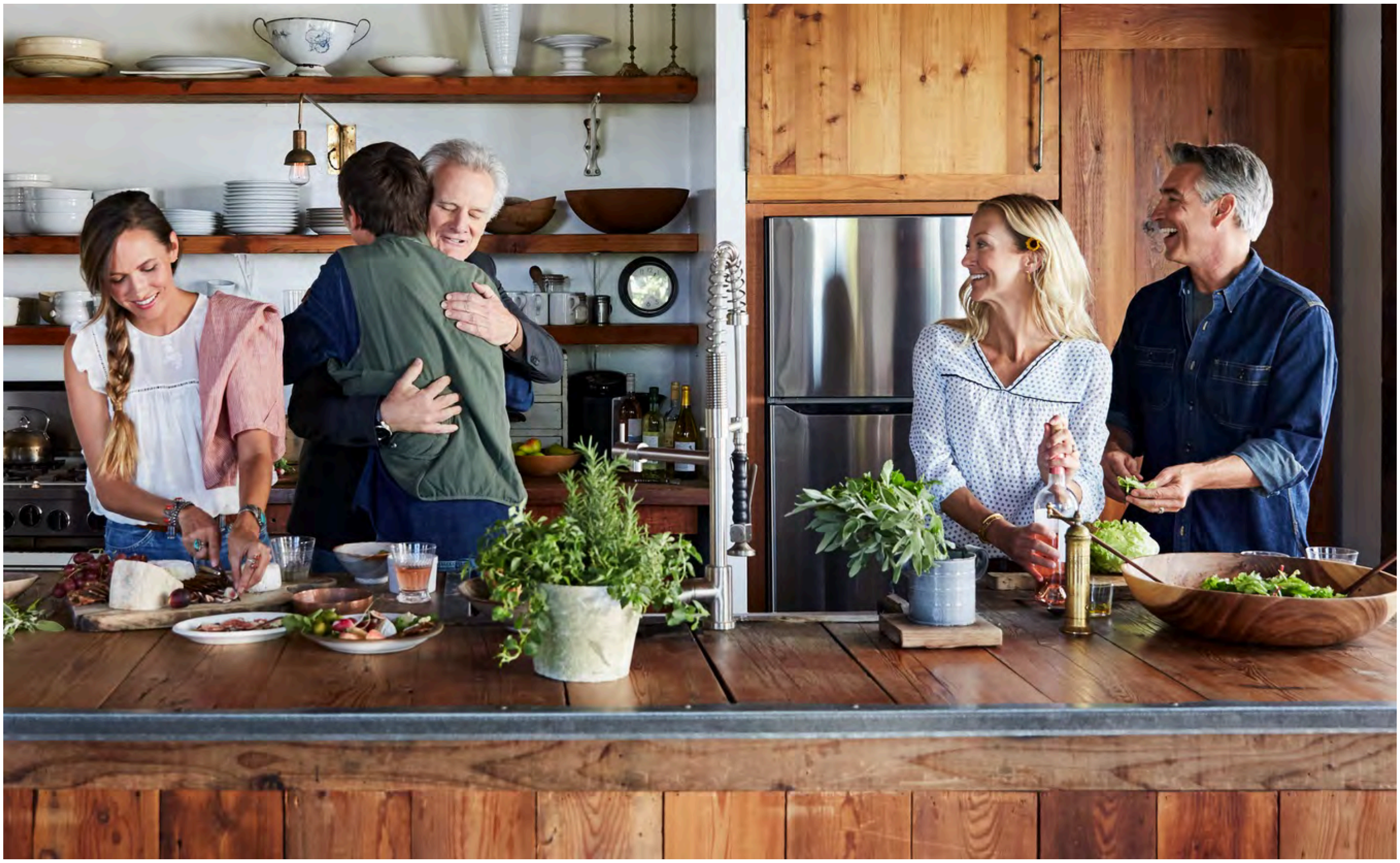

# IMPORTANT INFORMATION

## A Guide to
# Family Mortgages

The smart way to manage mortgage loans between family members.

## This guide is all about how an intra-family mortgage loan can help someone:

Buy a Home

Buy a Relative's Home

**Refinance a Home**

Renovate a Home

Borrow Home Equity

Reverse Mortgage

If you would like to learn more about how our products and services can assist with the other scenarios featured above, please go back to our website and download the appropriate free guide.

We facilitate Home Refinance loans in the following states:
AR, AZ, CA, CO, CT, FL, ID, IL*, IN, MI, MO, MS, NE, NH, NJ, NM, NV, OR, PA, UT, WA, WI.
(This means the Borrower's subject property is located in one of these states listed directly above.)

If you wish to structure a Home Refinance loan and the subject property is not located in one of the state listed directly above, unfortunately, we cannot help you.

* If you wish to structure a Home Refinance loan and the subject property is located in Cook County, Kane County, Peoria County, or Will County, unfortunately, we cannot help you.

Please read our company "Standards" on Page 5 for complete restrictions and limitations.

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## At a Glance

Loans funded to date: Over $1 Billion

Total interest kept in families: Over $500 Million

Smallest loan to date: $11,100

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 give you a clear understanding about what we do and how we do it!

# 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** **Aunt/Uncle <> Nephew/Niece** **Spouse <> Spouse**
**Parent <> Child** **Sibling <> Sibling**

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 >**

# Company Standards

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

**We facilitate Home Refinance loans in the following states:** AR, AZ, CA, CO, CT, FL, ID, IL*, IN, MI, MO, MS, NE, NH, NJ, NM, NV, OR, PA, UT, WA, WI. (This means the Borrower's subject property is located in one of these states listed directly above.) * If you wish to structure a Home Refinance loan and the subject property is located in Cook County, Kane County, Peoria County, or Will County, unfortunately, we cannot help you.

