit or given freely. It has to be earned.

Verify Their Ability to Repay

When evaluating a borrower, your first priority is to verify their ability AND capacity to repay the loan. Two different but related things. Think about it:

- Why would you lend to someone unless they've proven they have a clear means of paying you back? That's capacity.
- Why would you risk your hard-earned capital on a borrower who has stumbled in similar circumstances before, or shown themselves to be careless with other people's money? That's ability.

You want both. A borrower needs to demonstrate that they have not only the financial resources to pay you back, but also the credibility and experience to actually do it. In other words, they should have a proven track record of success generally, and with the type of transaction they wish to fund.

Tools to Evaluate Borrowers

One of the best predictors of a borrower's future success is their **past track record**—but only if you analyze it correctly.

In our *Just Be The Bank* workshop, we provide a worksheet template to help you review a borrower's previous transactions. However, you can easily create your own version to collect the most critical data points. (Not all column headers are captured in the image below due to the width of the spreadsheet, but you get the idea)

Hello Borrower! Please take a moment and complete the below table. At a minimum we need to know property address, acquisition date & disposition price (if available).



Affiliation with Entity on Title	Acquisition Date	Disposition Date	Acquisition Price	Rehab Cost	Disposition Price	Notes (if applicable)	Turn Time (days)	Deal P&L	ROI
Manager/CEO	4/12/13	9/15/13	\$ 180,527	\$ 10,000	\$ 225,000	rehab and flipped	156d	\$ 20,057	10.53%
							0	\$ -	▲
							0	\$ -	▲
							0	\$ -	▲

Once the borrower fills out the worksheet, it's your job to interpret the numbers and assess their experience level. Focus on patterns and trends rather than single deal highlights, using the following key metrics:

- **Turn Time (Days)** – How long does it take them to complete a flip from acquisition to resale? Compare this to local market averages—if their projects are taking far longer, they may have poor project management skills, unreliable contractors, or difficulty selling properties.
- **Acquisition Price vs. Disposition Price** – Are they consistently buying at a deep enough discount and exiting at a profitable price point? If their profit margins seem razor-thin, they may be overpaying or underestimating rehab costs.
- **Rehab Cost** – Are their renovation budgets realistic? Compare these to standard rehab costs per square foot in your market. If their budgets seem unusually low, they may be cutting corners or underestimating repairs—a major red flag.
- **ROI (Return on Investment)** – Are they consistently earning strong, double-digit returns? If their past projects are yielding mediocre returns, it could signal poor deal selection, budgeting issues, or an inability to effectively manage renovations.

- **Deal Profit & Loss (P&L)** – Look at consistency over multiple deals. Are they making money every time, or do they have losses mixed in? If they've had multiple break-even or losing deals, you need to understand why.

A borrower's experience isn't just about how many flips they've done—it's about the quality of those deals. Someone who has flipped 30 houses with tight margins, long delays, and high headaches isn't necessarily a better borrower than someone who has done 10 highly profitable, well-executed projects.

The next thing you'll want is a **thorough background check** on your borrower. This is non-negotiable in my book. While past deals tell part of the story, you need context about how they operate, their financial standing, and how they handle other people's money.

Here's what to examine:

1. Financial References

- Are they in good standing with previous lenders? Ask directly: *“Have you borrowed private money before? If so, can I speak with one of your past lenders?”*
- Do they have any history of late payments or defaults? A borrower with a track record of *non-payment* is a hard pass. A consistently *late* payor can help you rack up late fees, but he/she does add a layer of risk.
- Do they have a healthy balance sheet? If they have zero reserves or rely entirely on financing, they could be one bad deal away from financial ruin.

2. Personal References

- What do past partners say about them? Call a contractor, a lender, or even a past business partner and ask: *“Would you work with them again?”*
- Have they been sued by vendors or partners? This could signal non-payment issues, contract disputes, or a history of burning relationships.
- Are they organized and professional? A borrower who is sloppy in communication may also be sloppy in managing your investment.

Red Flag Alert: If a borrower pushes back on giving references, won't let you speak to past lenders, or avoids providing financials, assume they have something to hide.

Finally, you're going to want to verify the various **vendors and resources** they plan to use. After all, a borrower's success doesn't just depend on them personally—it depends on the team and resources they have in place. Even a great borrower will struggle if they rely on bad contractors, poor title services, or disorganized property managers.

Contractors & Subcontractors

- Are they licensed, insured, and reputable?
- Do they have a history of completing projects on time and on budget?
- Have they worked with this borrower before? A borrower with frequent contractor turnover may have trouble managing trades.

Title & Escrow Services

- Has the borrower worked with the same title company consistently? Frequent changes could indicate issues with lien clearances, funding delays, or disputes.
- Does the title company have experience handling investor transactions? A bad title company can kill a deal.

Insurance & Property Management

- Does the borrower have proper hazard and builder's risk insurance?
- If a deal goes south, would they be able to rent it out successfully?
- Who is their property manager (if applicable), and what's their reputation?

A borrower who surrounds themselves with top-tier professionals is more likely to deliver results. On the flip side, if they're hiring fly-by-night contractors or changing vendors constantly, it signals potential problems.

Don't Be Afraid to Probe

Remember commandment #1: **It's your money**. You have every right to ask probing questions and demand verifiable evidence of the borrower's credibility.

It's not enough to take their word for it. You need to see proof that they have the ability, experience, and resources to repay your loan. If they can't (or won't) provide this evidence, just walk away.

In private lending, borrowers are **guilty until proven innocent**. Your job is to “verify, then trust”; to evaluate them thoroughly, using all the tools at your disposal. Only then do you extend your trust — and your capital.

Commandment #3

Understand The Borrower's Cash Flow



Building on the “**Guilty Until Proven Innocent**” commandment — once you’ve verified your borrower’s experience and credibility, the next step is to dig further into their financial picture. Commandment #3 is all about understanding a borrower’s cash flow.

Why Cash Flow Matters in Private Lending

Unlike traditional banks, private lenders have the freedom to evaluate borrowers holistically.

This means you’re not limited to rigid requirements like W-2 income or formal employment verification. Borrowers in the real estate space often operate as self-employed individuals or through LLCs, so they may not pay themselves a traditional salary. Instead, they rely on the profits from their deals.

Here’s why understanding cash flow is so important:

- 1. Cash Flow = Ability to Execute:** A borrower with steady cash flow is better equipped to manage project costs, unexpected expenses, and interest payment obligations.
- 2. Avoiding Overruns:** Mismanaged cash flow can lead to overspending on a project, leaving the borrower unable to finish the deal — or worse, asking you for more money mid-project.
- 3. Your Investment is on the Line:** If the borrower’s cash flow is inadequate, it increases the risk to your capital, plain and simple.

How to Evaluate Borrower Cash Flow

As a private lender, you’ll need to go beyond surface-level income verification. Here’s how to thoroughly assess a borrower’s financial situation:

1. Bank Statements

Request several months (typically 3-6) of the borrower’s bank statements to get a clear picture of their cash flow. Look for:

- Regular deposits that reflect income.
- Excessive withdrawals or signs of poor money management.
- Consistent cash reserves (i.e. they maintain a healthy balance in their reserve account and don’t touch it all that often).

2. Profit and Loss Statements (P&L)

If the borrower operates as an LLC or sole proprietor, ask for their profit and loss statements. A good P&L shows:

- Revenue generated from their business or projects.
- Operating expenses like payrolls, marketing, utilities and more
- Net profits available to cover loan down payments or monthly interest.

