



# PRIVATE LENDING BUSINESS OPERATING MANUAL

Version 1.35

**STUDENT NAME:**

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**DATE:**

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## PRIVATE LENDING BUSINESS OPERATING MANUAL

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### Welcome

*Private Lending can be a very profitable and relatively safe venture. This manual was developed to help students from my Private Lending Mastery boot camp get “up and running” as soon as possible.*

*This workbook contains checklists, forms, procedures and scripts gathered from the course to help students.*

*My goal is that you use this information to increase your income and help you get closer to achieving your financial goals.*

*Never give up! Success can be just around the corner!*

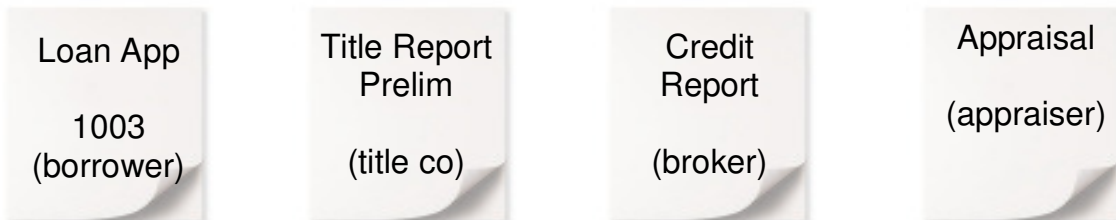
*Enjoy!*

*George Antone*



**CHECKLIST: EVERY LOAN FILE MUST CONTAIN**

**4 DOCUMENTS**  
**Plus Supporting Documentation**



**C.L.A.P.**

Credit Report (review with broker)  
Loan Application (review with broker)  
Appraisal (review with appraiser)  
Prelim (review with escrow agent)





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### My Team

*Use this to build your team. One easy way is to contact one or more hard money brokers and find out who they use.*

\_\_\_ I have met with THREE hard money brokers

\_\_\_ I have documented AT LEAST TWO hard money brokers' teams (ask the hard money broker who they use for the various services below)

Category	Name	Phone
Hard Money Broker 1		
Hard Money Broker 2		
Hard Money Broker 3		
Insurance Agent		
Creditor Bankruptcy Attorney		
Foreclosure Company		
Servicing Company		
Escrow Company		
Bookkeeper		
Accountant		
Real Estate Appraiser		
Real Estate Attorney		
Renovation Contractor		
Add your category here		
Add your category here		



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**CHECKLIST: My Policies**

- Always wire money directly to escrow company. Never send directly to broker or borrower.
- Always ask for appraisal & preliminary title report.
- Always get title insurance for every transaction.
- Always be on borrower's hazard insurance as loss payee.
- Always know which lien position you are.
- Always use a hard money broker
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



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**FORM: Craigslist Advertisement Posting**

*(Use this to track your marketing on Craigslist.com)*

**Category: Identify Craigslist Categories & Equivalent Abbreviation:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Location: Identify Craigslist Locations (Cities) & Equivalent Abbreviation:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Track calls you are receiving.**

**Use the Category and Locations abbreviation from above in the list above.**

Date	Category	Location	Number of Calls & Calls



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**FORM: My Underwriting Criteria**

*(Use this to document your underwriting criteria)*

**PROPERTY CRITERIA:**

Item	Value	Notes
Property Type	1 to 4 units	
Value Range		
OO or NOO		
State(s)		
Distance From My Office (approx)		
Prop Condition		
High End Property?	NO	
Neighborhood		

**OTHER CRITERIA:**

Item	Value	Notes
Loan Position		
Terms of Senior Loan (if any)		
LTV Ratio		





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**CHECKLIST: Closing The Loan Documentation**

Before funding the loan, review the following checklist.

**CHECKLIST**

- |  |   |
|--|---|
| <input type="checkbox"/> 1. Credit Report          | <input type="checkbox"/> 9. Request for Notice (CA)                                       |
| <input type="checkbox"/> 2. Promissory Note        | <input type="checkbox"/> 10. Loan Disclosures   |
| <input type="checkbox"/> 3. Deed of Trust          | <input type="checkbox"/> 11. Settlement Statement   |
| <input type="checkbox"/> 4. Escrow Instructions    | <input type="checkbox"/> 12. Appraisal  |
| <input type="checkbox"/> 5. Title Insurance Policy | <input type="checkbox"/> 13. Listing Agreement<br>(for sale)                              |
| <input type="checkbox"/> 6. Fire Insurance Policy  | <input type="checkbox"/> 14. Rental Agreements<br>(for income properties)                 |
| <input type="checkbox"/> 7. Title Report           | <input type="checkbox"/> 15. Senior Promissory Notes &<br>Trust Deeds (if in junior loan) |
| <input type="checkbox"/> 8. Loan Application       | <input type="checkbox"/> 16. Loan Status Verifications                                    |
|  | <input type="checkbox"/> 17. Condo CC&R (for condos)                                      |