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

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

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

## 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.**

Standards continued >

**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 Pennsylvania, 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:

Kiplinger realtor.com® ConsumerReports CHICAGO SUN-TIMES

The New York Times Forbes U.S.News & WORLD REPORT

AARP Chicago Tribune The Washington Post REUTERS

THE WALL STREET JOURNAL. WSJ USA TODAY | Money BLACK ENTERPRISE

NATIONAL Family Mortgage®

# 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, online account access and annual IRS tax forms help eliminate awkward conversations and set clear repayment expectations for both parties.

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.

**In addition to our one-time setup fee, the state of Florida charges a Mortgage recording tax that must be paid at the time of document recording with the local government authority. It is the client's responsibility to pay all required local government Mortgage recording taxes. These taxes only apply if the Borrower's home is Florida. We will invoice the client for the document recording taxes and forward these taxes to the relevant government authority when we register your loan.**

Florida: Intangible Tax: $0.20/$100 | Documentary Stamp Tax: $0.35/$100

# Lender Benefits

## 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 registration of your loan with the proper government authority. 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 refinance a bank mortgage.)

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; lending money to a family member can earn solid returns. 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 refinance a bank mortgage.)

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 ® 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 loan closing costs with a National Family Mortgage ®.

## 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, including refinanced 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.

However, if refinancing a loan that was obtained before December 14, 2017, you will still be able to claim your deduction at the old cap, limited to no more than $500K of acquisition debt for married individual filers, and $1M of debt for married couples filing jointly, secured by your primary or secondary residence.

## Know The IRS Applicable Federal Rates

Each month, the IRS publishes an interest rate index called the Applicable Federal Rates (AFRs). These interest rates are determined by a variety of economic factors, and are used for various purposes under the Internal Revenue Code — including the calculation of imputed interest on below market loans between family members.

(We'll explain what "imputed interest on below market loans" means in a moment.)

When it comes to family loans — especially loans above $10,000 — the IRS Applicable Federal Rates represent the absolute minimum market rate of interest a Lender should consider charging a Borrower in order to prevent unnecessary tax complications.

There are three AFR tiers based on the repayment term of a family loan:

(1) Short-term rates, for loans with a repayment term up to three years.
(2) Mid-term rates, for loans with a repayment term between three and nine years.
(3) Long-term rates, for loans with a repayment term greater than nine years.

**A Lender should assess two main factors when selecting the appropriate IRS Applicable Federal Rate for a family loan:**

**(1) The length of the agreed upon repayment term of the loan.**
**(2) The IRS Applicable Federal Rate for that repayment term during the month in which the loan is made.**

The IRS Applicable Federal Rates change monthly and are usually made available on the IRS' website during the third or fourth weeks of the preceding month. However, loan parties are effectively "locked in" at whatever appropriate AFR is in effect at the time the loan is made. Generally speaking, these rates are significantly lower than market rates offered by a bank.
See IRC Sec. 1274(d)

If a Lender chooses to simply not charge a family member a rate of interest at least equal to or above the appropriate Applicable Federal Rate in effect at the time a family loan is made, the IRS may impute the interest by taxing the Lender on the difference between the Applicable Federal Rate and the interest rate the Lender actually charged.

In other words, even if a Lender charges a Borrower 0% interest and never collects a penny of income interest on the family loan, the IRS requires the Lender pay income taxes on the earned interest income they should have received, based on the AFR at the time the loan was made. See IRC Sec. 7872(a) & 7872(e) & 7872(f)(2)

In addition to holding the Lender responsible for the taxable imputed interest, the IRS also assumes that since the Borrower did not make the required interest payments, the Lender is considered to have gifted the Borrower the money to pay the interest that was due. See IRC Sec. 7872(f)(3)

By engaging in a loan with a family member below the appropriate AFR, the Lender is effectively penalized twice — once through taxation of imputed interest, and again by applying the borrower's unpaid interest towards the lender's annual $15,000 per person tax-free gift limit.

The IRS' annual gift exclusion permits a taxpayer to gift up to $15,000 annually to each and every family member without penalty. Effectively, an individual could gift $15,000 to everyone they know, but once any one gift recipient receives a penny more than $15,000 from an individual donor in the calendar year, that donor must file a gift tax return. See IRS Publication 559

Cautious financial advisors generally recommend their clients properly document loans with family members at an interest rate that either meets or exceeds the appropriate AFR for all of the reasons above.

# How it Works — Structuring Your Loan

## The Win-Win Mortgage ® (Fixed Payment of Principal & Interest)

Our Win-Win Mortgage ® grants Borrowers access to loan funds at a lower interest rate than they would generally receive from a bank, while providing Lenders with a higher return than most conservative investments such as CDs, money-market accounts, bonds or savings accounts.

Our Win-Win Mortgage ® is a traditional, amortized loan with a fixed interest rate over the agreed upon term. The Borrower's monthly payment is also fixed and consists of both principal and interest. The payment calculation on an amortized loan is similar to an annuity, using a time value of money formula. Although the Borrower's monthly payment is fixed, the portion of the payment that is applied towards outstanding loan principal and the portion of the payment that is applied towards interest changes each month according to the amortization schedule. As long as the Borrower makes their fixed payment each month, should the loan reach its final payment date, the debt will be paid in full.

National Family Mortgage ® allows our clients to amortize their loan anywhere from 1 - 30 years. All loans must meet or exceed the IRS Applicable Federal Rate in effect at the time the loan is issued and/or the Borrower closes on their new home. As with all of our loans, there is no pre-payment penalty.

## The Win-Win Mortgage ® with Balloon (Fixed Payment of Principal & Interest)

Our Win-Win Mortgage ® with Balloon gives the Borrower the affordability of a longer, amortized payment schedule, while requiring the Borrower to pay-off the loan upon a shorter, agreed upon Balloon date. For example, one could amortize their loan for 30 years, but implement a Balloon provision at year 5. This means the Borrower's monthly payments are based on a 30 year schedule, but when they reach year 5 of the payment schedule, they are expected to pay off the outstanding loan balance in full. Generally, this means the Borrower is expected to sell the home by the Balloon date or refinance the mortgage with an institutional product from a bank. Of course, if the Lender is willing to do it, a new Family Mortgage can be structured at the Balloon date.