PROFIT & LOSS STATEMENT <i>(Sample)</i>			
Any borrower(s) who is/are self-employed or an independent contractor should complete this form if they do not already have their own profit and loss form. <i>(An individual profit and loss statement is needed for every business.)</i>			
Company Name: _____		Percent of Ownership: _____	
Company Address: _____			
Type of Business: _____			
Borrower(s): _____			
Loan Number: _____		Report Dates: <i>(From)</i> _____ <i>(To)</i> _____	
<i>(The information below must be year to date and must include a minimum of 4 months of Income and Expenses. The Report "To" date cannot exceed the date of this form.)</i>			
Please fill in the fields that apply to your business.			
GROSS INCOME			
	Definition	Expense	Income
Gross Income	Total amount of income from the sales or services, before subtracting expenses.		\$
Other Income	Any other additional funds earned through the company, such as: payments from people leasing space or payments from investors.		\$
Total Gross Income	Income before taxes		\$
EXPENSES			
	Definition	Expense	Income
Cost of Goods Sold	Direct costs to produce or obtain the goods sold by the company.	\$	
Accounting and Legal Fees		\$	
Advertising Expenses		\$	
Insurance	Do not include Home Owner's Insurance.	\$	
Maintenance and Repairs		\$	
Supplies		\$	
Payroll Expenses	Salaries and wages from borrower(s) on the mortgage loan.	\$	
Payroll Expenses	Salaries and wages for employees who are not borrower(s) on the mortgage loan.	\$	
Postage		\$	

3. Cash Reserves

Just as important as a healthy P&L are a borrower’s cash reserves — the liquid dollar amount they have sitting in a bank account, ready for immediate use should the need arise. Solid cash reserves ensure a couple key things:

- That the borrower can cover unexpected costs or overages during the project.
- That the borrower won’t miss their interest payments and go into default if the deal goes long or expenses increase.

Think of cash reserves as a borrower’s safety net and your peace of mind. I recommend that you set your cash-reserve minimum at no less than 12 months of interest payments on the loan in question.

Signs of Strong Cash Flow Management

It’s not just about the numbers — it’s also about the borrower’s ability to manage their money effectively. Look for these positive indicators:

- **Consistent Savings:** Borrowers who regularly set aside money demonstrate discipline and preparedness.
- **Clear Budgeting:** Borrowers with a detailed plan for project expenses are less likely to run into financial trouble. Feel free to ask them for the initial Scope of Work on past projects and compare it to the actual renovation costs. Past rehabs completed on time and within budget are strong indicators of good cash flow management. See below for an example Scope of Work.

SCOPE OF WORK		
Property Address: 2902 Reservoir St, Los Angeles, CA 90026		
Pre-Rehab Bed Count:	3	
Post-Rehab Bed Count:	3	
Pre-Rehab Bath Count:	3	
Post-Rehab Bath Count:	3	
SQ FT:	1529	
Year:	1948	
Will this rehab budget be completed using a construction holdback?		YES
- If yes, how many construction draws will you be taking? (Draw requests have a \$5k min per draw)		
>>> Any line item that is requested MUST have a completed and detailed description of work.		
DESCRIPTION OF WORK TO BE COMPLETED		BUDGET
Division 1: Plans/Permits*	Plans and permits	4,000.00
Division 2: Demolition*	Demolition existing kitchen, bedroom and bathrooms	6,500.00
Division 3: Foundation*		0.00
Division 4: Roof/Cutters	Repair Roof as needed	4,500.00
Division 5: Exterior	Add new exterior finish to house	7,000.00
Division 6: Windows	New windows throughout the property	9,250.00
Division 7: Garage/Driveway	New cement driveway, new garage door and motor	25,000.00
Division 8: Framing	Reframed damaged walls and insert new walls where	5,400.00
Division 9: Finish Carpentry	Replace all doors / trims and baseboards	4,700.00
Division 10: Sheetrock/Insulation	Insulation and drywall throughout the house	9,000.00
Division 11: Interior Paint	New interior paint throughout the interior of the	7,500.00
Division 12: Flooring	Add new engineered wood throughout home	12,000.00
Division 13: Kitchen	New quartz kitchen countertops and custom cabinets	24,000.00
Division 14: Bathroom	New bathrooms with tile work, showers, toilets,	18,000.00
Division 15: Plumbing Work	Repair and replace all plumbing throughout the house	9,500.00
Division 16: Electrical	All new electrical system with all new light fixtures,	9,250.00
Division 17: HVAC	install new hvac system	16,000.00
Division 18: Appliances	New fridge, dishwasher and stove	15,000.00
Division 19: Yard/Landscaping	New landscaping in front and backyard	14,000.00
Division 20: Pool		0.00
Division 21: Dumpster		0.00
Division 22: Fireplace		0.00
Division 23: Staging		8,000.00
Division 24: Misc.		0.00
Division 24: Contingency 10%		20,860.00
Grand Total:		229,460.00

Avoiding Mid-Deal Cash Shortages

One of the worst situations you can find yourself in as a private lender is a mid-deal cash shortage — where a borrower overspends on the rehab, runs out of money, and comes back asking for more. It's a tough situation that generally means more risk and headache for you, and needs to be handled delicately.

To avoid mid-deal cash shortages from the start...

- Re-confirm that the borrower has adequate reserves to cover what I call the contingency (aka “oh crap”) allowance. I want to see that they have at least 10% of the total rehab budget in reserve and earmarked for potential cost overages.
- Verify that their planned improvements and projected costs align with market norms and their track record.
- Have clear, enforceable terms in your loan agreement to prevent additional borrowing mid-project.

The Bottom Line

Understanding your borrower's cash flow is non-negotiable in private lending. While their experience and track record (Commandment #2) are critical, their ability to manage money determines whether they'll succeed—or fail—with your capital.

By evaluating bank statements, P&L's, and cash reserves, and by looking for signs of financial discipline, you can confidently assess whether your borrower is ready to handle the financial demands of the project. Remember, **it's your money**—don't hesitate to probe deeply to ensure it's being entrusted to someone who knows how to manage it.



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Commandment #4

Location, Location, Location

Sure it's cliché, but the phrase “**location, location, location**” is rightfully one of the most important guiding principles in real estate. And it applies just as strongly in private lending.

Why? Because the location of the property you're lending on — and the market conditions of that area — play a huge role in determining the property's value and, ultimately, the success of your loan.

How Location Impacts Value

When evaluating a deal, one of the first questions you should ask is: **Where exactly is the property located?**

And it's pretty easy to see why: location influences the property's **current value and future** resale potential. Even a small difference in location can dramatically alter the property's worth. For example:

- A home on one side of a street might fall into a better school district, increasing its desirability and therefore its value.
- Properties close to public transportation or urban transit lines often command higher prices in urban markets.
- A home on a corner lot or cul-de-sac will sell for more than an identical home sandwiched between two others on a busier street.

If that's true, then we can certainly say that not all zip codes, neighborhoods, or even census tracts are created equal. So while zip codes are a helpful starting point for valuation, they're often just too big for proper analysis; they don't always account for micro-level differences like school district boundaries, proximity to amenities, neighborhood desirability, and so on.

As a private lender, you need to dig deeper — to the neighborhood or even census tract level — to fully understand the nuances of a location and how they affect a property's value.