- Loan Closing Co: \_\_\_\_\_  
(choose one: *escrow only*, *atty*, *title*, *other*)
- ☐ The closing agent reviewed and discussed the title report with me before closing.
- ☐ Title Report shows clear title and ability to encumber property
- ☐ Closing agent contacted all lenders for current status of loans.
- ☐ I have a list of all lenders against this property. This includes:
  - ☐ lender name
  - ☐ lender's address
  - ☐ loan number
  - ☐ interest rate
  - ☐ monthly loan payment
  - ☐ unpaid balance
  - ☐ maturity date
  - ☐ copy of promissory note



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- ☐ I have verified my loan position within title insurance and escrow instructions
- ☐ My promissory note has the following clauses:
  - ☐ “Due on Sale”
  - ☐ “Acceleration”
  - ☐ “Late Fees”
  - ☐ Date on promissory note and deed of trust (or mortgage) is same
- ☐ Closing agent has added me to the Fire Insurance as Loss Payee (“Request for Fire Policy Endorsement”)
- ☐ A “Request for Notice” for each beneficiary (of a fractionalized note) was recorded
- ☐ I have collected all executed Loan Disclosure documents (*TLA Regulation Z etc.*).
- ☐ I have received the BPO (*optional, but recommended*)
- ☐ I have received the “Property Profile” (*optional*)



**CHECKLIST: Six Ways To Capture Spreads\***

*For each strategy, write in explanation in space provided.*

1. Wrap Senior Loan
2. Borrow Against Your Trust Deed
3. Sell Your Trust Deed – Retain Spread Through Servicing
4. Joint Venture With Money Source (with joint agreement to servicing)
5. Borrow Secured (Against An Asset) And Lend Out
6. Borrow Unsecured And Lend Out

**\*Please pay attention how to do these in class. There are risks involved, and we discussed how to minimize risk in class.**



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**CHECKLIST: Loan Analysis**

Use this checklist right after someone calls you for a loan.

Grade the following 1 (low risk) to 5 (high risk)

Description	Grade
Loan to Value (low to high)	
Property Condition (good condition to run down)	
Borrower's Experience (experienced, novice)	
Borrower's Ability To Pay (Liquid assets, non-liquid)	
Term of Loan (short to long)	
Property Location (good to bad)	
Returns (high to low)	
Borrower willing to cross-collateralize (yes, no)	

Once completed, step back and look at the “big picture.” Remember, private lenders always make secure loans.

Loan Terms	#
Interest Rate	
Upfront Points	
Backend Points	
Length of Loan	
Yield (Calculate)	



## **CHECKLIST: AUTOMATING “FINDING BORROWERS” TASK**

*Use this checklist to start automating the “find borrower” task.  
You want borrowers coming to you.*

\_\_\_ I have asked at least one hard money broker to email me deals  
(individual trust deeds).

\_\_\_ I have tested my ad on craigslist, and I have hired someone to  
automatically place ads on craigslist for me on a regular basis. I have given  
this person the copy of the ad, and the locations (category and city) to place  
it in within craigslist.

\_\_\_ I have met the local real estate club(s) presidents and ask them to send  
leads to me. I have also asked them (or someone) to give out my flyer at all  
their events.

\_\_\_ I let everyone I meet know what I do (private lending) and give them a  
business card that specifically says “Private Lender.”

\_\_\_ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*In the PLM Business Mastery, we expand this a LOT more.*





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**FORM: COMPARING OTHER PEOPLES MONEY (“OPM”)**

Use this if you are borrowing OPM.

Description (Source)	#
OPM Interest Rate	
OPM Loan Constant Rate	
OPM Length of Loan	

*This is the money you are borrowing to lend out*

Description (Destination)	#
Destination Interest Rate	
Destination Loan Constant Rate	
Destination Length of Loan	

*This is the money you are lending out to borrower*

Compare the interest rates, loan constants and length of loan between source and destination loans.