There are a few reasons why some families select the Win-Win Mortgage ® with Balloon:

Some Lenders are concerned about committing their money to a long-term mortgage arrangement. The Balloon provision sets clear expectations with the Borrower and gives the Lender the ability to "opt-out" of the arrangement once the Balloon date is reached.

Some families use the Balloon structure to help a Borrower who's having difficulty qualifying for an institutional loan. It may be there's a blemish on the Borrower's credit report or a bank has concerns about insufficient time at a new job. The Win-Win Mortgage ® with Balloon can help a Borrower through a difficult stretch and provide incentive for them to improve their situation and refinance with a bank by the Balloon date.

Finally, some families will use the Balloon provision to help the Borrower obtain a lower interest rate by leveraging a lower tiered IRS Applicable Federal Rate. Imagine your son or daughter is buying their first home. Assume that you're reasonably confident that they're not going to be there more than 9 - 10 years. You can amortize their loan for 30 years, giving them the benefit of a 30 year payment, but implement a Balloon provision at year 9 of the loan; with this structure you can use the mid-term IRS Applicable Federal Rate for loans over 3 years and up to 9. So, the loan is amortized for 30 years with the lower mid-term Applicable Federal Rate, instead of a traditional 30 year loan amortized at the IRS long-term rate for loans over 9 years.

# How it Works — Structuring Your Loan

## The Gift Mortgage ® (Interest-Only Payment)

Our Gift Mortgage ® is an interest-only loan — it's that simple. The Borrower is only required to pay the accrued interest on the loan each month for an agreed upon term of between 1 - 30 years. If the Borrower never chips away at the outstanding loan principal over the term of the loan, then they will owe the entire loan amount in lump-sum upon the maturity date.

There are a few reasons why some families select the Gift Mortgage ®:

The main benefit of an interest-only loan is the lower monthly payment, which can provide the Borrower with significant cash-flow flexibility. This loan structure is popular with business owners, students, artists, medical residents, and young growing families. Since there are no pre-payment penalties on any of our loans, the Borrower has the freedom to make principal pre-payments whenever they like. Of course, by doing so, the Borrower can reduce the minimum required interest-only payments moving forward.

If the Borrower's home is in a popular, stable real estate market — and the Borrower intends to be there for some time — some families consider these loans low risk. While there are no guarantees in real estate, if the property appreciates over time, the loan balance should be satisfied through the eventual sale of the home.

Finally, some families use the interest-only loan structure as an easy framework to transfer wealth and manage annual gifting — in fact, so many families have pursued this strategy with us, that we now call the interest-only loan structure, the Gift Mortgage ®.

In short, the Lender may elect to use their annual IRS Gift Exclusion in the form of a principal reduction on the loan. Each year a gift is made, the Borrower's monthly interest-only payment will be reduced, until ultimately the entire loan balance is gifted away!

# How it Works — The Payoff

## How to Payoff the Borrower's Existing Mortgage

The Borrower should contact their current lender and request a payoff statement as of the desired loan payoff date. Many lending institutions can process a payoff quote instantly, while it takes some institutions as long as a week to process such requests. Please remember, it takes National Family Mortgage ® up to seven business days, from the date we receive an online Application, to complete and email Family Mortgage documents for client review. With this in mind, the Borrower should request a payoff for a date that is at least seven business days out from whatever business date we receive their online Application.

When the Borrower's current lender provides the payoff statement, they will also provide payoff instructions. Typically, the payoff instructions are wiring instructions. Ultimately, the family Lender will send the loan payoff funds directly to the Borrower's outgoing lender, on the Borrower's behalf. **The family Lender should not give the payoff funds directly to the Borrower.** It is very important, for a variety of legal and tax reasons, that the family Lender sends the loan payoff funds directly to the Borrower's outgoing lender, on the Borrower's behalf.

In most states, once a mortgage payoff is received, the outgoing lender has 30 days to file a lien release with the proper government authority.

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)

# How it Works — The Application

## The Family Mortgage Application

Once the Borrower and Lender have agreed upon their loan terms, it's time to submit our online Family Mortgage Application! A complete Sample Application can be found on the next few pages, but there are some important details to remember before starting the Application online:

1. Presumably you have read this guide, including our Standards, and our online Terms of Use.

2. The Application should be submitted no more than three weeks before the Borrower's anticipated loan issue / payoff / refinance date.

3. 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 Pennsylvania, 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.

4. As an added security measure, the Application cannot be saved or accessed at a later date. **You must complete the Application and submit it to us in one sitting.** Please review the Sample Application found in the following pages of this guide to ensure you are able to complete the Application in one sitting.

5. Within one business day of submitting your online Application, a Family Mortgage Advisor will call you to confirm the details of your loan. **Any necessary changes or amendments to your Application can be processed directly through the Family Mortgage Advisor assigned to your loan.**

6. Your Family Mortgage documents will be emailed for your review and approval within seven business days from the date of purchase.

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

All National Family Mortgage ® packages include two crucial legal documents:

**Promissory Note.** The Promissory Note establishes the legal debt between the Borrower and Lender, and defines how that debt is going to be repaid. This document also helps the Lender demonstrate to the IRS that the family exchange of money is a legitimate loan and not a potentially taxable gift. The Promissory Note also includes the Borrower's projected payment schedule.

**Deed of Trust / Mortgage / Security Deed.** This is the real estate lien security instrument through which the Borrower offers their property as collateral to the Lender in exchange for the loan. Attached to this Deed of Trust / Mortgage / Security Deed is a legal description of the property, as obtained from the county records.

