



A Guide to Family Mortgages*

The smart way to manage mortgage loans between family members.

* For Residential Real Estate Agents

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We support intra-family home purchase loans in the following US states:

Alabama, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois*, Indiana, Kentucky, Louisiana, Massachusetts, Maine, Maryland, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin.

* If your client wishes to structure a loan and the subject property is located in Cook County, Kane County, Peoria County, or Will County, unfortunately, we cannot help them.

This abbreviated guide for real estate agents is designed to answer the most common questions we receive from agents. For more comprehensive details, including pricing and product limitations, please visit our website and download our 37 page, consumer Family Mortgage Guide. Your clients need to read it!

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.

About Us

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, National Family Mortgage® products have helped thousands of families across the US lend over **\$1 Billion** in home loans between relatives, while keeping over **\$500 Million** of interest within families. 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 always be documented. A National Family Mortgage® helps minimize the legal, tax, and personal consequences that can occur when family real estate loans and financial gifts are handled informally — or not documented at all.

Mortgage Loans That Fit Your Clients

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

A National Family Mortgage® can provide the legal structure and tax benefits of a bank mortgage with an unmatched flexibility that fosters a true win-win transaction for the entire family.

Hopefully, this guide will give you a clear understanding about what we do, how we do it, and how we might help your clients!

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

 **NATIONAL
Family Mortgage®**

 **USA TODAY | Money**

**BLACK
ENTERPRISE**



Mortgage Pre-Approval Letter

Mortgage Pre-Approval / Commitment Letter

As you know, 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 the lender; your transaction is entirely underwritten by the family member, usually your buyer's parents, making the loan. 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 pre-approval or commitment letter through one of two methods:

1. The Lender drafts a simple letter confirming their commitment to finance the Buyer through a private mortgage. (Sometimes, it can be helpful for the Lender to attach a financial statement to the letter, verifying proof of funds and their 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 listing agent involved in the transaction requires 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. We are lending our son our own money. In lieu of gifting our son the purchase funds, the loan will be secured with a Promissory Note and Mortgage between us. These loan documents will be emailed to the settlement agent and executed at the real estate closing. We will wire the loan funds directly to the settlement agent per their instructions. Please see attached financial statement verifying our proof of funds and our ability to make the loan.

Very truly yours,
Mr. & Mrs. John Example

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 National 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 National 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 - there will be loans documents sent to settlement.

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 the Family Mortgage documentation, it must be emailed 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 you have already, accidentally presented a "cash offer" to the seller, please call us. In most cases we can work with you to easily clarify the situation with the closing attorney, title company, or escrow company that will handle the Borrower's real estate closing. At worst, the settlement agent may require an amendment to the purchase offer.**

**** If the subject property is in Texas, we require the Borrower's real estate closing must be conducted by either a Texas law firm or a Fee Attorney. A Fee Attorney refers to a lawyer who has entered into a contractual relationship with a title insurance company, or who serves as an agent of a title insurance company, to close real estate transactions on its behalf in exchange for a portion of the title insurance premium.**

How it Works — In 10 Steps



Always invest in family.®

How it Works (In 10 Steps)



1

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



2

Lender/Borrower submits their Online Setup Form and one-time setup fee to create their documents



3

We will call the family to confirm receipt of their Online Setup Form and to answer their questions



4

We will call the Borrower's settlement agent to introduce ourselves, explain our business model, and to answer any of their questions.



5

Within 7 business days of submitting the Online Setup Form, we will email the family their comprehensive Loan Documents for their review and approval, including their Optional Loan Servicing Setup Forms.



6



7



8



9



10

After the family has reviewed and approved their Loan Documents, the documents are emailed to the Borrower's settlement agent. The settlement agent will oversee the execution and government recording of your Family Mortgage.

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

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

Everyone celebrates!!!

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



NATIONAL
Family Mortgage®

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

Physical Address: 300 Baker Avenue, Suite 300, Concord, MA 01742

Secure Mailing Address: 35 Beharrell Street #1451, 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)