



# A Guide to **Family Mortgages\***

The smart way to manage mortgage loans between family members.

\* For residential real estate agents.

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## THE LEGAL FINE PRINT

BEFORE WE GET STARTED, WE'D LIKE TO GIVE OUR LEGAL TEAM THEIR MOMENT IN THE SPOTLIGHT. The material in this guide should be used for general guidance and informational purposes only and is not geared toward any specific transaction or goal. Every transaction is unique and questions about your specific loan transaction, its circumstances, or any recent changes to the laws of your state that might affect your loan should be directed to a licensed legal or real estate professional in your state. We recommend that you consult an attorney or tax advisor before entering into a financial transaction of this nature. National Family Mortgage, LLC is not a law firm and does not provide legal advice or tax advice. National Family Mortgage, LLC is not a Lender or a loan broker and does not originate loans on behalf of other parties. The information contained herein is the sole property of National Family Mortgage, LLC, and may not be reproduced or redistributed for any purpose without the express written consent of National Family Mortgage, LLC. National Family Mortgage® does not offer a solution for every intra-family real estate situation. Please review our "Standards" on Page 5 of this guide, and also found on our website, for complete restrictions.

## At a Glance

Loans funded to date: Over \$1 Billion

Smallest loan to date: \$11,100

Total interest kept in families: Over \$500 Million

Largest loan to date: \$2,500,000

We are not a bank. We are not your attorney, financial advisor, or accountant. (Although, we'd love to meet them.) We are a niche online company that helps protect families who are borrowing, lending, or gifting money with relatives to purchase, refinance, or renovate a home. Our customers directly invest in and borrow from their own family, avoiding the high cost and red-tape of a broken mortgage system.

Since launching in late 2010, we've helped thousands of families in every state across the US lend over **\$1 Billion** in home loans between relatives, while keeping over **\$500 Million** of interest within families. The default rate on these loans is under 1.00%. We've been featured on the cover of USA Today, we've won some pretty big awards, and we've saved (and made) our customers a lot of money.

Real estate loans and financial gifts with relatives can be a win-win for both sides, but should be documented properly. National Family Mortgage® helps minimize the legal and federal tax consequences that can occur when family real estate loans and financial gifts are documented improperly — or not documented at all.

## Mortgage Loans That Fit You

Loans and mortgages between family members reflect an age-old impulse to lend a helping hand. Family loans are typically used for big life events: to buy a home, to start a business, or to finance an education. But, mixing money and relationships can be awkward and cause tax problems. That's where we come in.

National Family Mortgage® helps families setup their own mortgage with their own relatives. We help Lenders make loans they feel good about, that prevent tax problems, that protect relationships, and get repaid. We help Borrowers fund their home ownership dreams and stay on track with their mortgage payments.

Lenders generate a solid investment return at stronger rates than they would earn in a bond, money market, or a savings account. Borrowers get a lower interest rate and lower fees than they would with an institutional mortgage loan.

Some families use National Family Mortgage® to simply prevent IRS scrutiny of federal gift tax returns. A National Family Mortgage® can provide the legal structure and tax benefits of a bank mortgage with an unmatched flexibility that fosters a win-win transaction for the entire family.

Best of all, a National Family Mortgage® helps families build wealth and keep money where it belongs — with their family.

Our goal is to make Family Mortgage lending and borrowing safe, easy, secure, and successful.

Hopefully, this guide will provide the residential real estate agent community a clear understanding about what we do, how we do it, and how we might help you and your clients!

# Company Standards

In order to provide the greatest number of clients efficient, exceptional service, we target specific, common Family Mortgage transactions that allow us to offer a strong value. We sincerely believe that we're the best at what we do, but sometimes, we're simply not the right solution. Sometimes, complex real estate transactions require the expertise of a local attorney or other applicable service providers.

Please review our Standards below to help determine if your transaction falls within our service model "sweet spot."

If we're the right fit, everything you need to know is in this guide. Thank you for your time and we look forward to helping you!

## The Loan Parties

We only facilitate loans between family members.