When requested, our Family Mortgage package will also include Setup Forms for our optional Family Mortgage Loan Servicing program. (Monthly statements, payment processing, annual tax forms, etc.)

After the Borrower and Lender have reviewed and approved the core documents, the Borrower must sign the Family Mortgage before a Notary. Then, the original, notarized Family Mortgage should be returned to National Family Mortgage ® for registration of the documents with the proper government authority.

Meanwhile, the family Lender can proceed with paying off the Borrower's existing mortgage loan, directly to the existing mortgage holder, per their payoff instructions, on the payoff date reflected on the Family Mortgage documents.

# The Family Mortgage Application

*This preview Application, as printed below, is designed to serve as a reference and to help you gather information. Kindly complete and submit the actual Application as it appears on our website.

## Purchase Details

**Family Mortgage Program:**
○ The Win-Win Mortgage (Amortized Loan)
○ The Gift Mortgage (Interest-Only Loan)

**Purpose:**
○ Purchase ○ Refinance ○ Home Equity
○ Seller Finance ○ Home Improvement

**Lien Position:**
○ 1st Position Mortgage
○ 2nd Position Mortgage
○ 3rd Position Mortgage

**Loan Size:**
○ $1 - $100,000 ($725)
○ $100,001 - $200,000 ($875)
○ $200,001 - $300,000 ($1,075)
○ $300,001 - $500,000 ($1,425)
○ $500,001 - $1,000,000 ($1,725)
○ $1,000,001+ ($2,100)

○ Please send us the setup forms for the optional Loan Servicing program starting at $15 per month.

○ Please DO NOT send us the setup forms for the optional Loan Servicing program

**Who will pay for the Loan Servicing fees?**
○ The Lender will pay monthly Loan Servicing fees
○ The Borrower will pay monthly Loan Servicing fees

**Next**

## Lender Contact Information

Each individual Lender and Borrower must have a unique email address.

| **Lender #1** | **Lender #2** |
| --- | --- |
| First Name: | First Name: |
| Middle Name / Initial: | Middle Name / Initial: |
| Last Name: | Last Name: |
| Address: | Address: |
| State: | State: |
| Zip Code: | Zip Code: |
| Email: | Email: |
| Phone: | Phone: |
| Relationship to Borrower: | Relationship to Borrower: |

**Will the loan come through a Trust?**

○ No
○ Yes

**If yes, what is the full legal name of the Trust?**

**Has the Lender made any other mortgage loans in the previous 12 months?**

○ No
○ Yes

**If yes, how many other mortgage loans has the Lender made in the previous 12 months?**

Next

## Borrower Contact Information

Each individual Lender and Borrower must have a unique email address.

| Borrower #1 | Borrower #2 |
| --- | --- |
| First Name: | First Name: |
| Middle Name / Initial: | Middle Name / Initial: |
| Last Name: | Last Name: |
| Address: | Address: |
| State: | State: |
| Zip Code: | Zip Code: |
| Email: | Email: |
| Phone: | Phone: |

**Does the Borrower have their own Trust?**

○ No
○ Yes

**If yes, what is the full legal name of the Trust?**

## Subject Property Details

Current Owner's Name(s):

(We need the name of the individual(s) who are selling the home.)

Subject Property Address:

City:

Next

## Subject Property Details (continued . . .)

State: [ ]

Zip Code: [ ]

County: [ ]

Property Type:

○ Single Family Residence ○ Condominium
○ Townhouse ○ PUD (Planned Unit Development)

If Condominium, Townhouse, or PUD, what is the name of the development?

[ ]

## Family Mortgage Loan Details

Property Use:
○ Primary Residence ○ Vacation Home ○ Investment Property (Rental)

Loan Amount: $ [ ]

Loan Term and/or Amortization Period: [1 Year - 30 Years]

Loan Interest Rate: % [ ]

(% Must be between the appropriate IRS Applicable Federal Rate and maximum of 6.00%)

Optional Balloon Payment: [None or 1 - 30 Years]

Loan Issue Date / Closing Date: [Month | Day | Year]

Payment Grace Period: [15 Days]

Late Payment: % [ ]
(Must be between 1.00% and 4.00% of Borrower's standard monthly payment.)

Optional Demand Clause:
○ None ○ 60 Days Notice ○ 90 Days Notice ○ 120 Days Notice

SUBMIT

## Document The Loan

Before delving into a mortgage with a relative, creating legally binding documents is one of the most important things you can do.

Many people mistakenly assume that it is offensive or inappropriate to ask for formal documentation when arranging to transfer funds between relatives. In truth, structuring formal documentation is one of the most appropriate things that can be done! Not only does it protect both parties financially, but it also preserves the personal relationship. Proper documentation can also prevent confusion over repayment start dates, interest rates, repayment schedules, and other terms of the loan.

If your Borrower is reluctant to formalize the loan with a legally binding document, emphasize that it's important to you.  Consider a couple of the following explanations:

Your Accountant / Financial Advisor: Explain to your relative that your accountant or financial advisor mandates a fully legally binding agreement before you create a Family Mortgage transaction.

The IRS: Explain to your relative that if you are ever audited by the IRS, you need to have documentation in order to prove that the exchange of funds is a legitimate loan, and not a potentially taxable gift.

The Media: Explain that you have heard several stories recently about undocumented family loan transactions causing legal and tax problems and straining family relationships; you don’t want to take this kind of risk.

Past Experiences: If appropriate, reference past experiences with an informal loan ending poorly for you and the other party.

### National Family Mortgage ® in the news . . .

How much trust do I have in my children’s good financial habits?

This year, I lent my daughter $381,000 so she could buy her first home. It was a good deal for her: She was able to behave like a cash buyer when bidding on properties, she didn’t have the hassle of dealing with a bank and her closing costs were far lower.