Tools for Evaluating Location

The good news is that you don't have to be a professional appraiser to assess a property's location. Today, there are plenty of tools at your disposal to help you gather the information you need:

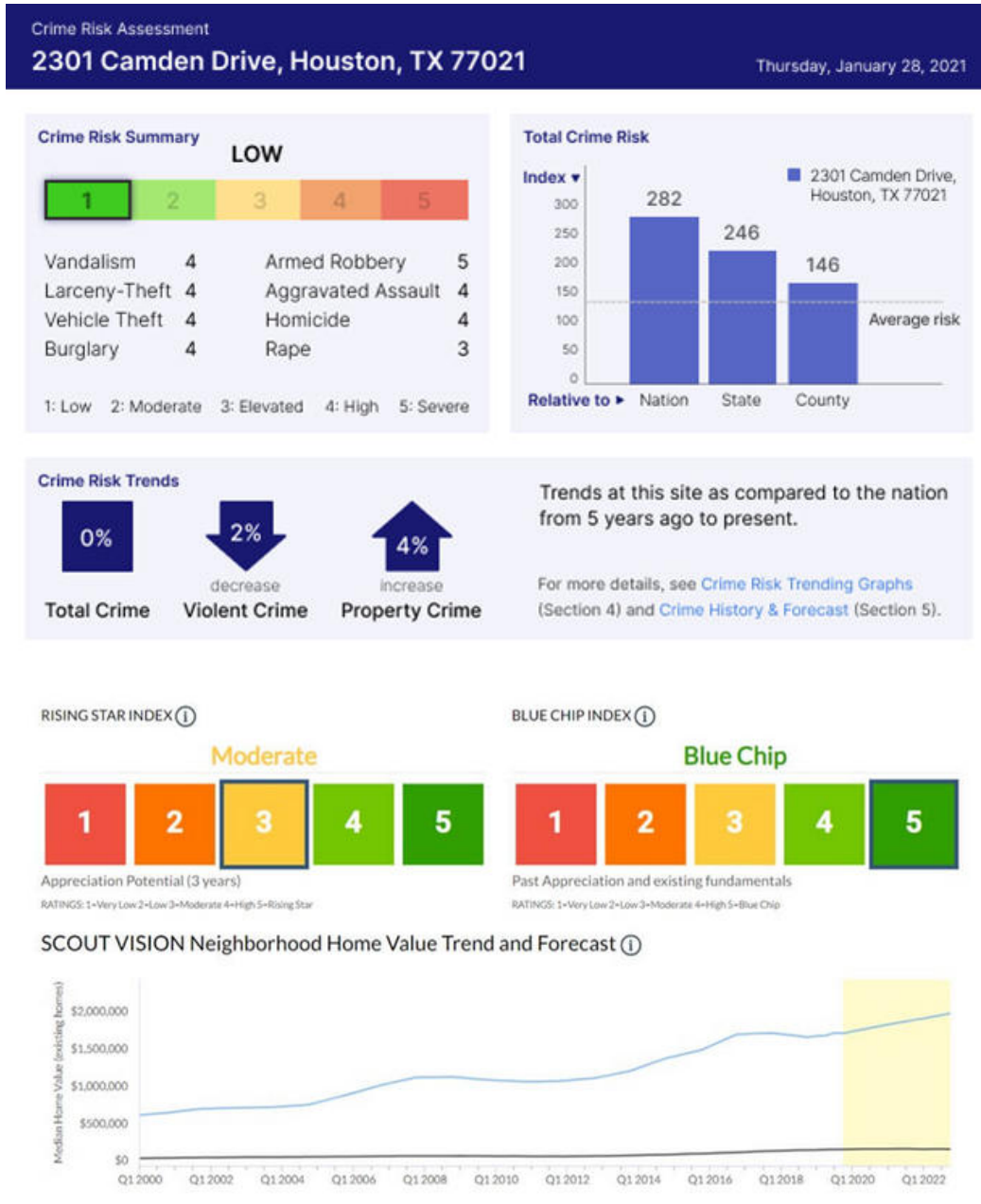
1. School District Ratings

Use online resources like [GreatSchools.org](https://www.greatschools.org) to evaluate the quality of local schools. No surprise, properties in highly rated school districts tend to hold their value better and sell more quickly.

The screenshot displays the GreatSchools.org interface. At the top, there's a search bar with '1999 Harrison St., Oakland, CA' entered. Below the search bar, a map shows school and district boundaries in Oakland, CA. The map is overlaid with colored circles representing school ratings, ranging from 1 to 10. A list of schools in the district is shown on the left, including Peralta Elementary School (10), Chabot Elementary School (10), Crocker Highlands Elementary School (10), Hillcrest Elementary School (10), Thornhill Elementary School (9), Montclair Elementary School (9), Cleveland Elementary School (8), and American Indian Public Charter School (8). A pop-up window for Redwood Heights Elementary School is visible on the map, showing its address: 4421 39th Avenue, Oakland, CA 94619-1614.

2. Neighborhood Comparisons

- Research amenities, crime rates, and trends in home values on a neighborhood level. You can use a paid tool like [NeighborhoodScout](https://www.neighborhoodscout.com), but the same information can often be found through real estate listing sites or local market reports put out by real estate brokerages.
- Beyond just the current data, look for directional trends—is crime increasing or decreasing? Are property values appreciating at a steady pace, or is the neighborhood showing signs of stagnation? A neighborhood that looks “good” today may not be a safe bet if it's in decline. On the flip side, up-and-coming areas with strong investment and development activity can present excellent lending opportunities.



3. Transit Access

- Check the property’s proximity to transportation hubs, highways, and public transit lines. Easy access to transportation often boosts property value, particularly in urban areas.

By leveraging tools like these, you can form a holistic view of the property’s location and its impact on value.

Cushioning Your Risk with Loan-to-Value

As a private lender, you don't have to be perfect in estimating the property's value. That's not to say you should be flippant about it; you do want to be as accurate as possible. But if you're off a little in your After-Repair-Value (ARV), you still have the cushion of the borrower's **down payment** and the **Loan-to-Value (LTV)** ratio working in your favor.

Here's how it helps:

- If your borrower puts down 15% and you lend the other 85% of the property's as-is value, it's the borrower who's taking on the "front-line" equity risk. (I talk more about this in my FREE ebook *Your Double-Digit Return Playbook: The 10 Point Framework for a Bulletproof Private Lending Strategy*)
- Even if your ARV is slightly off — say, by 3% — the borrower's equity acts as a buffer, protecting your investment. Meaning, if the property ends up selling for somewhat less than your original ARV estimate, it's the flipper's down payment money and/or profit that suffers, not your principal. (That said, ARV is my #1 "deal killer." for reasons I'll get into later.)

Structuring the loan this way ensures that the borrower has real-dollar "skin in the game". It's the best way I know of to keep them committed to completing the project successfully.

And, if somehow things do go wrong, you've mitigated your risk by not overextending the loan amount relative to the property's true value.

The Bottom Line

In private lending, location matters. A property's location is a key driver of its value and marketability, which directly impacts the safety and profitability of your loan. By taking the time to evaluate the property's location—and using the tools and insights available—you can make more informed decisions and protect your investment.

Remember, while you don't have to be perfect in your valuations, you do need to be diligent. Use the borrower's down payment and LTV ratio to cushion your risk and ensure you're lending on properties in areas with strong market fundamentals.



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Commandment #5 Down the Fairway Repays

“**Down the fairway repays**” is one of our favorite expressions. It’s a catchy reminder to keep it simple in your lending, and stick to sensible, bread-and-butter deals with secure collateral.

What does that mean exactly? It means lending on properties that are common for the area, easy to evaluate, and likely to sell quickly. In other words, properties that are “down the fairway” — the kind that won’t leave you guessing about their value or marketability.

Why Secure and Common Collateral Matters

When evaluating a deal, the collateral (the property securing the loan) is your safety net. If the borrower defaults, you’ll take ownership of the property and sell it to recover your investment. But that only works if the property is:

1. **Valuable:** Its value must be clear and supported by market data
2. **Marketable:** It must be easy to sell, with demand from buyers in the area

“Outlier” properties — like the “best house in the neighborhood” or overly unique designs — can be a real pain to value and sell. If you can’t easily find comparable sales (comps) in the area, it’s a red flag that the property might not fit the “down the fairway” criteria.



Watch for Red Flags in Borrower Deals

When a borrower pitches a deal, it's your job to go into interview mode—to ask the right few questions to determine whether the deal makes sense to lend on. Here are some key areas to probe:

1. Comparable Sales (Comps)

Ask yourself: **Can this property be accurately valued using comps from the area?**

- If there aren't enough comps, it often means the property is too unique for the market.
 - A lack of comps can also complicate the underwriting process, leaving you without a clear understanding of the property's true value.
- o Ideally, you're looking for something like you see below—multiple recently-sold properties with the same bed/bath count and similar square footage, all selling for roughly the same price.



2. “Best House in the Neighborhood” Syndrome

If the borrower claims the property will be the “best house on the block” after renovations, proceed with caution.