All Borrowers and Lenders must be US residents and have either a US Social Security Number or Tax ID Number. The Lender and at least one Borrower must share one of the following relationship dynamics, including adoptive and step relationships:

**Grandparent <> Grandchild**  
**Parent <> Child**

**Aunt/Uncle <> Nephew/Niece**  
**Sibling <> Sibling**

**Spouse <> Spouse**

If the Lender / Borrower is legally married, then their spouse must appear on the loan. If the Borrower is legally married, then their spouse must also appear on the title of the subject property. If the Lender / Borrower is "separated" but not legally divorced, they are still legally married. Likewise, if the Lender / Borrower is in the process of getting divorced, but the divorce isn't final, they are still legally married.

Additionally, due to various IRS tax reporting limitations and mortgage lending regulations of the Dodd Frank Act, to use our platform, Lender #1 and Lender #2 must either be, (A) a legally married couple, or (B) file a joint federal/state tax return.

Clients who wish to crowd-fund their family mortgage with pooled contributions from multiple relatives (i.e., multiple households) such as combined contributions from Grandparents, Aunts/Uncles, and siblings, will need to structure multiple Family Mortgages as 1st, 2nd or 3rd position liens.

Loans may also be made from or to a Trust, (Family, Irrevocable/Revocable, Living, Realty), provided the Trustee of the Trust and at least one counter-party (Borrower/Lender) share one of the family relationship dynamics listed directly above.

If the Borrower's subject property is located in the state of **Colorado**, subject to the Standards above, then we can **only** facilitate loans between: **Grandparent <> Grandchild**      **Parent <> Child**

If the Borrower's subject property is located in the state of **Maryland or Washington**, subject to the Standards above, then we can **only** facilitate loans between: **Grandparent <> Grandchild**      **Parent <> Child**      **Sibling <> Sibling**

All Borrowers must personally sign all loan documents; Borrower signature via Power of Attorney is prohibited.

International notarization of loan documents is prohibited.

We do not facilitate loans between Ex-Spouses, Cousins, Friends, Colleagues, or loans to or from family owned FPs, FLPs, LLCs, LPs, LLPs, PLLCs, S-Corps, Land Trusts, Life Estates, or Self-Directed IRAs.

The Lender may not co-own the subject property with the Borrower. Meaning, we do not facilitate transactions when the Lender has a Tenant in Common interest in the subject property with the Borrower.

Standards continued >

## The Loan Purpose (As Covered in this Guide Specifically)

### To Purchase Residential Real Estate:

We facilitate Purchase Loans in all 50 states. All Purchase transactions are considered “Private Financing” and NFM documentation must be integrated into escrow/settlement with the local closing attorney, title company, or escrow company, that will otherwise conduct the Buyer’s / Borrower’s real estate settlement.

## The Property Details

All intra-family loans will be secured by a residential single-family home, condominium, or townhouse located in the US. The property may be the Borrower’s primary residence, secondary residence (vacation home), or an investment (rental) property.

All intra-family loans are secured by the proper state and county specific real estate lien as either a primary lien, a secondary lien, or a tertiary lien:

## Deed of Trust | Mortgage | Security Deed

We do not facilitate loans secured by the following types of properties, especially when zoned as such by local authorities:

Agricultural / Farm Land	Forest, Mountain, Rural Property	Leasehold Property
Co-Operatives	Manufactured Homes	Intentional Communities
Commercial / Retail Property	Mobile Homes / Tiny Homes	
Duplex / Multi-Family Property	Relocation Properties (Corporate Relocation Package)	
Foreclosure Properties and/or Short-Sales	Vacant Land	

We do not facilitate transactions documented under the following circumstances or agreements:

Construction Loans	Leasehold Agreements	Wrap-Around Mortgages
Contract for Deed	Lease to Purchase Agreements	

## The Loan Terms

We currently offer three products with four available Loan structures:

**The Win-Win Mortgage** ®: Amortized (Fixed payment of Principal & Interest) or Amortized with Balloon

**The Gift Mortgage** ®: Interest-Only

**The Caregiver Mortgage** ®: Reverse Mortgage Like, Family Funded Line of Credit

All intra-family loans must meet or exceed the proper IRS Applicable Federal Rate at the time the loan is made.

All intra-family loan repayment terms and/or amortization period must be between 1 – 30 years.

All intra-family loan repayment schedules require monthly payments, due on the first of every month. (With the exception of our Caregiver Mortgage ®, as no monthly payment is required.)

All intra-family loan late payment fees charged to the Borrower shall be a minimum of 1.00% and a maximum of 4.00% of the Borrower’s standard monthly payment amount.

All intra-family loans include a payment grace period of 15 days.

All intra-family loans have no pre-payment penalty.