It was also a good deal for me. We settled on the current average rate for a 30-year fixed-rate mortgage, which was 3.97%. That’s more than I could earn by buying high-quality bonds. To keep everything on the level, we used National Family Mortgage to handle the paperwork and service the loan.

**- Jonathan Clements, Financial Planning Magazine**
**"My 7 Smartest Financial Moves", November 30, 2015**

## Understand The Tax Implications

Any interest you earn on a private loan is considered income by the IRS, and therefore is considered taxable. The IRS Annual Gift limit is currently $15K per person. However, this does *not* mean if the annual earned interest on the loan is $15K or less that you can forgo the collection of the interest, treat it as a gift, and reduce your taxable income. A loan is a loan, and a gift is a gift!

National Family Mortgage ® requires that your interest rate must meet or exceed the appropriate Applicable Federal Rate in effect at the time of the exchange of funds and/or the loan closing. (Please see our earlier discussion of the AFRs.)

## Reflect on Your Own Interests

Before you agree to a Family Mortgage with a relative, be clear about your own interests. Ask yourself why the possibility of a Family Mortgage appeals to you. Is it because you want to help someone you love? Is it because you'll generate a higher return on your investment than you would in the stock market or in a savings account? Is it to prevent gift tax problems? Chances are, it's a combination of a few things. Articulate your goals as a Lender and share these with your Borrower.

Be sensitive that a Family Mortgage might raise some emotional reactions with other relatives. Some advisors believe the best approach is to be open with your entire immediate family about the loan. If possible, consider making a similar opportunity available to other family members.

Alternatively, not every relative is financially responsible or worth this type of credit risk. What works with one relative doesn't always work with another. Use your best judgment — do what's right for you.

If you work with an accountant, an attorney, an estate planner, or financial advisor, please consult with them. Make sure a Family Mortgage is appropriate for your situation.

Of course, if you have a spouse, it's only fair to discuss your potential Family Mortgage with them before committing to anything!

## What do we do if the Borrower Can't Make Payments?

Remember, your loan will be secured by a registered mortgage lien on the Borrower's property. The registration of this lien is the key requirement under the IRS tax code that allows your Borrower to claim the popular home loan interest deduction on their annual tax return. As a Lender, this lien provides you with the same lien holder rights as a bank; you will have the option to foreclose on the property if the loan falls hopelessly off-track. This means you will legally seize the property, and presumably sell it, in order to get your investment back. In truth, we have found that Family Mortgage Lenders and Borrowers generally prefer to restructure their loans rather than experience the trauma of a family foreclosure!

If your Borrower needs help, there are various options to restructure your Family Mortgage to help your Borrower succeed:

Make a Cash Gift. You could elect to gift your Borrower the cash that will allow them to make their monthly payment. Please remember that the annual IRS Gift Tax Exclusion is currently $15K per person. So, if two parents have made a loan to their child and their child's spouse, up to $60K cash can be gifted within the IRS Gift Exclusion.

You should not simply gift the missed payments, even if the total missed payments amount falls within the $15K IRS Gift Exclusion. By simply forgiving the missed payments, the IRS may argue that your non-enforcement of the debt implies that your transaction is not a true loan, but a gift in disguise. Additionally, the IRS still expects you to pay taxes on the interest income you should have received from the missed payments!

Defer Payments. There are a few different ways a Lender may agree to defer payments.

Agree that the Borrower will skip a payment one month and then double up in a later month.

Postpone the entire payment schedule for an agreed upon period, and defer the missed payments until the end of the loan. Should the loan run its full term, the final loan payment will be higher and include the deferred payments.

Postpone the entire payment schedule for an agreed upon period, and defer the missed payments until the end of the loan, *but capitalize the missed interest payments*. This means the unpaid interest portion of the monthly payment is added to the outstanding loan principal each month, thereby increasing the total interest owed.

The payment schedule changes listed above generally do not require new loan paperwork.

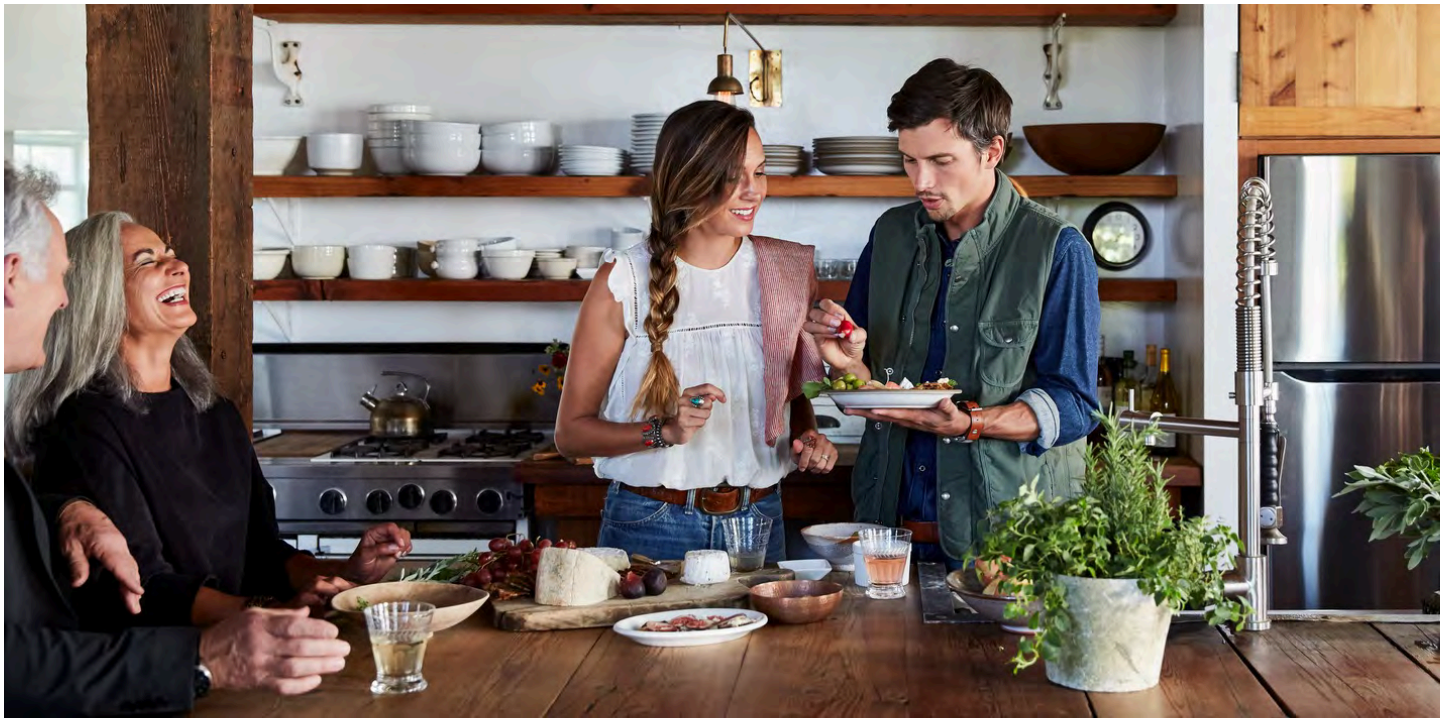
Other payment relief solutions can be accomplished with a simple amendment to the Promissory Note.