- End-buyers typically avoid overpaying for the “best house” if the surrounding properties are worth a lot less. And they’re especially reluctant to overpay in a climate of all-time-high prices and elevated interest rates.
- The borrower may be over-improving for the area, creating a property that doesn’t align with local demand. Some examples include:
 - Adding luxury finishes to a property in a mid-tier neighborhood.
 - Expanding square footage beyond what’s typical for the area.
 - Adding an Accessory Dwelling Unit (ADU) for a buyer pool that doesn’t want/need it.

While these upgrades might look great on paper, they often fail to deliver a return on investment or even recoup their costs. Stick to properties where the borrower’s plans align with local market expectations.

3. Days on Market (DOM)

Check the **average days** on market for comparable properties in the area. If listed homes are sitting unsold for extended periods, it’s a sign that buyer demand may be weak. Remember though, DOM can vary significantly by location, so make sure to drill down to at least the neighborhood level to get an accurate picture.

The Borrower’s Story Matters

A borrower should be able to clearly and confidently articulate **the story of the deal** in two minutes or less. If they can’t, it’s a red flag. It either means that:

- The deal might not be as solid as they’re presenting it.
- Or they haven’t done enough due diligence to understand the market and property.
- Or they lack the ability to persuade others, which could spell trouble when it’s time for them to sell the property.
- Or some combination.

Here's what a good deal story includes:

1. How they found the deal: Did it come through an “official” channel like an auction platform or even the MLS? Or was it through a wholesaler or direct-to-seller marketing campaign? Any of the above are fine, as long as the acquisition price is justifiable and the property's title is clear.

2. Why it's a good deal: Can they explain how it's a “winner”? I like to hear them volunteer details like the property's acquisition price relative to current retail price, how they're adding value to the property and why it will sell quickly.

3. What they've done to validate the numbers: Have they reviewed comps, renovation budgets, and market demand?

THE BORROWER'S STORY SHOULD INCLUDE:

HOW DID THEY FIND
THE DEAL?



WHY DO THEY LIKE
THE DEAL?



HOW HAVE THEY
VALIDATED THE DEAL?



If the borrower can't provide this information, it's either not a good deal or they haven't done their homework—and neither is a risk you should take.

The Bottom Line

“**Down the fairway repays**” is about keeping your lending deals simple, secure, and grounded in market realities. By focusing on properties that are easy to evaluate, common for the area, and supported by strong borrower due diligence, you reduce risk and increase the likelihood of repayment.

Remember: If a deal feels too complicated or the borrower can't articulate the story behind it, don't hesitate to walk away. Success in private lending isn't about taking unnecessary risks—it's about sticking to deals that stay “down the fairway.”



JUST BE THE BANK

Commandment #6

The Market Matters With Your Money in Play

Markets are dynamic. They're always changing, and as a private lender, the state of the market directly impacts the safety and profitability of your deals. That's why **the market matters when your money is at stake**.

No One Has a Crystal Ball

Let's get this out of the way: you don't have a **crystal ball**.

Sure, we'd like to think we have the best tools and insights available — and in many ways, we do. But even the smartest investors acknowledge that forecasting long-term market movements is an educated guess at best.

That said, we're not operating in the dark here. We may not have access to the same resources as Goldman Sachs or other institutional players, but we do have incredible tools and strategies that allow us to operate safely and profitably.

And the proof is in the numbers:

- My Family Office has made money on **99.9% of our deals**.
- Of the 12 properties we've taken back (out of over 10,000 loans), we actually made more money on 5 of them by completing the flip ourselves.

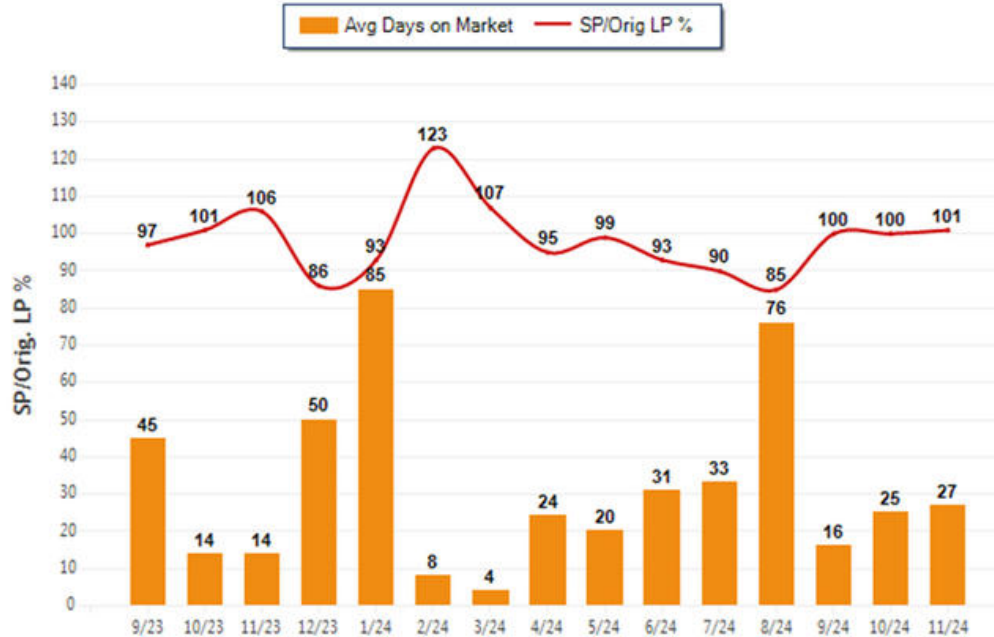
We haven't had a loss since 2017, and we're constantly refining our approach to minimize risk.

Key Indicators to Watch

So, while we can't predict the future, we can analyze **near-term indicators** to make informed decisions. Here are some of the most critical metrics to track:

1. Days on Market (DOM)

The average number of days properties stay on the market tells you how quickly homes are selling in a given area. A lower DOM generally indicates higher demand, which reduces your risk as a lender. There's a pretty strong correlation between DOM and the sales-to-list-price ratio, as you can see in the chart below. As a general rule, the lower the **DOM**, the higher the **sales price** a property will command relative to its original list price.



2. Sales Trends Over Time

Examine sales data for the past 12, 6, and 3 months to identify trends. Are properties selling faster or slower? Are prices rising or falling? This information provides valuable context about the market's direction.

NOTE: Don't forget seasonality as you're looking at sales trends. If, for example, a borrower acquires a property in June, he's likely paying more than if he acquired that same property in December. That goes for property disposition (aka re-sale) as well; for the same reason you'd rather *buy* in the winter, you'd rather *sell* in the spring and summer months.

And if the borrower acquires in June and re-lists the finished property in the winter, he's getting hit with the proverbial double-whammy...buying at peak seasonal prices and trying to sell during the trough, as demand and prices are falling. Not what you want to see.

3. Sales Price to List Price Ratio

We touched on this above but didn't fully explain it: the sales-price-to-list-price ratio tells you how close the final sales price is to the seller's original asking price (expressed as a percentage). For example:

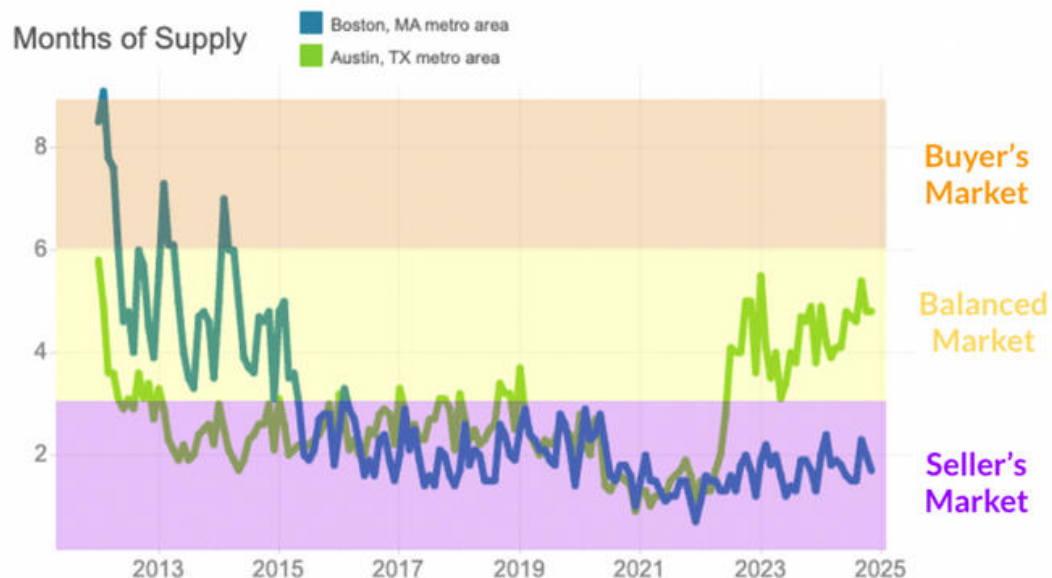
- If homes are selling at 98% of their list price, it suggests strong pricing accuracy and demand.
- If the ratio is much lower, it could indicate a softening market or overpriced listings.