**We do not backdate documents or document transactions after-the-fact.**

# Company Standards

Standards continued >

## Loan Servicing

We only facilitate Loan Servicing for transactions generated through our software platform. If you've already documented your intra-family loan some other way, and are only interested in the Loan Servicing, we can't help you.

We do not facilitate escrow/impound accounts for the Borrower's property taxes and homeowner's insurance.

## The Online Application

Either the Borrower or the Lender may submit our online Application and submit our one-time setup fee, with the following exceptions:

- (1) If the Borrower's subject property is in Kentucky, Maryland, Pennsylvania, or Virginia, then the Borrower must submit our online Application and submit our one-time setup fee.
- (2) If the Lender lives in North Carolina, then the Borrower must submit our online Application and submit our one-time setup fee.

Each individual Lender and Borrower must have their own, unique email address.

The setup fee must be paid by either the Lender or the Borrower and cannot be paid by some related third party (like another family member or an advisor.)

The Application should be submitted no more than three weeks before the projected loan issue / loan closing date.

THESE STANDARDS ARE NOT ALL INCLUSIVE AND YOUR UNIQUE OR UNUSUAL CIRCUMSTANCE MAY NOT BE SUPPORTED BY OUR PLATFORM. WE DON'T MAKE ANY EXCEPTIONS TO THESE STANDARDS. IF YOUR SPECIFIC, UNIQUE TRANSACTION IS NOT SUPPORTED BY OUR PLATFORM, PLEASE CONSULT A LOCAL ATTORNEY OR OTHER APPLICABLE SERVICE PROVIDER FOR HELP.

[National Family Mortgage ® as featured by:](#)



# What Does This Cost?

Loan Size	\$1,000,000+	\$501K - \$1M	\$301K - \$500K	\$201K - \$300K	\$101K - \$200K	\$1 - \$100K
One-Time Fee	\$2,100	\$1,725	\$1,425	\$1,075	\$875	\$725

## What Does This Fee Include?

We help families and their advisors take the simple, often overlooked steps that make sense when borrowing or lending money with a family member. Mortgage loans can be especially tricky. What's the secret to our success? Experienced, friendly, and reliable support from our team — every step of the way!

- ✓ Dedicated Family Mortgage Advisor assigned to each family
- ✓ Loan Documentation: Promissory Note & Mortgage
- ✓ Coordination of government Mortgage registration with Borrower's closing attorney, title company, or escrow company

**We proudly offer a 90 day, full-refund, money-back, guarantee.**

## Optional Loan Servicing - Powered by FCI Lender Services, Inc.

**The monthly servicing fee for loans up to \$400K is \$15.00, paid by either the Borrower or Lender.**

- Email payment reminders and monthly statements
- Annual IRS tax forms: Borrower 1098 | Lender INT-1099
- Electronic payment processing and no pre-payment penalties
- Online account access / Customer support

Founded in 1982, our partner, FCI Lender Services, makes it easy and convenient to keep your Family Mortgage on track. Monthly email statements to both Borrowers and Lenders, electronic payment processing, and annual IRS tax forms help eliminate awkward conversations and set clear repayment expectations for both parties. FCI is a nationally licensed mortgage loan servicer, managing over \$5 Billion in mortgage debt for its channel partners, including Hedge Funds, Insurance Funds, Pension Funds, Credit Unions, and small Banks.

Lenders can view their loan's status and payment history by logging into their secure online account. Borrowers can also control their monthly payments and view their payment history by logging into their secure online account. Annual IRS tax forms will ensure that Borrowers maximize their annual mortgage interest deduction and help Lenders properly report earned interest income.

The monthly servicing fee for loans over \$400K up to \$1M is an additional \$10.00/month per \$100K.  
\$500K = \$25.00 | \$600K = \$35.00 | \$700K = \$45.00 | \$800K = \$55.00 | \$900K = \$65.00 | \$1M = \$75.00

Loans over \$1M, add \$20/month, per million. Ex: \$1.5M = \$95.00 per month | \$2.5M = \$115.00 per month

Once the loan is activated for servicing, should the loan parties wish to amend any basic loan terms, there is a \$55.00 data entry fee. There is no pre-payment penalty.