Such common amendments include:

Reduce the interest rate on the loan. (If allowable under the tax code.)

Convert your loan structure from fixed amortized payments (principal and interest) to interest-only payments.

**Please note, we do not allow a deferral of the Borrower's first payment date. Once the Borrower has made their initial, standard payment, you may implement a deferral of payments as described above.**



## Know How a Family Mortgage Can be a Win-Win

Being on the borrowing side of a Family Mortgage can bring as many questions as being on the lending side. To help you prepare for a conversation with your Lender, here are some tips for your consideration.

Your request for money might begin as an informal conversation, maybe even over the kitchen table. It might also be a phone call, where you bring up the idea and get an encouraging response. While the first contact for a private loan should be informal, soon after, you need to demonstrate to your Lender that you have what it takes to be a good investment. The best way to do this is to make a plan with your Lender to formalize the loan.

Be ready to show your potential Lender how National Family Mortgage ® can manage the Family Mortgage process to make it as easy as possible for everyone. Your potential Lender is more likely to seriously consider your request if you can alleviate their two greatest concerns:

(1) The the loan will jeopardize your relationship.
(2) The money might be lost.

Refer to this guide to show how a Family Mortgage can be a win-win for your family.

## Know How a Family Mortgage Can Benefit Your Lender

In previous pages of this guide, we have described several ways that a Family Mortgage can benefit Lenders. Make sure you explain these benefits to your Lender.  In summary, these are:

• Tax protection

• Higher yields than other investments

• Relationship protection

• Money remains in the family

• A steady stream of income from an investment that is secured by real estate

## Be Prepared to Respond to Lender Questions and Concerns

Your potential Lender may understandably have several questions and concerns about structuring a Family Mortgage. Some concerns may be personal, other concerns may be financial. We hope this guide will serve as a valuable resource to help families evaluate the pros and cons of a Family Mortgage and empower families to make an informed decision about our solutions.

Many Lenders are concerned about committing their money to a long-term mortgage arrangement. This concern can frequently be addressed when structuring your loan. Historically, most US home buyers move within 10 years, but families should establish clear loan terms from the beginning.

One potential loan structure is to amortize the loan over a long-term period, like 30 years, but establish a "Balloon" provision that requires the Borrower to pay-off the loan within a shorter time frame. Meaning, the Borrower's monthly payment is based on a 30 year payment schedule, but when the Balloon marker on the schedule is reached, the Borrower must pay-off the outstanding loan balance in full.

Some families will implement the Balloon at year 3 of the loan, or year 5 of the loan, or at year 10; it's entirely up to you. This loan structure gives the Borrower the flexibility of a long-term payment schedule, while setting a clear expectation that when the Balloon date is reached, the loan is over. Generally, this means the Borrower is expected to sell the home by the Balloon date or refinance the mortgage out of the family loan and into an institutional product with a bank. Of course, if your Lender is willing to do it, you can also structure a new Family Mortgage at any time.

The Lender may also incorporate a "Demand Clause" into your Promissory Note, which grants them the power to demand full repayment of the loan within 60, 90, or 120 days.

The following pages of this guide provide many more tips and considerations on possible loan structures.

## Know How a Family Mortgage Can Benefit You

In previous pages of this guide, we also described several ways that a Family Mortgage can benefit Borrowers. Since your Lender is most likely interested in helping you, too, make sure you explain how a Family Mortgage will help you. In summary, these benefits include:

- A better interest rate
- Tax deductible interest
- Low feest
- Less red-tape

If you're interested in claiming the home loan interest deduction on your annual tax return, we can't emphasize enough how important it is to secure your loan with a Deed of Trust / Mortgage / Security Deed that has been properly recorded with your local government authority!

**Q: I'm making a loan to my relative to help them refinance a bank mortgage. Can't I just download a free promissory note from the internet?**

A: Sure you can! But, this is a risky choice. If you use a simple promissory note, you and your relative will need to do several things on your own to ensure that you minimize financial risk, maximize tax benefits, and avoid the emotional pitfalls of lending money to family members.

Create a state and county approved Deed of Trust / Mortgage / Security Deed agreement — not just a promissory note.

Record the Deed of Trust / Mortgage / Security Deed with the proper local government authority.

Manage the repayment plan, including: tracking interest payments, recalculating the Borrower's payment schedule to accommodate missed payments, late payments, and partial payments, or pre-payments, and preparing year-end tax data.