4. Months of Inventory

This metric measures the supply of homes on the market relative to buyer demand. Generally:

- **0-3 months of inventory** = Seller's market (low supply, high demand).
- **3-6 months of inventory** = Balanced market (a healthy mix of buyers and sellers)
- **6+ months of inventory** = Buyer's market (high supply, low demand).

Like most metrics, it varies dramatically by geography. As of late 2024, a softening market like Austin, TX has 4.8 months of supply, where a higher-demand, lower-inventory market like Boston, MA has just 1.7 months.



After years of research and analysis, it's my belief that inventory is one of the most predictive metrics in real estate. It's the supply piece of the supply-and-demand equation, after all, and helps you gauge the market's health and the likelihood of quick property turnover. Don't overlook it in your deal evaluations.

Avoiding Risky Markets

As a private lender, you want to focus on markets that offer strong demand and reliable comps. Here's why location and market conditions matter:

Rural Markets and Outliers

Be cautious about lending in rural areas or markets with limited activity. Properties in these areas often:

- Lack comparable sales data, making valuation difficult.
- Have fewer buyers, increasing the time and risk involved in selling.

Stick to markets with steady transaction volume and strong buyer interest. While your borrowers may face more competition for deals, you, as the lender, benefit from greater liquidity (i.e. ease of selling) and thus lower risk.

Timing Matters

A borrower's ability to complete a project on time and sell the property is heavily influenced by the market cycle. If a borrower buys at the wrong time—say, during a cooling market—it can add months to your transaction and eat into your returns.

Further, borrowers often pitch deals with confidence, but it's your job to verify their claims. If they tell you it's a "prime time" or "hot market," don't just take their word for it. Instead:

- **Check neighborhood inventory:** Are homes selling quickly?
- **Review historical trends:** Has demand been consistent over the past 12 months?
- **Validate their numbers:** Does their projected value align with market data?

Your goal is simple: **get in, exit quickly, make a profit, and move on to the next deal**

The Bottom Line

When your money is in play, **the market matters**. Sure, you can't control market conditions or predict long-term trends with certainty, but you absolutely can use near-term indicators and thorough research to make informed lending decisions.

By focusing on metrics like DOM, sales trends, inventory, and list-to-sales price ratios — and avoiding risky markets — you position yourself for success. Remember, the goal is to operate in markets that offer demand, liquidity, and safety for your capital.



JUST BE THE BANK

Commandment #7

Be Aware of Both the Deal and the Market

In private lending, success depends on your ability to vet and understand the three critical elements of any loan:

1. **The Borrower**
2. **The Deal**
3. **The Market**

But let's put the borrower aside for a moment. In this commandment, our focus is purely on the interplay between the **deal** and the **market**, and how their relative importance shifts depending on where we are in the market cycle.

In a Down Market, the Deal Takes Priority

When the market is declining, **time is not your friend**. That's pretty intuitive.

And sure, real estate is a lot less volatile than most other asset classes. Home values never tank 10% in a day like the stock market, for example. But it's still worth remembering — in a depreciating market, the collateral for your loan is losing a little value every day. The longer you're in that deal, the greater the risk to your principal if the market continues to fall.

That's why, when home values are dropping (aka a down market), **the deal matters more than the market**.

Here's how to approach lending when home values are declining:

1. Short-Term Deals Are Key

- Avoid long project timelines that expose your investment to prolonged market declines. Deals that require architectural plans and/or permits, for example.
- Prioritize projects with light rehabs rather than extensive, time-consuming renovations.

i. Some borrowers do super quick flips using a strategy called “wholetaling,” where they target sellers in purely situational distress; the home itself is in fine shape but the seller is going through death, divorce, etc and needs to sell quickly. In these kinds of situations, the borrower can still buy the property at a discount, but because it’s in good shape, he/she can immediately put it back on the market and sell it for something close to retail price.



2. Get In, Get Out, Profit, and Move On

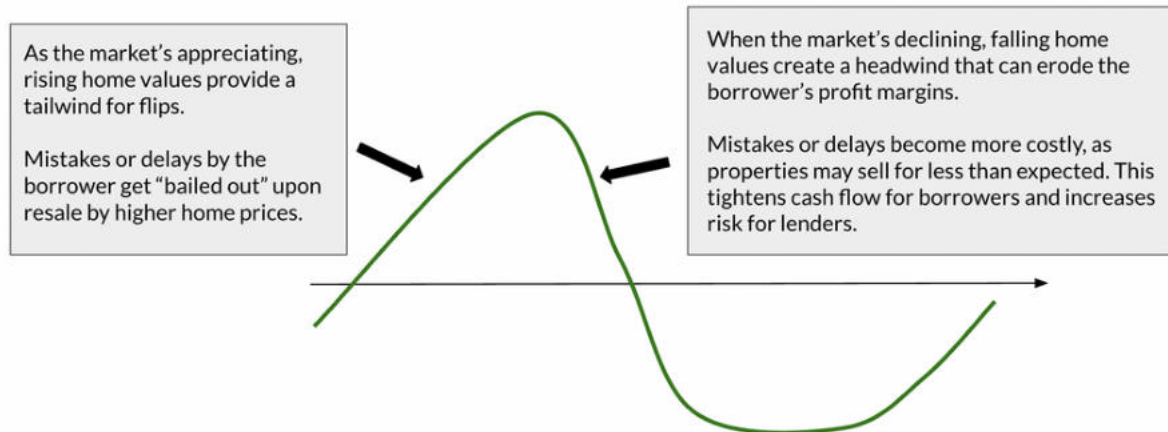
- This is one of the core philosophies of private lending, particularly in a down market. It gets *back* to the “speed and greed” philosophy; in the same way your borrower wants the money quickly to close the acquisition and start the rehab, you want your money back as quickly as possible. The faster the borrower can complete the project and repay the loan, the safer your investment.

3. Understand Property Dynamics

- Certain property types, like condos, can be riskier during market peaks or downturns. Condos and luxury homes are usually the first home-types to lose value, for the simple fact that they have smaller buyer pools.
- However, condos may become more viable in mid-cycle markets as single-family homes become less affordable.

Bottom Line: In a down market, prioritize deals with shorter timelines, clear profitability, and minimal risk exposure.

THE REAL ESTATE MARKET CYCLE



In an Upmarket, the Market is Your Ally

In an appreciating market, **the market becomes your friend**. With rising property values, you get a tailwind that can compensate for borrower (or underwriting) mistakes and protect your downside—the borrower sees a bigger payday ahead, stays motivated to finish the project, keeps current on interest payments, and your principal becomes even more secure.

