



The smart way to manage real estate loans between family members.

Family Mortgages for Financial Advisors:

How Advisors Use Intrafamily Mortgage Solutions to Protect Wealth, Families, & Client Relationships



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National Family Mortgage ® – A Tool Advisors Can Trust

Families increasingly turn to each other for financial support. Whether it's helping adult children buy a home, spreading capital gains tax liability on a family sale, or unlocking home equity, *intrafamily mortgages* are a powerful planning tool when structured correctly.

But, poorly documented or informal loans can create serious tax, estate, and relationship issues — issues advisors spend years helping clients avoid. A properly documented family mortgage helps your clients:

- **Preserve wealth within the family**
- **Avoid IRS imputed interest and gift tax scrutiny**
- **Protect relationships from ambiguity and regret**
- **Build clear, enforceable expectations between family members**

This guide gives you a professional lens on the tool your clients may already be contemplating — and a framework for using it responsibly within a holistic plan.

With National Family Mortgage ®, families avoid the tax, legal, and relationship risks that come with undocumented loans, unrecorded liens, improvised deals, and gift regret.

Since 2010, we've helped thousands of families nationwide document and manage billions in family mortgages. Even better, our family loan default rate has always been under 1%.

Our work — and the success of our clients — has been featured in **The Wall Street Journal**, **The New York Times**, **Consumer Reports**, **Kiplinger**, **ABC News**, as well as by **Michael Kitces**, the late, great **Jonathan Clements** and other respected publishers.

We're here to make family mortgage lending safe, simple, and successful.



National Family Mortgage ® reflects Founder and CEO Timothy Burke's long-standing commitment to helping families build, protect, and transfer wealth. Burke began his career in family lending at CircleLending, the peer-to-peer pioneer that launched the model in 2001. After CircleLending's 2007 acquisition by Sir Richard Branson and rebrand as Virgin Money USA, Burke helped carry the vision forward. When the Great Recession led Virgin to exit the U.S. market in 2010, Burke continued the mission by founding National Family Mortgage ®.

As Featured By



Why Advisors Encounter Family Mortgage Needs

Clients come to you for *solutions* — not legal forms. Yet intrafamily lending situations arise along familiar planning vectors:

- **Homeownership Support**
Parents helping adult children overcome barriers in a high-cost market
- **Estate and Wealth Transfer**
A way to transfer value while preserving future flexibility
- **Tax Planning Execution**
Structuring support without unintended gift/estate tax consequences
- **Cash Flow Management**
For retirees needing liquidity but retaining home ownership

These scenarios are common, impactful, and — if handled informally — risky. Your clients trust you to manage not only financial outcomes, but *relationships* and *fiduciary risk*. Advising thoughtfully on family mortgages enhances that trust.

What Happens When Family Loans Are Informal?

For advisors, informal family loans often surface only after damage has been done — and create avoidable fiduciary, tax, and relationship risk.

It's human to think "it's just family" — but the IRS and courts treat *money transfers* based on substance, not intent. Improperly documented or informally managed loans commonly create:

1) **Gift Regret & Divorce Exposure**

Outright gifts permanently remove assets from a client's balance sheet and may become marital property. In the event of an adult child's divorce, gifted funds can be irretrievably transferred outside the family. A properly documented intrafamily mortgage preserves lender control, repayment rights, and estate flexibility — allowing parents to help responsibly without surrendering long-term protection.

2) **IRS Imputed Interest Liability**

When a loan doesn't meet the IRS *Applicable Federal Rate (AFR)* minimum, the IRS can tax *imputed* interest on behalf of the lender, even if no payments were made.

2) **Gift Tax Exposure**

Lending without formal terms can be recharacterized as a gift, triggering gift return filing requirements or gift tax exposure.

3) **Estate Settlement Confusion**

Informal arrangements complicate probate and estate administration, often slowing settlement and inviting disputes.

These aren't abstract concerns — they are **real risk vectors** in tax, estate, and fiduciary outcomes.

Why Properly Structured Family Mortgages Work



A structured family mortgage aligns with both legal and financial planning priorities:

✓ **Clear Debtor–Creditor Relationship**

Documentation (Promissory Note, Mortgage / Deed of Trust / Security Deed) creates enforceability and compliance.

✓ **IRS Compliant Interest Terms (Applicable Federal Rate)**

Charging at least the appropriate IRS AFR prevents imputed interest and gift characterization. As an advisor, it's essential your client understands not just the *existence* of AFR — but its *planning role*. Correct application can preserve both tax and fiduciary integrity.

