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Trust Deed Investing 101

“CrowdFunding with your trusted crowd”

CrowdTrustDeed provides an online marketplace for Trust Deed investors. Investors can research, pledge and buy and sell sponsored Trust Deeds, including fractional interests, while enjoying a simplified and efficient real-time investing experience. This transactional social website enables registered investors to build a portfolio of high yield current monthly income California Trust Deeds and facilitates self-syndication and investing with “Your Trusted Crowd.”

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My Trust Deed Paid Off, Now What?

Many times as a Trust Deed Investor, we feel relieved and yet concerned when we receive a payoff demand for a Trust Deed we have invested in. We have enjoyed the high yield current income during the investments tenure and feel like we made a good investment. When the borrower pays off a Trust Deed (typically Trust Deed Investments last 1-5 years), a Trust Deed Investor now has to go out and replace that current monthly income. What is the best practice for quickly finding a new, well underwritten Trust Deed Investment? Here are some thoughts on the old way and a new way to find, research and purchase a Trust Deed:



Old Way:

1. Develop a list of Trust Deed providers and visit their stale online brochures, out of date website Trust Deed Availability page or email
2. Email or Call your Trust Deed provider to see what they have available or what they have “in the works”.
3. Start smiling and dialing to find new Trust Deed sources

New Way:

1. Visit Mortgage Vintage's www.CrowdTrustDeed.com and find the finest California Trust Deeds from multiple providers
2. Conduct due diligence online and receive all the information required to make an informed investment decision
3. Pledge online, real-time and enjoy the transparency in knowing exactly your investment's status
4. Be Social and Invest with “Your Trusted Crowd” of 10 or less equally minded investors

CrowdTrustDeed, the simplest most efficient way to buy and sell California Trust Deeds, launched on January 1, 2015 and is off to an extremely successful start. Here are some relevant statistics that will encourage you to register at CrowdTrustDeed:

- Launched – Jan 1, 2015
- Total Trust Deeds Listed - \$11,434,150
- Number of Trust Deeds Listed – 23
- Total Trust Deed Investments - \$5,704,000
- Total Number of Individual Fractional Investments – 34
- Registered Users – 111

Don't Be Duped: A “Secure Investment” vs. a Secured Investment

The man in the video snip on the right, Michael Sterling, looks professional and sounded like the CEO of a reputable Secure Investment, Inc. which purportedly was a currency trading firm. Unfortunately for the Duped investors, this man was a paid actor and the company a fraud. One day the website said that investors were earning 1% daily and the next day, the website went offline. It never returned. Neither did the investors \$1 Billion investments based on data posted on Secure's website and viewed by Bloomberg Markets two months before the site shut down. Secure Investment lured customers by creating its own good reputation and by publishing a seemingly successful trading record on its elaborate website. It was all a lie. The company's claims to have offices and a large staff were also false. At least some of its so-called customer testimonials were actually delivered by actors. Ironically, the most common search sending traffic to Secure was the phrase “secure investment.”



We have all heard of Scams like Secure Investment above, Bernie Madoff and Ponzi Schemes. As Real Estate and Wall Street Investors, we all try to make the most educated decisions possible. Sometimes we go for the grand slam yield and other times we want to just hit a single and make solid returns. Years ago I made an Angel Funding investment in a Social Media website startup before Facebook and lost 80% of my investment. The company had a great idea but executed poorly. I knew the investment was risky and I accepted the limited exit strategies if the company did not acquire additional financing or substantially grow its revenue. Clearly my poor investment was not secure or secured. Avoiding elaborate scams and frauds can be avoided through due diligence, research, verifications, references and common sense. The old saying is, “If it sounds too good to be true, it probably is”.

Moving on from Scams and Fraud, today's Blog also highlights the important difference between a legitimate yet misrepresented “Secure Investment” which might be hyped by a Seller, company or syndicator and a “Secured Investment.” For us in our Trust Deed world, Real Estate Advertising regulations prohibit the use of the word “secure” in our offering descriptions.