## Tax Protection



Prevent IRS scrutiny. The current IRS annual gift tax exclusion is \$15K per person. In **order for an exchange of family funds to be considered a legitimate loan and not a potentially taxable gift, you must both properly document the transaction and also report earning interest at a rate equal to or above the minimum rate required by the federal government, called the Applicable Federal Rate (AFR).** Even if you document the loan, but report earning less than the appropriate AFR, the IRS may impute the interest as income and also view the forgone interest as a taxable gift.

National Family Mortgage® coordinates the government registration of your loan with the Borrower's closing attorney, title company, or escrow company. This will allow your Borrower to legally deduct their mortgage interest payments from their federal tax return — just like with a bank mortgage. (They cannot legally deduct these interest payments on non-registered loans — even if the money is used to purchase a home.)

[See IRS Publication 936 or IRC 1.163-10T\(o\)](#)

## Relationship Protection



Proper documentation sets clear expectations and prevents future misunderstandings. If anything happens to you, your registered mortgage documentation also protects the interests of your other children or family members who could be affected by the proper accounting of the loan. **Our optional loan servicing platform reduces awkward conversations, provides year-end tax statements for the IRS, and keeps everything business-like.**

## A Strong Investment Vehicle



**What are your bonds or CDs paying these days?** Invest in a loved one; loaning money to family can earn solid returns. From primary financing or secondary financing, we have a solution that fits. The emotional returns are strong, too.

## Monthly Income Stream



**Your National Family Mortgage® will generate a recurring monthly cash revenue stream from payments by your Borrower.** This is an attractive feature relative to many other conservative investments. Reinvest the money or spend it however you choose.

## Asset Protection



You can rest assured that your investment is protected with a registered mortgage lien as filed with the proper government authority. **This can be especially important when an unforeseen event occurs, such as the death of the Borrower, or a Borrower's divorce.**

# Borrower Benefits

## Tax Deductible Interest



When a home loan from a relative is properly formalized and registered with the proper government authority, the Borrower can deduct the mortgage interest paid, just as with a traditional bank mortgage. (You can't legally deduct interest payments on non-registered home loans — even if the money is used to purchase a home.)

See [IRS Publication 936](#) or [IRC 1.163-10T\(o\)](#)

## A Low Interest Rate



Often, interest rates charged through intra-family loans are lower than rates charged through banks and traditional lending institutions. **On average, National Family Mortgage<sup>®</sup> interest rates are between one half to one full point lower than banks, and this can add up to thousands of dollars in interest savings over the life of the loan.**

## Low Fees



Traditional lenders often require private mortgage insurance (PMI), require Lender's title insurance, appraisals, and lots of hidden fees. The Family Bank typically does not require such third party services or expenses. You can save thousands of dollars in closing costs with a National Family Mortgage<sup>®</sup>.

## Better Deals on Homes



Borrowers with secure financing can move quickly and often negotiate better deals on homes.

## Flexibility



You qualify as long as your Lender trusts you can pay back the loan. A traditional bank loan application can take weeks of work and waiting with no guarantee of approval. You set the loan terms, (but, within our Standards.) Start building family wealth today!



You can deduct your home mortgage interest on acquisition debt only if your loan is a secured debt. A secured debt is one in which you sign a Deed of Trust, Mortgage or Security Deed that:

- (1) Makes your ownership in a qualified home security for payment of the debt;
- (2) Provides, in case of default, that your home could satisfy the debt;
- (3) Is properly recorded or is otherwise perfected under any state or local law that applies

The interest deduction is limited to no more than \$375K of acquisition debt for married individual filers, and \$750K of debt for married couples filing jointly, secured by your primary or secondary residence.

# How it Works — Primary Financing / Making an Offer

## The Offer (Why You're Not a Cash Buyer!)

The Borrower has found the perfect home! A relative is excited to finance the home purchase through a Family Mortgage! With secure family financing in place, it's time for the Borrower to make an offer on the property!

In most cases, an offer to purchase real estate is done in writing, using a standard real estate contract. This contract is usually prepared by the home buyer's real estate agent, or in some states, the buyer's attorney. When financing a home purchase through a Family Mortgage, it's extremely important for the offer to properly reflect the source of the buyer's purchase funds.

Many of the Borrowers that we work with will initially, accidentally, perceive themselves as "cash" buyers. Since there's no bank involved in their transaction, and family money is being used to help buy the home, we understand why someone could accidentally think that a Family Mortgage is the same as cash financing.