Even well-intentioned families — and their advisors — frequently discover AFR violations years later — during audits, estate settlement, or amended returns — when correction is no longer simple or inexpensive.

✓ **Predictable Cash Flow**

Lenders receive a steady income stream; borrowers have clear payment expectations.

✓ **Relationship Preservation**

Neutral, formal expectations minimize ambiguity and future conflict.

This isn't just paperwork — it's *planning protection*. It turns good intentions into reliable outcomes.

The Four Core Use Cases (Advisor Lens)

Use cases vary, but the planning logic is consistent: protect wealth, relationships, and fiduciary integrity.



Helping Clients Purchase a Home

Parents help adult children with primary or secondary financing. **Advisor focus:** ensure documentation avoids mistaken gifts and supports borrower tax deductibility.



Buying a Relative's Home (Seller Financing)

Intra-family sales unwind institutional leverage and can spread capital gains tax liability over time. **Advisor focus:** ensure tax deferral is deliberate, documented, and integrated with estate planning goals.



Refinancing Out of an Institutional Mortgage

Cash-out or rate relief with family funds can improve cash flow efficiently. **Advisor focus:** manage subordinate lien risk and IRS compliance.



Borrowing Home Equity

Clients may unlock liquidity without selling. **Advisor focus:** subordinate lien structuring and payment expectations.

For each use case discussed above, the associated icon links to comprehensive consumer guides that answer detailed:

- qualification standards (*geographic restrictions, residential properties only, etc.*)
- structural options (*amortized, amortized with balloon, interest-only*)
- process steps (*never support loans after-the-fact, etc.*)
- cost breakdown (*one-time setup fee up to \$1,875 – loan servicing fees based on loan size*)
- FAQs

Your clients *must read their applicable guide in full* before getting started with is — and you can also reference each guide as definitive educational resources.

The Compensation & Asset Under Management Question

Some advisors hesitate to recommend family loans because of:

- **Perceived AUM reduction**
- **Fear of “lost” assets**
- **Uncertainty about how to manage the loan’s financial reporting**

Here’s a reframing that works in practice:

Family Loans Are Not Zero-Sum to AUM

- You are not *managing a security* — you are *structuring an outcome*.
- Clients still need your expertise in planning, allocation, and long-term strategy.



Loan Servicing Preserves Reporting Integrity

Professional servicing (e.g., powered by FCI Lender Services) offers:

- Monthly account statements
- Tax forms (1098/1099)
- Activity reporting
- **Optional API integration with advisor dashboards**

This meets both:

- Client expectations for clarity
- Advisor needs for reporting continuity and compensation attribution

This Strengthens Client Relationships

When you guide family mortgage decisions responsibly, you:

- meet your fiduciary responsibilities
- help families avoid common mistakes
- enhance trust across generations
- create opportunities for ongoing engagement



For many families, a properly structured and serviced intrafamily mortgage represents a conservative, income-producing allocation secured by residential real estate — with returns that compare favorably to other fixed-income alternatives while keeping capital within the family.

Why Advisors Choose National Family Mortgage ®

	National Family Mortgage ®	LoanBack	Namma	Venmo	Zelle	Zirtue	ZimpleMoney	AI or "Free" Legal Doc Websites
State & county specific Mortgage lien, Deed of Trust, Security Deed documentation	✓	✗	✗	✗	✗	✗	✗	?
Coordination of details with Borrower's settlement agent. Lien recording at RE closing	✓	✗	✗	✗	✗	✗	✗	✗
Tax-deductible home mortgage loan products	✓	✗	✗	✗	✗	✗	✗	?
Licensed, third-party, federal/state Dodd-Frank Act compliant national mortgage loan servicing solution*	✓	✗	✗	✗	✗	✗	✗	✗
Year-end 1098 & INT-1099 IRS tax forms & IRS reporting solutions*	✓	✗	✗	✗	✗	✗	✗	✗
Payoff statements & national lien release solution*	✓	✗	✗	✗	✗	✗	✗	✗

(* Except in Colorado, where local title agents or real estate attorneys usually handle lien releases.)

The Smart way to Manage Mortgage Loans Between Family Members

Since 2010, National Family Mortgage ® has successfully helped thousands of families across the US lend billions in home loans between relatives.

Every National Family Mortgage ® begins with trust and ends with opportunity.

National Family Mortgage provides documentation and servicing infrastructure that allows advisors to support intrafamily lending decisions with enforceable loan terms, clear tax treatment, predictable settlement execution, and ongoing reporting — without requiring advisors to underwrite, administer, or manage the loan.