The main issue to remember is that “Secure” is an adjective that describes the investment. “Secure” is defined by Dictionary.com as, “Sure; certain; assured”. Essentially, the word “Secure” is effectively someone's opinion. “Secured” on the other hand is a verb and is defined in Finance terms as, “to assure payment of a debt by pledging property. A “Secured” investment means that the investment has valuable collateral available to support and reimburse the investment.

Knowing an investments “security interest” is paramount to recovering capital should something go wrong. When the company does well, or investment performs or the borrower pays, all is good. But what happens when things go wrong? Sometimes syndicators or companies or managers are well intentioned, however they do not anticipate a market turn. Understanding the structure of the company and the licensing or exemption of the offering provides insight into the potential liquidity and remedies should a default or payment hiccup occur. The table on the next page discusses different kinds of investment structures, collateral, remedies and questions to ask to avoid being duped. All collateral is not created equal. Some investments are touted as being “secure” when in fact the collateral is only worth the value of the paper that someone else is willing to buy. Here are some sample investments as related to their “secure” or “secured” nature:

Investment	Security Document	Collateral	What happens if something goes wrong?	Questions to ask to avoid being Duped
Stocks, Bonds, REITS, Master Limited Partnerships	Shares in the publicly traded Entity typically represented by a Certificate (Virtual or Paper)	Equity or Debt interest in a Publicly Traded Company	A Wall St. instrument investment is typically liquid and the shares/positions can be traded however the severe price drop typically happens before a retail investor can react	Off balance sheet items? Insider trading? Macro and micro economic factors affecting the investment? Technology and Internet impact on the business model? Competitive advantage? Think of what will happen to Swiss Watch makers when the iWatch hits the shelves
Typical Real Estate Equity/Debt CrowdFund Site	Borrower Dependent Promissory Note	Interest in the Company providing the Note and the underlying borrower payment stream	Company is responsible to go after the borrower and property. Distributions to the lender stop until payments resume or a liquidity event	Audited Financials? Loan to Value? Protective Equity? Borrower strength? Company cash flow and reserves? Company experience with defaults? Judicial or Non Judicial foreclosure state? Rogue investors
General Partnerships, Limited Partnerships, LLC's, Private Placements	Membership Certificate	Pro-Rata Membership interest in the Entity and its assets	Managing Partner or Member manages default, workout or liquidation on behalf of members/partners	Who is the Managing Partner/Servicer/Member? Experience level? Cash reserves? Adherence to Prospectus? Business Model resilience? Rogue investors as partners?
Trust Deeds	Recorded Trust Deed	Real Estate	Foreclose and rent or sell the Real Estate	Loan to Value ratio?, Ability to pay? Exit strategy? FICO? Borrower character and experience? Debt Coverage Ratio? Master Servicer experience?

The Cloud Meets the Crowd at CrowdTrustDeed

Happy New Year. Mortgage Vintage and CrowdTrustDeed had an amazing 2014 and I want to thank each and every one of you for your support, interest, investments and confidence this past year.

I hope you found this year's investment opportunities profitable, interesting and compelling. We welcome your input and invite you to contact us with any Trust Deed opportunities you feel might merit our consideration. We sincerely appreciate your referrals of new investors to our platform as well. We are only as strong as the sum of our parts and clearly you have played an integral role in our success to date.



2014 included a busy originating and investing year for Mortgage Vintage and the launch of the innovative CrowdTrustDeed Portal. I thought it might be helpful to start with a few highlights of where we (the platform) are since inception and in 2014:

- Number of Loans and Trust Deed Investments to date: **215**
- Total Original Loan Balances: **\$44,809,838**
- Number of different Investors/Lenders that have invested in a Trust Deed: **93**
- 2014 Statistics:
 - Money Distributed Back to Investors as monthly current income in 2014: **\$10,984,062**
 - **Average Loan to Value on 1st Trust Deeds: 61.30%**
 - **Average Loan to Value on 2nd Trust Deeds: 53.67%**
 - **Average Loan Term: 27 Months**
 - **Average Length of time between origination and payoff: 14 months**

Statistics aside, let me clarify the strategy for Mortgage Vintage and CrowdTrustDeed. Mortgage Vintage will continue to provide the finest hard money loan origination capabilities in the private money lending industry and CrowdTrustDeed will provide the simplest and most efficient way to buy and sell California Trust Deeds. Together, as a marketplace lending website platform, Mortgage Vintage and CrowdTrustDeed offer vetted and proven origination services for borrowers with a Cloud based collaborative investor workflow.