**Unfortunately, it's not! A Family Mortgage does not equal cash financing.**

Attorneys, title companies, and escrow companies consider Family Mortgage loans to be a form of "private financing." Private financing, also often referred to as a "private mortgage", is simply a home loan made by an individual that is not a traditional, institutional mortgage lender. **With this in mind, the family Lender is simply "the bank" and the source of the Borrower's home financing. The Borrower is the actual home buyer whose name should be reflected on the home purchase offer.**

The home buyer and their real estate agent should emphasize to the seller, and to the seller's real estate agent, that home financing is approved and secure. Essentially, the home buyer has a guaranteed loan. In fact, many National Family Mortgage® Borrowers will completely waive the common financing contingency included with most purchase offers.

**The buyer's offer has all of the appeal and convenience of a cash offer, but again, it's not legally considered a cash offer. A Family Mortgage is legally considered private financing.**

State laws in over half of the country legally require the integration of private mortgage documentation into the Borrower's real estate closing / settlement. As an ever increasing number of states move towards this legal standard, we follow this protocol with every Family Mortgage purchase transaction in every state across the US.

Once a family has reviewed and approved our Family Mortgage documentation, we send it to the Borrower's local closing attorney, title company, or escrow company, for integration into the standard real estate closing / settlement. The simple existence of Family Mortgage paperwork, necessary to legitimize a bona-fide home loan, is ultimately what distinguishes private financing from a true cash purchase. In the real estate world, true cash buyers don't have loan paperwork!

Please note, we don't make referrals to local closing attorneys, title companies, or escrow companies. The Borrower selects their own real estate settlement agent. Most likely, the Borrower's real estate agent will guide the selection of the settlement agent. We're happy to work with any and all real estate closing / settlement agents!

***Please remember, a Family Mortgage is legally considered private financing.***

## National Family Mortgage Awards:



# How it Works — Mortgage Pre-Approval Letter

## Mortgage Pre-Approval / Commitment Letter

A mortgage commitment letter is a relatively simple document that confirms a Lender's commitment to making a home loan to a Borrower. This letter can provide significant peace of mind to real estate agents and home sellers, when considering a buyer's offer to purchase. A commitment letter from a Lender lets everyone involved in the home buying transaction know that the buyer's home financing is secure.

Please remember, National Family Mortgage ® is not a lender; we're facilitating mortgage loans between family members. Therefore, we can't generate any sort of meaningful mortgage pre-approval or commitment letter for anyone.

However, all of our families have successfully satisfied common requests for a mortgage commitment letter through one of two methods:

1. The Lender drafts a simple letter confirming their commitment to finance the Buyer through a home mortgage. (Sometimes, it can be helpful for the Lender to attach a financial statement to the letter, verifying proof of funds and the ability to make the loan.)
2. The Lender's banker or financial advisor drafts a simple letter confirming the Lender's commitment to finance the Buyer, while also confirming the Lender has ample means to make the loan.

If the seller or real estate agents involved in the transaction require the Lender to attach a banking statement to the commitment letter, we suggest the Lender moves the amount they intend to lend into a stand-alone bank account.

Imagine the Lender intends to lend \$200K through a Family Mortgage — and they intend to pull these funds from a brokerage account that currently holds \$500K. There's no reason the seller or real estate agents need to know any more than necessary about the Lender's financial strength. By showing a financial statement that exceeds the buyer's offer, the seller may believe that the Buyer has potential access to greater family financing, and be less likely to negotiate on price or necessary repairs.

### Sample Family Mortgage Commitment Letter:

To Whom It May Concern,

Please accept this letter as proof of our commitment to finance our son, John Example Jr., \$200,000 to purchase 123 Main Street, Any Town, USA 12345. The loan will be secured with a Promissory Note and Deed of Trust / Mortgage / Security Deed facilitated through National Family Mortgage ®. Please see attached financial statement verifying proof of funds and our ability to make the loan.

Very truly yours,  
Mr. & Mrs. John Example

# How it Works — Secondary Financing / Working with the Bank

## Secondary Financing (The Piggyback Mortgage)

Most home buyers don't have a family member who can afford to help them finance their entire home purchase. However, many home buyers have a family member who is willing to lend their loved one a portion of the purchase price. A primary, institutional mortgage, combined with a subordinate, secondary Family Mortgage, can be a great win-win solution for everyone.