If a Lender wants to write off a defaulted loan or mortgage as bad debt, they must demonstrate to the IRS that the loan was properly documented, that the loan was legitimate, and enforcement of the loan terms was real.

Professional documentation and loan management with monthly statements, electronic payment processing, online account access, and annual IRS tax forms reduces the risk and stress of managing a complex transaction on your own.

Professional, third-party involvement helps demonstrate to the IRS that your transaction is a legitimate loan transaction. At the very least, third-party loan management provides a buffer between relatives, protects relationships, and keeps the transaction business-like.

**Q: Do we really have to keep track of and report the Lender's interest income?**

A: Yes — if the loan is over $10K, Lenders are legally required to report earning interest on their loan at an interest rate that meets or exceeds the proper IRS Applicable Federal Rate in effect at the time the loan is made.

**Q: We're concerned that the IRS Applicable Federal Rate is rising. Is there a way for us to lock in the current IRS Applicable Federal Rate now?**

A: When it comes to cash loans, the IRS requires the loan parties meet or exceed the proper IRS Applicable Federal Rate in effect at the time the loan occurs. Unfortunately, there is no way to lock in the Applicable Federal Rate.

**Q: Why does it matter that we record the mortgage with public authorities?**

A: If the Borrower wants to claim the home loan interest deduction from their annual IRS tax return, the mortgage must be recorded with the proper local government authority. Individual Borrowers are not legally entitled to claim an interest deduction on unsecured, simple Promissory Notes — even if the loan was used to purchase real estate.

**Q: What if the Lender or Borrower dies during the course of the Loan?**

A: If the Lender dies during the course of the loan, the statutory default will require the Borrower to repay the Lender's estate according to the original agreed upon terms of the loan. Lenders should consider updating their estate planning documents to include any explicit wishes or expectations for the debt following their death.

If the Borrower dies during the course of the loan, the statutory default still requires their estate to repay the loan at the agreed upon terms.

**Q: Can a Lender forgive an outstanding loan balance upon their death?**

A: Some families, under the guidance of their attorney, financial advisor, or trusted tax professional, will add an Addendum to our Promissory Note, which forgives the Borrower's debt following the Lender's death. This type of loan provision is generally referred to as a "self-cancellation clause." In practice, the self-cancellation clause removes the Family Mortgage asset from the deceased Lender's estate for estate tax purposes and is not subject to gift tax. However, the IRS has a history of scrutinizing self-canceling debts on a case by case basis, including, the age and general health of the Lender at the time of the loan. Please proceed with caution when considering the implementation of a self-cancellation provision with a Family Mortgage. As always, we strongly encourage all clients to discuss their individual, unique situation with their attorney, financial advisor, or trusted tax professional.

**Q: Will the Borrower's payment history be reported to the credit agencies?**

A: Unfortunately, right now, the credit agencies will not honor reporting data on intra-family loan payments. In short, as the majority of National Family Mortgage ® are between parents and their adult children, the credit agencies are concerned that such loans are inherently biased. The agencies are concerned that all of our clients would reap the credit building benefits of on-time payments, but if times get tough, the potential flexibility of a family loan could take effect. Presumably, if a Borrower loses their job, gets sick, or is dealing with another hardship, a family Lender will extend some kind of courtesy. This may include gifted payment, deferred payments, or a total restructuring of the loan. Obviously, an institutional lender would never be so understanding. The credit agencies fear National Family Mortgage ® clients would exploit a one-way credit building opportunity, with no penalties for late or missed payments.

**Q: What about a real estate appraisal, Lender’s title insurance, or monthly escrow of taxes and insurance?**

A: While we will never discourage our Lenders from taking any additional precautions that may help safeguard their investment, truthfully, most of our Lenders do not require such “institutional” underwriting practices as a condition of their loan.

If the Lender is familiar with their Borrower’s housing market usually our Lenders forgo an appraisal of the Borrower's property.

Assuming the Borrower already has an Owner's title insurance policy, most of our Lenders will forgo a separate Lender’s title insurance policy. In the unlikely event of a title claim, presumably the Borrower will use the proceeds from their Owner's policy to pay back the Family Mortgage. Lenders who are interested in Lender's title insurance should contact a local real estate attorney, title company, or escrow company for more information on purchasing Lender's coverage.

Assuming the Borrower is responsible enough to make their mortgage payment each month, presumably, they are also responsible enough to budget for their annual property taxes and home owner’s insurance. However, if an escrow component of taxes and insurance is important to you, our Loan Servicing partner, FCI Lender Services, can add monthly collection and payment of these fees to the Borrower's account.

FCI Lender Services will collect and hold monthly tax / insurance proceeds in a trust account and disburse the scheduled payments to the respective authority as required. There is a one-time escrow analysis fee of $175 and a $17.50 monthly fee above and beyond the standard monthly Loans Servicing fees as outlined on Page 8 of this guide.

**Q: How do we release the Deed of Trust / Mortgage / Security Deed on the property once the loan is over?**

A: Most of our clients pay off their loan through the sale of their property. Typically, the closing attorney, title company, or escrow company that conducts the settlement on the sale of the property, will also prepare and file the lien release for the Family Mortgage.

Additionally, our Loan Servicing partner, FCI Lender Services, can prepare and file the lien release as part of closing out the family's Loan Servicing account (with the exception of properties located in Colorado.

National Family Mortgage ® does not generate or file lien releases or assignments.

**Q: How does the Loan Servicing work?**

Our Loan Servicing partner, FCI Lender Services, will send monthly email statements to both the Borrower and Lender. On the first of each month, FCI will collect the Borrower's payment through an ACH pull from whatever bank account the Borrower chooses. The standard ACH clearing period of the payment is 3 - 4 business days and an ACH deposit is made to the bank account of the Lender's choice. Both parties have online account access, there are no prepayment penalties, and both parties will receive formal, annual IRS tax documents. The Borrower receives a 1098 tax form, used to claim the popular home loan interest deduction. The Lender receives an INT-1099, used to report the earned interest income on the loan.

