



A Guide to **Family Mortgages***

The smart way to manage mortgage loans between family members.

* For Residential Real Estate Agents



At a Glance

Loans funded to date: Over \$1,000,000,000

Smallest loan to date: \$11,100

Total interest kept in families: Over \$500,000,000

Largest loan to date: \$3,225,000

We are not a bank. We are not doing business as anyone's attorney, financial advisor, or accountant. (Although, we love working with 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 front page 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, tax, and personal consequences that can occur when family real estate loans and financial gifts are documented improperly — or not documented at all.

Mortgage Loans That Fit Your Clients

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 sometimes, even 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, knowing their money is secured by a registered mortgage lien. 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. Other families use National Family Mortgage® to protect family wealth in the event of a Borrower's death or divorce.

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 own 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, how we do it, and how we might help your clients!

How it Works — Primary Financing / Making an Offer

The Offer (Why Your Client is 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.**

As the buyer's real estate agent, you 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.

***If the home buyer has already, accidentally presented a "cash offer" to the seller, please call us. In most cases we can easily clarify the situation with the closing attorney, title company, or escrow company that will handle the Borrower's real estate closing.**

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 Mortgage / Deed of Trust / Security Deed, executed at closing, as 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 — In 10 Steps



How it Works (In 10 Steps)



1

Lender/Borrower reads our Free Guide (Especially our Standards)



2

Lender or Borrower submits their Online Application to us



3

We will call the family to confirm receipt of their Application and to answer their questions



4

We will call the Borrower's settlement agent to quickly introduce ourselves, explain our role in helping the buyer, and to answer any of their questions



5

Within 7 business days of submitting the Online Application, we will email the family a comprehensive document package for review and approval



6

After the family has reviewed and approved the documents, they are copied on an email document package to the settlement agent. We will coordinate the execution and government recording of the Family Mortgage with the settlement agent



7

Lender disburses the loan directly to the settlement agent's client escrow account



8

Borrower signs Family Mortgage documents at their real estate closing with the settlement agent and becomes a home owner!



9

Celebrate!!!



10

Optional Loan Servicing keeps things business-like, protects relationships, and prevents tax problems



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)