If a home buyer needs to borrow more than 80% of a home's value or purchase price, most government and institutional lenders charge significantly higher interest rates on such loans. Additionally, these lenders usually require an insurance policy (often referred to as "private mortgage insurance", or "PMI,") to protect their investment.

Historical banking data shows that Borrowers who cannot afford a 20% down payment on their home have a greater statistical likelihood of being foreclosed upon due to an inability to keep up with their monthly mortgage payment. PMI protects the lender in the event proceeds from a foreclosure sale don't cover the Borrower's loan balance. The lender receives the benefit from the insurance coverage, but the monthly policy premium is paid by the Borrower.

The cost of PMI varies widely — annual premiums typically cost between 0.20% - 1.50% of the Borrower's outstanding loan balance. Borrowers with high credit scores and larger down payments will typically pay lower PMI premiums. Borrowers with lower credit scores and smaller down payments will typically pay higher insurance premiums.

It's not uncommon for PMI premiums in high-priced areas of the country to cost \$200 or more each month. And again, the interest rates on these loans can also be quite high.

A popular way for home buyers who don't have a 20% down payment, but wish to eliminate the high cost of PMI, is to take out two mortgage loans at the same time: a primary mortgage, typically from a lending institution — up to 80% of a home's value, and a secondary mortgage (also known as a Piggyback Mortgage, or subordinate financing) to cover the 20% down payment gap.

Typical Piggyback loan structures include the "80-10-10 loan" (80% primary mortgage, 10% Piggyback Mortgage, 10% down payment) or an "80-15-5 loan" (80% primary mortgage, 15% Piggyback Mortgage, 5% down payment.)

Many National Family Mortgage ® clients use our Win-Win Mortgage ® or Gift Mortgage ® as their secondary Piggyback Mortgage that complements primary financing from a lending institution.

The secondary Family Mortgage eliminates the cost of PMI on the primary loan. The home buyer combines their Family Mortgage with their down payment to reach the 20% threshold needed to eliminate the PMI on conventional primary financing. The Family Mortgage can also significantly lower the interest rate on the primary loan.

The primary lender will need to include the family funded Piggyback Mortgage, and the Borrower's monthly payment to their family, when calculating the Borrower's debt to income ratio for qualifying purposes on the primary mortgage loan.

Once a family has reviewed and approved our Family Mortgage documentation, the Borrower's primary lender will want to review it, too. Once approved by the primary lender, we send the Family Mortgage documentation to the Borrower's local closing attorney, title company, or escrow company, for integration into the standard real estate closing / settlement.

Please remember, the Borrower will have to make two mortgage loan payments each month — one for their institutional primary mortgage and one for the secondary Family Mortgage.

Fortunately, even with our Family Mortgage setup fees, the Borrower's total savings through the elimination of PMI and an overall reduction in monthly loan interest, generally makes the monthly payments on both loans significantly less than if the Borrower were paying higher interest on one institutional loan with PMI.

## How it Works — Secondary Financing / Working with the Bank



### Working with the Primary Lender (Why You're Not Borrowing Your Down Payment!)

Once the Borrower is ready to start interviewing primary lenders, they absolutely must avoid the common, critical mistake of accidentally mis-characterizing potential family funded secondary financing as, "borrowing my down payment from my family." There is no such thing as "borrowing" a down payment. Down payments may be gifted to a home buyer, but certainly cannot be borrowed.

Family funded secondary financing (also known as a Piggyback Mortgage) is entirely separate from a home buyer's down payment. Mis-characterizing a family loan as a "down payment loan" will generally confuse the primary lender.

As a separate concern, most institutional loan brokers and sales people don't know anything about IRS tax law or estate planning, and frankly lack the internal resources to help an applicant manage a family loan. As a result, there is a widespread tendency within the industry to trivialize the distinction between a family loan and a gift, by encouraging all mortgage applicants to represent any financial assistance from family members as financial gifts — even when it has been conveyed by the mortgage applicant that the family financial assistance is a debt that is absolutely expected to be repaid. Mortgage loan applicants are frequently, unnecessarily advised to keep their family loan "behind the scenes".

The mortgage loan broker or sales person usually wants to reduce the applicant's debts whenever possible, mainly, in an effort to both help the applicant qualify for the primary loan, and in the process, help ensure that the broker or sales person earns a commission. A financial gift is not expected to be repaid and therefore is not considered a debt on the applicant's balance sheet. Presumably, less debt means there's a greater chance for an applicant to qualify for a primary bank loan.