The Loan Servicing is "all or nothing." Meaning, you can't just sign up for the annual tax forms. The whole platform is an automated software process which includes managing the monthly payment. Pricing for this optional Loan Servicing can be found on Page 8 of this guide.

**Q: What are the mechanics should the Lender wish to extend the Borrower an annual financial gift?**

There are two ways Lenders may choose to manage annual gifting to their Borrower:

**Make a cash gift.** The Lender makes a cash gift of up to $15K per person, with the informal expectation that the gift will be used as a principal pre-payment on the loan. The Borrower can then either mail our Loan Servicing partner, FCI Lender Services, a check for the amount of the gift, or log into their online account with FCI and authorize a larger one-time draft from their bank account on the Borrower's next standard payment date. Since there are no prepayments penalties on the loan, it doesn't cost anything to manage the gifting this way. The principal pre-payment will be credited to the Lender and all of the accounting on the loan will be updated appropriately.

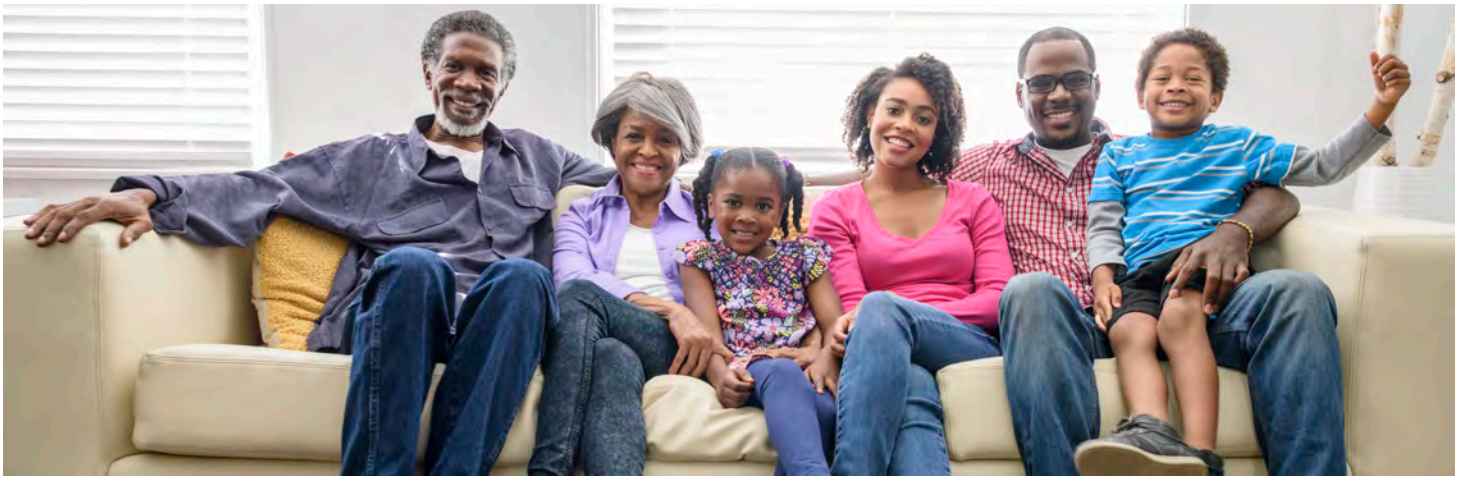
**Authorize a principal reduction**. In lieu of giving the Borrower a cash gift, the Lender may simply elect to use their annual IRS $15K per person gift exclusion in the form of a principal reduction on the loan. This will require the Lender to send our Loan Servicing partner, FCI Lender Services, written authorization to reduce the loan balance by whatever amount the Lender wishes choose. While this approach ultimately has the same net-effect of a Borrower making a principal prepayment, technically speaking, it's considered a Lender approved reduction. Therefore, FCI will charge the Lender $55 to implement the principal reduction and update the account. Lenders should also memorialize their decision to exercise their annual gift in this way with a gift letter to the Borrower.

Conservative advisors always suggest families memorialize financial gifts in writing and maintain records of such transactions as other important legal and tax documents. We encourage all families to discuss their individual gift strategy and potential estate planning and tax considerations with their attorney, financial advisor, estate planner, or trusted tax professional.

**Q: Can a Family Mortgage be crowd funded by multiple relatives?**

A: Neither our Win-Win Mortgage ®, nor our Gift Mortgage ® can support multiple Lenders beyond Lender #1 and Lender #2, who are typically a married couple. Clients who wish to crowd-fund fund their Family Mortgage with pooled contributions from multiple Lenders (i.e., multiple households) such as Parents, Aunts/Uncles, and Siblings, will need to structure multiple Family Mortgages as 1st, 2nd, or 3rd position liens. For example, imagine your Mother and Father wish to lend you $75K, and your Aunt and Uncle wish to lend you $50K. We could generate a primary Family Mortgage for Mom and Dad, and a secondary Family Mortgage for the Aunt and Uncle.

Alternatively, some families, with advanced estate planning resources, will lend through a Family Trust. The Family Trust may include several extended family members, even multiple generations, who behind the scenes are Beneficiaries or Members of the group. Please consult your trusted estate planner or attorney to learn more about if creating such an investment vehicle is appropriate for you.



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

Borrowing and Lending money with relatives can be a stressful experience.

However, the source of such stress is usually a lack of setting clear expectations between the parties, and anxieties over the collection / repayment process of the loan.

When Family Loans are managed properly and professionally, the experience can be a positive win-win for both sides.

National Family Mortgage ® has successfully helped thousands of families 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.

Most importantly, we would absolutely love to help you!

NATIONAL Family Mortgage®

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

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