Consider this:

- If home prices are going up at 1% per month (12% annualized), your **loan-to-value (LTV)** ratio is decreasing while your collateral value is increasing.
 - A simple example: if you loaned \$150k on a deal with an ARV of \$250k, your LTV is 60%. After 6 months of 1%-per-month market appreciation, that same deal has an ARV of \$265k, reducing your LTV to 56.6%. That extra cushion between your loan amount and the property's ARV means you're de-risking your loan a little more every day.
- Even if a borrower goes over budget or takes longer than expected to complete a project, the rising market can "forgive" these errors.
- It's possible to make more money from a subpar deal in an upmarket than from a perfect deal in a down market.

Below is an example of a profit-share deal (i.e. an equity arrangement, not debt) that I did in Florida. The project ran into some permitting delays, which, in a flat market or a down market, would add to my risk and likely have a negative impact on my return. But because the market was appreciating, the delays actually led to a better-than-expected ROI.



Funded: 1/13/20 (\$188K + \$45K); 950 sf
ARV: \$310,000 (75% LTV); 1,110 sf
Delay: permitting issues (St Pete, FL)
Listed: 1/10/21
Offers: 2 same day; \$347,500 all-cash (67% LTV)
My Return: **\$61K or 26% COC return**
 (includes a 12% tailwind from market appreciation
 + Preferred Minimum Return & profit escalators)

Caution: While a market tailwind is a definite boon, do NOT rely on it. Don't let it impact your due diligence or influence your thinking such that you push a bad or marginal deal to a "yes". Always underwrite deals rigorously — as you would in any market — and avoid any thought that rising home values will bail out a so-so deal.

The Bottom Line

Being aware of both the deal and the market is critical to private lending success. While the market's importance fluctuates depending on the cycle, your ability to evaluate deals remains paramount.

- In a **down market**, focus on shorter-term deals with clear profitability to minimize risk.
- In an **upmarket**, leverage the tailwind to boost returns but maintain strong underwriting standards.
- Regardless of the market, always demand **multiple exit strategies** to protect your capital and ensure the borrower can adapt to unforeseen circumstances.

By balancing these factors and staying vigilant, you'll navigate market dynamics with confidence and maximize the safety and profitability of your investments.

Commandment #8

Be Prepared for Plan B (or C or D)

In private lending, **preparation is everything**. No matter how well you've vetted the borrower, the deal, and the market, there's always a chance things won't go as planned. Commandment #8 is a reminder to be ready for the unexpected — to have a Plan B, Plan C, or even a Plan D in place *before* you fund the loan.

Always Have Multiple Exit Strategies

Whether the market's up or down, having **multiple exit strategies** is an absolute must. By “exit”, I mean *your* exit — your path out of the deal with all your principal back.

See, if a borrower only has the one exit strategy (fixing and flipping the property), now YOU only have one exit strategy. That's a material risk to your capital; without a clear plan B or C or D, you simply don't know how the borrower intends to pay you back if the finished property doesn't sell. This can lead to a drawn-out deal timeline with a number of possible problems:

- The borrower burns through their cash reserves (paying interest and other holding costs) while the house just sits on the market.
 - Now you've got a property that isn't selling AND your borrower can't meet their monthly interest obligation. A real pickle.
 - Note: one of those “other holding costs” is the insurance premium, which is higher on vacant properties.
- And because the house is vacant, there's a greater chance of break-ins or squatters. If there's one thing you really don't want once all the rehab's done, it's to have to spend more time and money on repairs because someone broke in and caused damage.

Examples of Strong Alternative Exit Strategies:

1. Lender Buyout

If the borrower has substantial reserves, he/she may be able to “buy you out” i.e. pay off the loan balance with cash. Now they own the property outright and you have your principal back, and you can both move on.

2. Borrower Refinance

Similar to the above, but with another lender providing the buyout money. This is known as refinancing, where a new lender steps in and effectively replaces your principal with theirs.

3. Rent and Hold Long Term

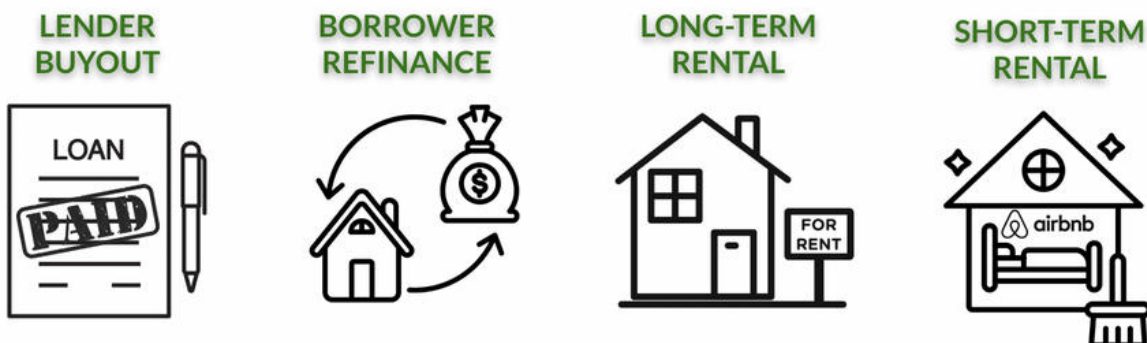
A very standard alternative exit strategy. The borrower lists the property for rent, enters into a long-term lease agreement (usually 6-12 months) with a tenant, and either outsources the management or does it in-house.

After 3-6 months, the presence of a long-term tenant “stabilizes” the property, and makes it a candidate for a traditional bank loan that can refinance you out.

4. Rent and Hold Short Term

Like the above, but instead of one long-term tenant, the borrower posts the property on Airbnb or another vacation rental platform. He/she either manages the bookings internally, or hires a third-party management platform.

POSSIBLE EXIT STRATEGIES INCLUDE:



What to Look For:

- Borrowers should have at least **two viable exit strategies**.
- If they only have one, make damn sure the borrower has significant financial reserves (cash in the bank) to cover contingencies.

Look, don't leave this to chance. Have the exit-strategy discussion with the borrower before you fund the loan. Make sure you and the borrower are crystal clear on all the possible routes to get you out of this deal—with all your principal back—and your life will be a heck of a lot easier.

This brings us to another rule you should always ask yourself: **Would you be willing to own the property you're lending on?**

Lend on a Property You'd Be Willing to Own

While foreclosures and property take-backs are rare (very rare if you follow best practices), you absolutely have to be prepared for the possibility.

Before you fund any deal, ask yourself: *“In the unlikely event the borrower abandons the project, am I prepared to own the property I loaned on?”*

This is such an important idea that lenders have come up with a catchy “rule” to remember it by, called “loan to own”.

And the rule is a simple one: ONLY lend on properties that you wouldn't mind owning yourself.

Here's what to consider:

1. The Property's Location

- Would you feel comfortable owning a property in this neighborhood?
- If it's in an area you wouldn't want to visit, let alone own a home in, it's probably not a good candidate for a loan.

2. Ease of Disposition

- A primary concern at any point in the loan, “ease of disposition” refers to how quickly and easily the property could be sold if needed. In other words, how liquid is the asset?
- Is it a bread-and-butter 3 bedroom/2 bath property with a lot of potential buyers? Or is it a more niche home (a luxury home, rural property, or one with an unusual floor plan) that might sit on the market for a while?

3. Rentability

- If you had to keep the property as a rental, would it attract tenants you'd be happy to rent to?
- The quality of your tenants impacts your cash flow, your stress levels, and ultimately, your ability to hold the property long-term.

Never Lend More Than You'd Pay for the Property

Once you're sure you'd be willing to own the subject property, a great follow-up rule is: Never lend more for the acquisition than you'd be willing to pay for the property yourself.

You're already thinking from a potential ownership standpoint thanks to the loan-to-own rule. Now you're just taking it a step further and asking, "*What's the maximum I'd pay to own this property in its current condition?*"

That number is your "max bid", in investor lingo. Now you simply compare that to the acquisition price the borrower is under contract to pay. Assuming the latter is less than or equal to the former, the final thing you have to decide is *what percentage* of that acquisition price you're willing to lend.