Additionally, many government insured conventional mortgage lenders quickly sell their loans and re-package them to industry portfolio investors. While the Fannie Mae underwriting guidelines absolutely allow subordinate financing, including loans from family members, (Selling Guide / Part B: Origination Through Closing / B2-1.1-04: Subordinate Financing), some lenders fear the existence of a family funded Piggyback loan will make it difficult for them to sell the primary loan.

For these reasons, loan applicants borrowing financial contributions from family members are often encouraged, or even required by their loan broker or sales agent, to have their family members sign a "gift letter." This gift letter is a legal affidavit, testifying that the family financial assistance is a no-strings-attached gift — and not a debt that is expected to be repaid.

By encouraging applicants to mis-represent family loans as financial gifts through the execution of a gift letter affidavit, mortgage loan broker or sales people are arguably facilitating mortgage fraud. In the process, home buyers and their families are exposed to a myriad of legal, tax, and estate planning problems. Home buyers should emphasize to their primary lender that the family funded contribution is not a gift, but a real loan, and is to be properly documented as a secondary Piggyback Mortgage as described on Page 12 of this Guide. We are happy to speak with your primary mortgage lender to answer any questions and help alleviate their concerns!



## The Smart Way to Manage Mortgage Loans Between Family Members

Buying a home can be a stressful experience. Lending money to relatives can be stressful, too.

But, when a home Buyer's mortgage financing is organized and secure, the experience of buying a home can be a lot of fun and make a positive memory that will last a lifetime.

Likewise, when family Lenders properly document and manage mortgage loans to loved ones, the emotional returns can be strong, too.

National Family Mortgage® has successfully helped thousands of families in every state across the US lend over \$1 Billion in home loans between relatives. Our default rate is under 1.00%.

Lots of companies out there claim to facilitate "home loans" between relatives. Please remember, an unsecured promissory note does not equal a registered, tax deductible mortgage loan. The legal and tax ramifications of a poorly documented intra-family mortgage loan can be a nightmare for both Lenders and Borrowers alike.

Many money transfer companies also claim to "manage" loans between relatives. Please remember, the business of mortgage loan servicing is tightly regulated by federal and state laws — even when servicing mortgage loans between relatives.

Our Loan Servicing partner, FCI Lender Services, is fully compliant with all state and federal mortgage loan servicing laws under the Dodd-Frank Act, as enforced by the Consumer Financial Protection Bureau (CFPB).

We realize the content within this guide is substantial, but we believe that all families considering an intra-family mortgage loan deserve access to thorough information to help them select the best solution for their individual needs.

We help Lenders make loans they feel good about, that prevent tax problems, that protect family relationships, and get repaid.

We help Borrowers fund their home ownership dreams, build wealth, and stay on track with their mortgage payments.

We strive to make Family Mortgage lending and borrowing safe, easy, secure, and successful.

We also strive to serve as a valued, trusted, resource for residential real estate agents and their clients. If you ever have any questions, we're always happy to help!



NationalFamilyMortgage.com | 1.888.636.1990 | 9AM - 5PM ET, M-F

Physical Address: 91 Main Street #308, Concord, MA 01742

Secure Mailing Address: 34 Walden Street #706, Concord, MA 01742

#### National Family Mortgage ® Customer Reviews:

“Using National Family Mortgage to help us establish a mortgage with our daughter was one of the soundest business decisions we’ve made. The process was easy, seamless and a good value for the cost. The guidance and explanations were clear and concise, and they gave us peace of mind that we’ve established this loan with the proper legal steps, legal documentation, and IRS compliancy”. – B & L, Texas (Lenders)

“A smart mortgage is a Family Mortgage. My parents get a great return on their investment and I get a great rate on my loan. National Family Mortgage gave me all the tools to make it happen and it was easy. It’s the best and most stress-free decision our family ever made together.” – Tom, Massachusetts (Borrower)

“After reading about National Family Mortgage, we decided to use their Win-Win mortgage. This was a truly great deal for our kids as they are getting a very low interest rate from us and it’s a great deal for us as we get a higher return than we would in any other safe investment!” – Dave, Michigan (Lender)

“I can only second all the recommendations you’ve received. I would definitely recommend your service to anyone who wants to keep the money “in the family.” You’ve been a great help and a friendly voice amid the paper shuffle.” – Lance, California (Borrower)