The platform seizes the opportunity to transform Trust Deed Investing from the clandestine telephone and email process to the online real-time, mobile, social, compliant and transparent paradigm. The CrowdTrustDeed investor portal incorporates marketplace capabilities and can sell many different sponsored Trust Deed Opportunities.

All loans to date have paid 100% of the expected capital and interest to the investor/lenders. We believe that the unique "curated" platform at Mortgage Vintage and CrowdTrustDeed facilitated this astounding performance. The Trust Deed opportunities we offer for sale meet guidelines and standards to be

considered for the platform. We focus on opportunities that can provide smart passive current income or cash flow to investors and these opportunities are curated internally by our team and service providers.

We know that investor confidence needs to be earned every day and we remain diligent to accelerate the number of investment opportunities we bring to investors – while maintaining the automated and non-automated underwriting criteria we think is essential for long term yield, performance, compliance, convenience.

We spent a good deal of time since the company's inception building out a robust technology platform to make it easy for borrowers to obtain rehab and other hard money loans simply and quickly. Prospective borrowers provide us with a few key parameters – the location of the property, the purchase price, the rehab budget, their own income & net worth, and a few other items – and our systems and networked providers ensure a fast quote, solid underwriting and expedited funding for a qualified fix and flip or fix and rent loan.

Borrowers receive a Term Sheet within 48 hours, and our underwriters promptly review the application and work with the borrowers to get any additional needed information. Our stated goal is to close these loans within 7-10 days of our receiving an independent Broker Price Opinion on the property – a fast timeline for our industry.

The strategy is working – as we have seen incredible growth over a number of years including 2014 and continue to scale our loan originations to meet real estate investor demand. We plan to continue offering similar current income producing, secured Hard Money Loans and Trust Deed opportunities in 2015.

On a final note, **thank you again for your continued interest and support.** And please do not hesitate to contact sandy@mortgagenvintage.com if there is any way we can help you. If you have been satisfied with Mortgage Vintage or CrowdTrustDeed to date, the best gift you could give us is a personal referral to another investor who may be able to benefit from our California Bridge loan and current income producing services.

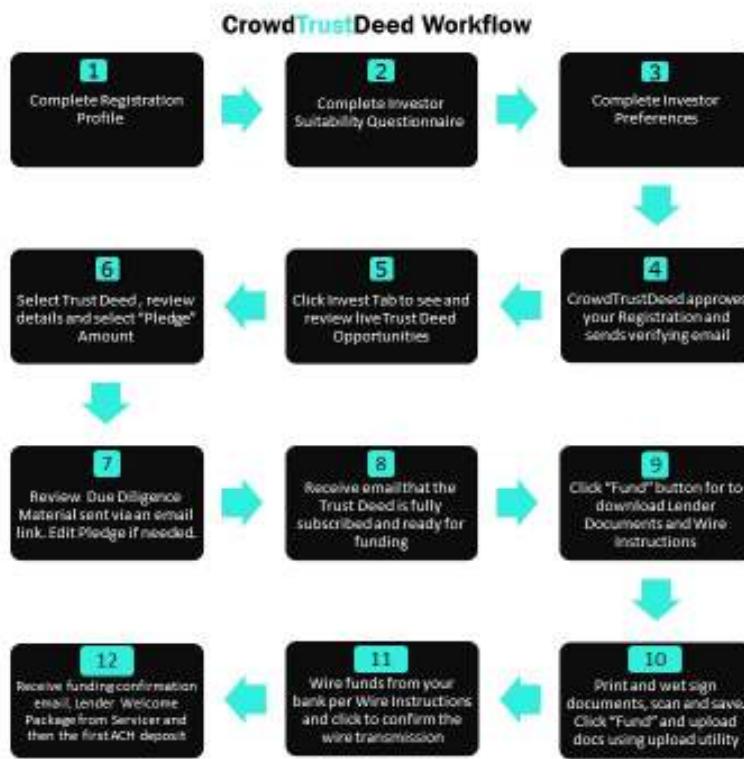
The 12 Days of Christmas and 12 Steps of Trust Deed Investing