Here's why:

- **Cushioning Risk:** By lending below the property's current value, you protect yourself against market fluctuations and borrower mistakes that can devalue the property.
- **Borrower "Skin in the Game":** Most borrowers want as big a loan as they can get. They'd prefer not to come out of pocket if they don't have to, and would be happy to take 100% of the property's acquisition cost if you let them. Don't. Give them at most 85-90% and let them contribute the rest. This ensures they have meaningful equity in the deal, reducing the likelihood of default.
 - For example: If a property is reasonably valued at \$90,000 in its current condition, aim to lend \$75,000 or less for the acquisition. This creates a \$15,000 cushion that protects your investment.

CAPITAL STACK FOR ACQUISITION

BORROWER

Contributes cash, effectively in the form of a down payment. This means they have meaningful skin-in-the-game, reducing the likelihood of default

PASSIVE LENDER

Contributes the balance of the acquisition cost

10-15%

85-90%

Prepare for the Worst-Case Scenario

Beyond the property-specific stuff we talked about in the loan-to-own section, there are a few other things you might want to consider in your ownership calculus:

1. Financial Readiness

- Do you have the liquidity to transition from lender to property owner or flipper if needed? You should certainly have the money to *flip* the property, assuming you underwrote the loan to include 100% of the rehab money (which I always recommend).
- However, owning and managing a property long term often requires additional funds for repairs, holding costs, and other expenses. Be sure to account for those.

2. Time Commitment

- Do you have the bandwidth to manage the property or oversee a flip?
- Neither takes a PhD, but transitioning to property ownership—even if just to finish the flip—does involve a time commitment...especially if you don't have systems or teams in place.

3. Team Resources

- Do you have access to contractors, property managers, or other professionals to help you manage or sell the property?
- A strong team can make the difference between a smooth transition and a stressful experience.

Remember though, the likelihood of having to take back a property is low. Especially if you:

- Focus on short-term deals with clear exit strategies.
- Work with experienced borrowers who have a proven track record.
- Lend in vetted markets where you're confident in the property's value and demand.

By following these best practices, you significantly reduce the chances of encountering major issues. But that doesn't mean you shouldn't prepare for the unexpected.

The Bottom Line

Lend wisely and be ready for anything. By choosing properties you'd be willing to own, lending conservatively, and preparing for the possibility of ownership, you set yourself up for success—even in the rare event that a deal doesn't go as planned.

Private lending isn't about avoiding risk entirely—it's about managing it effectively. And with the right mindset and preparation, you'll be ready to handle whatever comes your way.



JUST BE THE BANK

Commandment #9

If You Don't Understand, Ask!

Too often, ego gets in the way of good decision-making. People hesitate to ask questions because they don't want to look dumb or risk losing business.

Here's the truth: There's no room for pride when your money is on the line.

In private lending, asking questions and seeking clarity is a sign of wisdom, not weakness. The devil is in the details, and your success hinges on your ability to fully understand the borrower's plan and the specifics of the deal.

Here's what happens when lenders fail to ask the right questions:

- **Critical details get overlooked.** The borrower says, "This is a slam-dunk deal!" But you didn't ask about the feasibility of their timeline, any permits/approvals that may be needed, or other projects he/she may be working on that could distract from the subject property.
- **Bad assumptions lead to bad loans.** After-Repair Value (ARV) assumptions are among the riskiest, especially if the borrower counts on market appreciation to hit their target. Assuming they have a contingency budget is another, as is their level of experience; you might assume that the borrower has successfully completed projects like this before—but they've actually never handled a rehab this complex.
- **You expose yourself to unnecessary risk.** You assume the borrower's exit strategy will work—but you didn't ask what their backup plan is if it doesn't.

Asking questions is not just a defensive move; it's an offensive strategy to structure better, safer, and more profitable deals.

Assume Nothing: Verify, Then Trust

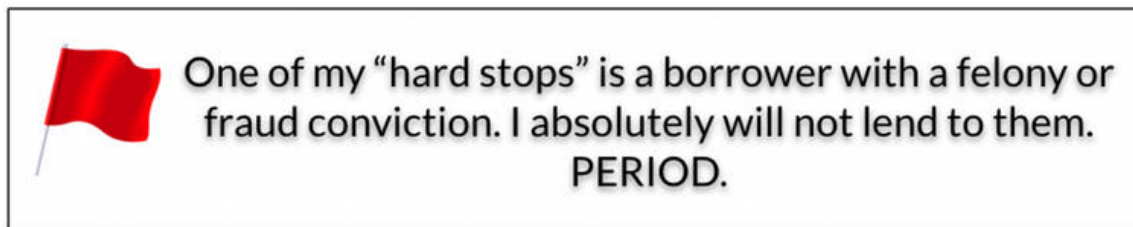
When evaluating a potential deal, your default mindset should be to assume everything the borrower has told you is incorrect until proven otherwise.

This doesn't mean you mistrust them personally—it's just about being thorough. Even experienced borrowers can make mistakes or overlook important details.

Here's how to avoid costly assumptions:

1. Conduct Background Checks

- Verify the borrower's identity, criminal history, and past financial behavior. Any felonies or instances of fraud are an absolute no-go in my book.



- Look for other red flags in the borrower's past that could indicate potential issues in the future. History may not necessarily repeat, but it often rhymes.
- A borrower who has repeatedly over-promised and under-delivered in the past is likely to do it again.

2. Review Financials

- Examine the borrower's credit history, bank statements, and reserves.
- Ensure they have the financial stability to complete the project and repay the loan.
- If they've had late payments or financial trouble in the past, find out why.

3. Analyze Key Documents

These documents tell the real story of a deal. Review them carefully:

- **Scope of Work:** Does the renovation plan make sense? Are the projected costs reasonable? Do the planned improvements cover everything in the inspection report?
- **Contractor Agreement:** Has the borrower partnered with a reputable contractor? Has the contractor already walked the property and confirmed the bid? Are timelines and budgets clearly outlined?

- **Purchase Contract:** Is the property being acquired at a price that leaves room for profit? What profit margin do they estimate? A deal with razor-thin margins means the borrower has less incentive to see it through if challenges arise.
- **Experience Verification Worksheet:** This tool helps you confirm the borrower’s track record. Look for evidence of prior successful projects that demonstrate their ability to execute.

Asking Questions is a Skill

If you still have questions after reviewing the above, Asking the right questions is one of the most important skills you can develop as a private lender. Here’s how to do it effectively:

1. Be Curious

- Approach every deal with a mindset of curiosity and learning. Like Dale Carnegie said, “become genuinely interested in other people” and, in a private lending context, their deals.



- If something doesn’t make sense, dig deeper until you fully understand.
- The best lenders are always improving their ability to ask sharper, more precise questions.

2. Be Detailed

- Use open-ended questions and don’t settle for vague answers. Think like an investigator—you’re not looking for yes/no answers, you want detailed information on the *who*, *what*, *where*, *why* and *how*. Ask for specifics, such as timelines, costs, and contingencies.
- For example: Instead of asking, “Is this a good deal?” ask, “Why do you like this deal?” Or, “What’s your exit strategy if the market slows?” Or, “How did you arrive at your ARV for this deal, and what factors might impact it?”

- If the borrower says, “*We have a contractor lined up,*” follow up with, “*Who is it? How many projects have they done? What’s their timeline for this one?*”

3. Be Persistent

- If a borrower hesitates to provide information, don’t let it slide. Insist on transparency and complete documentation.
- A borrower who is unwilling or unable to answer reasonable questions is a major red flag, and gets a quick NO from me.

4. Use Experts

- When in doubt, consult professionals such as real estate agents, attorneys, or appraisers. Their insights can help you make informed decisions.
- A \$500 consultation with an attorney or appraiser could save you from making a \$50,000 mistake.

How to Ask the Right Questions Without Overcomplicating Things

Look, you don’t need to grill a borrower like a criminal prosecutor. But if you do need clarification, you might as well have a **simple, repeatable framework for asking intelligent questions**. Here’s a structured way to do it:

A Simply Framework for Intelligent Clarifying Questions

Ask the borrower about him/herself. What’s their experience? Have they done similar projects before? How financially stable are they in terms of cash flow and cash reserves?

Ask them about the deal. What’s the acquisition price relative to market value? How about after-repair value (ARV)? And their projected rehab budget? Why do they believe those numbers are realistic?

Ask them about their end game. How does the borrower plan to pay off your loan? What’s their backup plan if the first strategy doesn’t work?

Verify all key details. Why do they believe their comps are accurate? How have they validated their cost estimates—with real quotes, or back-of-the-napkin guesstimates? Is the borrower relying on best-case scenarios, or do they have a cushion for unexpected delays?

By following this framework, you'll **avoid making lending decisions based on incomplete or misleading information**. You'll also develop a strong intuition for spotting weak deals and weak borrowers—before they become your problem.

The Bottom Line

In private lending, **there's no such thing as a stupid question—only costly mistakes from questions you didn't ask**.

Take ownership of your due diligence process. Investigate every detail, verify every claim, and never hesitate to seek clarification. Remember, **it's your money—protect it by ensuring you understand every aspect of the deal before moving forward**.

Commandment #9 is simple: **If you don't understand, ask**. The answers you get could save you from making a bad investment—and set you up for success in the long run.



JUST BE THE BANK

Commandment #10

Have Faith in the Process

Private lending isn't about taking wild risks or trusting your gut alone—it's about following a proven process that minimizes risk and maximizes returns. The most successful lenders aren't those who chase every opportunity, but those who stay disciplined, trust their system, and execute with consistency.

When my sons and I started out in private lending, we were figuring things out as we went. But even then, we succeeded **99.9% of the time** because we followed a structured approach. Today, after 14 years of experience, refinement, and thousands of successfully funded deals, we've built a **repeatable blueprint** that hasn't resulted in a loss in over three years.

That's the power of **trusting the process**—a methodical, disciplined way of lending that protects your capital, ensures consistent profits, and eliminates unnecessary stress.

Repetition Breeds Mastery

Like any skill, private lending gets easier (and more profitable) with practice. But repetition alone isn't enough. You must also adhere to a process that protects your investment, eliminates avoidable mistakes, and positions you for success.

We call this process “The Blueprint”—a structured, four-stage approach designed to help you:

- 1. Conduct Your Due Diligence** – Dig into the borrower's loan application to evaluate them and their deal, and memorialize a term sheet
- 2. Prepare Docs and Fund the Loan** – Make contact with the escrow company and request the necessary documents in order to prepare your loan package and wire in funds
- 3. Service the Loan** – Receive trailing documents to complete your loan file, then collect interest payments and administer construction draws along the way

4. Receive Your Payoff – Generate a payoff demand when your borrower is under contract to resell. When the deal closes, confirm that the final numbers match the demand, and receive a wire your principal back along with any unpaid interest

When you follow this system, you'll be able to fund good deals on a consistent basis, achieve steady profits, and keep your risk low—or eliminate it entirely.

Trust Your Instincts—And Say “No” When Needed

Part of trusting the process is recognizing that not every deal is a good deal and not every borrower is worth your capital. You must develop the discipline to say “no” when something doesn't feel right.

Here's when to **walk away** from a deal:

1. If Your Instincts Tell You Something's Off

Your gut isn't just paranoia—it's the result of experience, pattern recognition, and intuition. If something feels wrong after your initial conversation with the borrower, listen to that feeling. Don't try to rationalize why it “might still be a good deal” and end up kicking yourself.

2. If the Documentation is Outdated or Incomplete

- Appraisers don't rely on **90-day-old comps**, and neither should you.
- If the borrower provides old financials, an incomplete scope of work, or an otherwise incomplete loan application **that's a problem**. Feel free to request up-to-date/complete docs, but if the borrower pushes back in any way, just pass on the deal.

3. If the Borrower Uses High-Pressure Sales Tactics

Some borrowers will say things like:

- *“Other lenders are lining up to fund this deal.”*
- *“This is a once-in-a-lifetime opportunity—you can't afford to miss it.”*
- *“We need an answer today or the deal's gone.”*

Red flag: This is how bad borrowers push lenders into bad deals.

When you hear urgency-based sales tactics, take a step back. Great deals don't need to be forced. If the numbers make sense and the borrower is solid, you'll have time to properly vet the deal.

The Power of Consistency

At the heart of this commandment is a simple truth: Consistency creates success. The best lenders aren't making wildly different decisions every time—they're sticking to a structured approach that protects them regardless of market conditions.

Here's what consistency looks like in practice:

- **Follow the Steps** – Never cut corners in your due diligence, even if a deal seems like a “sure thing.”
- **Stick to Your Criteria** – Whether it's loan-to-value ratios, borrower qualifications, or market conditions, adhere to your pre-set standards every time.
- **Keep Learning** – Each deal is an opportunity to refine your skills, learn from past experiences, and strengthen your lending intuition.

The Bottom Line

Having faith in the process doesn't mean blind trust—it means confidence in a proven system that has worked time and time again.

When you combine repetition, consistency, and discipline, private lending becomes a predictable, high-return investment strategy—not a gamble.

So, learn the process, stick to it, and trust it.

We'll teach you everything you need to know inside Just Be The Bank, and we'll ensure you fully absorb the system before you ever deploy capital.

Private lending isn't a guessing game—it's a discipline. And when you embrace that discipline, the results speak for themselves.



JUST BE THE BANK

Your Next Steps: Don't Just Learn the Commandments—Live Them

You made it to the end of this guide. That tells me something: You're not here to dabble. You're here to get this right.

But here's the thing—understanding the 10 Commandments is just the beginning. Mastery comes from application. If you want to lend like a pro and generate double-digit returns consistently, here's how to take what you've learned and put it to work:

1. Build Your Personal Lending Playbook

Start by reviewing each Commandment and translating it into your own lending criteria.

- What's your ideal LTV? What locations will you lend in? What kind of borrowers will you work with—and which ones will you turn away?
- Put it in writing. Your playbook isn't just theory—it's the backbone of a disciplined, profitable lending business.

2. Watch the “Private Lending Masterclass”

If this ebook gave you the blueprint, the masterclass gives you the tools. You'll learn how to:

- Vet borrowers like a professional underwriter
- Spot red flags others miss
- Price risk appropriately—and get paid for it
- Say “no” quickly to protect your time and capital
- Build your confidence so you can lend boldly, not blindly

You'll also see real deal walkthroughs and hear lessons learned from lending on over \$100M in real estate flips. This is where everything clicks.

3. Take the First Step Toward Your First (or Next) Deal

Private lending isn't a someday strategy—it's a right-now opportunity.

You don't need to be a real estate expert. You don't need to time the market. You don't need to build anything from scratch. You just need to follow a proven path and start.


And if you're serious about turning what you've learned into a high-performing, low-headache income strategy, there's no better next step than joining us in the masterclass.

Ready to take action?

- Draft your personal lending playbook
- Register for the Private Lending Masterclass
- Show up ready to build your confidence, sharpen your strategy, and take control of your capital

We'll walk you through it step-by-step at justbethebank.com. And we'll make sure you're ready to lend like a pro.

Let's get to work.

 JUST BE THE BANK

The 10 Commandments of Private Lending:

Author: The Stech Family Office

If you've built a great income but still feel chained to a single paycheck—or at the mercy of rentals or markets—you're not alone. Just Be the Bank shows you a simpler role in real estate: the lender. No tenants. No toilets. No Wall Street roulette. Just clear rules, real collateral, and predictable income.



Inside you'll get the 10 Commandments of Private Lending—the same family-tested framework we've used across thousands of deals—to help you make fast, confident decisions with your capital. You'll also get our favorite checklists, plus a plain-English blueprint for doing your first (or next) deal the right way: conduct due diligence, paper the loan, service it, and get paid off.

Whether you're brand new or sharpening your edge, this book replaces anxiety with process and turns capital into steady, double-digit returns—on your terms and your timeline.