The revelers sang “The 12 Days of Christmas” at our Holiday party the other night and our spirited late night rendition reminded me of the steps we need to take every day to get ready for Christmas Day. As my son reminds me every morning of how many days are left until Christmas, I realize the many shopping, hanging lights, sending card items I still need to accomplish. Instead of getting overwhelmed, I think about the 12 days of Christmas as a process and knock out tasks every day. If I start on the first day, I can ultimately feel prepared when Santa arrives. Just like the 12 Days of Christmas process, to get ahead, smart investors should leap into the 12 Steps of Trust Deed Investing.



The problem with Trust Deed investing today, whether a lender wants a single or a portfolio of Trust Deeds is that the buying and selling process is anchored in clandestine brochureware, phone calls and inaccurate email distribution lists. The traditional yet archane Trust Deed Investing “call us to invest” process remains opaque, time consuming and inefficient.

The new paradigm of Trust Deed Investing with Mortgage Vintage’s [CrowdTrustDeed](#) Marketplace embraces a simplified online 12 step process. To get the best yield and those 5 golden rings, Trust Deed Investors should capitalize on a new collaborative buying and selling Trust Deed marketplace. Like the 10 Lords a Leaping, an Investor can quickly leap through the new online realtime TrustDeed Investment process at CrowdTrustDeed. Trust Deed investors will earn more and save time, effort and risk while experiencing transparency, compliance and an enjoyable social experience.



CrowdFunding: Promise or Peril for Hard Money Lenders?

When one of our lenders recently moved their investment funds to Crowdfunding Trust Deed providers, I realized I better get up to speed on Crowdfunding. How will this new capital raising phenomenon impact the Hard Money Loan and Trust Deed investment business? How can a Hard Money Lender effectively CrowdFund? I will answer a few of these questions over my next few Blogs but for today I will discuss whether Crowdfunding offers Promise or Peril for Hard Money Lenders:



In October, 2013 Congress passed and the President signed the “Jobs Act” into law which authorized this new era in fund raising. Crowdfunding is, according to Forbes, the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. While Hard Money Lenders sell Trust Deed Investments over the Internet to multiple people, there is a wide chasm between today's traditional Hard Money Lender and the new breed of Real Estate debt Crowdfunding companies.

To effectively evaluate the Promise of Real Estate Debt Crowdfunding, the perspectives and benefits from the Borrower and Lender stakeholders need to be understood:

Real Estate Debt Crowdfunding Promise	Hard Money Loan Borrower Benefit	Hard Money Lender Benefit
Lower Cost of Funds to Borrower	Lower cost of funds to borrower make more projects viable and increases potential profits	Lenders enjoy 9% - 12% returns today. These yields may scale back if borrowers get lower rates
Transaction Transparency	Good for the borrower to divulge all of the aspects of the deal	Reduces fraud
Underwriting Transparency	Helps borrowers screen potential projects	Lenders love due diligence transparency and the ability to quickly determine their interest in funding a loan
Funds reliability	Certainty of funding eliminates a big headache for borrowers	Everybody knows the percentage of the funds raised for the loan
Online experience	Would like to know status of their loan real-time	Other lenders/friends involvement, social aspects of lending, loan/borrower/investor ratings
Lower investment entry cost to Lender	If more capital means lower rates, borrowers are all for it	More capital available to fund loans with lower entry costs to funding
Faster Funding	Beneficial in distressed acquisition and cash-out situations	As long as the due diligence is complete and compliance is met, no problem
Diversification	Loans for various property types	Lenders desire a diversified Trust Deed Portfolio to spread their risk