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**FORM: Tracking Payments**

*Use this form to track payments received. It is highly recommended  
you photocopy checks you receive. You want to have a record of when payments were  
received.*

Borrower:

Address:

Phone Number:

Loan Amount:

Payment Amount:

Loan Number:

Closing Date:

Term (length):

Maturity Date:

Late Fee (\_\_\_% ):

Payment #	Due Date	Date Received	Loan Payment	Late Fee Collected	Comments



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**FORM: Tracking Payments (Sample)**

*This is a SAMPLE filled out form of the previous page.*

Borrower: *John Doe*

Address: *123 Main St, San Jose, CA 95888*

Phone Number: *(555) 555-1212*

Loan Amount: *\$10,000.00*

Payment Amount: *\$100.00*

Loan Number: *10017*

Closing Date: *April 7, 2009*

Term (length): *12 months*

Maturity Date: *April 6, 2010*

Late Fee (5% ): *\$5.00*

Payment #	Due Date	Date Received	Loan Payment	Late Fee Collected	Comments
1	May 1, 2009	May 3, 2009	\$76.67		Prorate payment to 1 <sup>st</sup>
2	June 1, 2009	June 7, 2009	\$100.00		
3	July 1, 2009	July 4, 2009	\$100.00		
4	August 1, 2009	August 12, 2009	\$100.00	\$5.00	Sent Notice Letter
5	September 1, 2009	September 5, 2009	\$100.00		Received Demand Letter
		September 20, 2009	\$66.67		Loan Paid Off
	TOTALS		\$543.34	\$5.00	



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**FORM: OPM Grid**

Source of \$ Name	Cost of \$	Amount of \$	Time Frame To Get \$	Time Can Keep \$	Security (collateral)	Contact Info	Notes
John Doe	8%	\$40k in Self- Dir IRA	2 weeks	Up to 1 year	My TD	(555) 555- 5555	Is very excited about moving soon



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**FORM: Property Asset Sheet**

**SUBJECT PROPERTY:**

Address: \_\_\_\_\_ County \_\_\_\_\_  
Type (SFR, Units) \_\_\_\_\_  
Owner/s on Title: \_\_\_\_\_

**VALUATION**

Date of Appraisal \_\_\_\_\_  
Current Value \_\_\_\_\_ Valuation via \_\_\_\_\_  
Estimated ARV \_\_\_\_\_ Valuation via \_\_\_\_\_  
Is Appraisal from area (compare addresses): \_\_\_\_\_

Date of BPO \_\_\_\_\_  
BPO Current Value \_\_\_\_\_ BPO Valuation via \_\_\_\_\_  
BPO Estimated ARV \_\_\_\_\_ BPO Valuation via \_\_\_\_\_  
Is BPO Agent from area (compare addresses): \_\_\_\_\_

Date of CMA \_\_\_\_\_  
CMA Current Value \_\_\_\_\_ CMA Valuation via \_\_\_\_\_  
CMA Estimated ARV \_\_\_\_\_ CMA Valuation via \_\_\_\_\_  
Is CMA Agent from area (compare addresses): \_\_\_\_\_

Date of AVM \_\_\_\_\_  
AVM Value \_\_\_\_\_ AVM Valuation via \_\_\_\_\_

**LOANS**

Loan-To-Value: \_\_\_\_\_

**SENIOR LOAN**

Lender Name: \_\_\_\_\_  
Loan Amount: \_\_\_\_\_  
Amount Owed: \_\_\_\_\_  
Terms:  
\_\_\_\_ Fixed:  
Interest \_\_\_\_ % Matures \_\_\_\_\_ PPP \_\_\_\_\_ PPP End Date \_\_\_\_\_ Monthly \$ \_\_\_\_\_

\_\_\_\_ ARM:  
Interest \_\_\_\_ % Monthly \$ \_\_\_\_\_ Adj. Date \_\_\_\_\_ New Rate \_\_\_\_ % Monthly \$ \_\_\_\_\_

Notes:

\_\_\_\_\_  
\_\_\_\_\_





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### **INSURANCE**

Insurance by: \_\_\_\_\_

Period Insurance for: \_\_\_\_\_

Amount of Insurance: \_\_\_\_\_

Type of Insurance (fire, homeowner's): \_\_\_\_\_

Have claims been filed for any loss (y/n): \_\_\_\_\_

### **OCCUPANCY**

Rented or owner-occupied: \_\_\_\_\_

Names of all property occupants: \_\_\_\_\_

\_\_\_\_\_

### **CREDIT RATING**

Credit rating of borrowers (FICO score): \_\_\_\_\_ Date: \_\_\_\_\_

Bankruptcies with dates: \_\_\_\_\_

Previous Foreclosures with dates: \_\_\_\_\_

Judgments and liens with dates: \_\_\_\_\_

### **BORROWER INFORMATION**

*Borrower(s) information is found in the loan application.*

Borrower(s) Name(s): \_\_\_\_\_

Internet Results on Borrowers ("none" or questionable write-up): \_\_\_\_\_

Reason for loan: \_\_\_\_\_



### **PROCEDURE: Steps To Success**

1. Complete the 8 weeks of follow-up assignments.
2. Complete 1 to 3 deals with a hard money broker. Let them find the borrower for you. We suggest you use John Taylor (925) 827-1111 and ask him to be on his list of “Independent Trust Deed Investors.” By doing that, he will email you the deals. Complete 1 to 3 deals with him. The objective is to go through the process and get comfortable with the documents and due diligence. This helps you overcome your fear. Use your own money initially. If you cannot fund the deal, ask to be a fractional investor.
3. Once you are comfortable with the process, you have to decide one of two things. Either you decide to focus on the leverage or raising OPM.
4. If you decide to add leverage and increase your returns, you need to find the borrower yourself, and then call a hard money broker with that borrower. We suggest you call John Taylor (925) 827-1111 and let him know *“I am a student of George Antone’s PLM course, and I have a borrower that I would like to use a wrap on. Are you willing to do the first loan? Can you broker the deal for me?”* Remember though, he only does deals in certain areas such as Northern California. Ask him about where he lends.
5. If you decide to raise OPM instead, then follow the suggestions in the course and the scripts. Share with everyone you know what you do (with some passion). Never ask for the money on the first meeting. See scripts in this document.
6. As you complete more deals, you will realize that this is straight forward. Take it one step at a time.



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### **PROCEDURE: Steps For Completing a Loan With Your Borrower**

*These are the steps for when a borrower contacts you directly*

1. Qualify Borrower (Ask borrower questions and make sure they pass my underwriting criteria)
  - a. Use Borrower Questionnaire & Script
  - b. Analyze property, deal and Borrower
  - c. Make offer & negotiate
2. Ask borrower to contact my broker to initiate transaction
3. Contact broker to make sure he/she aware of borrower and gave broker borrower's information
4. Receive, review and approve CLAP documents from broker
  - a. Broker open's escrow and gets Preliminary Report, Appraisal Report and Credit Report
  - b. Broker requests appraisal and has borrower pay for appraisal
  - c. Broker will request professional inspection if need be (or you need to request if you believe you need it)
5. Start thinking about the arbitrage strategy and who on your OPM list can you use.
6. Email your list of OPM leads a PDF version of the deal.
7. Fill in "Closing The Loan" Documentation Checklist
8. Identify OPM candidates
9. Review escrow loan documentation.
10. Wait for escrow to instruct you to FUND the deal.
11. Wire money to escrow account straight, not to broker's account.
12. Close the deal
13. Review escrow loan documentation again. File documentation.
14. Visit the county recorder's office website (county where property located) and verify that deed of trust or mortgage was recorded (you should be able to do this remotely with most county websites). Do this 2 weeks after close. Give the county time to record and show up in their computers.



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### **PROCEDURE: Steps For Completing a Loan With a Broker Deal**

*These are the steps for when a broker contacts you about a deal/borrower*

1. Broker emails you a deal
2. Make sure they pass my underwriting criteria
3. If I am interested, contact broker about more details if you need any
4. Receive, review and approve CLAP documents from broker
5. Start thinking about the arbitrage strategy and who on your OPM list can you use.
6. Email your list of OPM leads a PDF version of the deal.
7. Fill in "Closing The Loan" Documentation Checklist
8. Identify OPM candidates
9. Review escrow loan documentation.
10. Wait for escrow to instruct you to FUND the deal.
11. Wire money to escrow account straight, not to broker's account.
12. Close the deal
13. Review escrow loan documentation again. File documentation.
14. Visit the county recorder's office website (county where property located) and verify that deed of trust or mortgage was recorded (you should be able to do this remotely with most county websites). Do this 2 weeks after close. Give the county time to record and show up in their computers.





**PROCEDURE: Initiating Foreclosure**

*This assumes you have tried collecting money from borrower, called them and sent them certified mail (through servicing company) with no luck and you have no other choice but to foreclose.*

1. Request a BPO (Broker Price Opinion). Get value of property.
2. Contact a foreclosure company and let them know the situation. They will order a document similar to the “prelim” – preliminary title report (in California, it is called a TSG – Trustee Sale Guarantee). Ask for a copy if possible. It shows all the loans against the property
3. Work with them to figure out the status of any senior lenders and balance (are they current, have they initiated foreclosure proceedings, what is the balance of the loans).
4. Calculate CLTV and figure out if you have equity or not. Ignore any junior liens. At this point, even though you might have done the deal at 65% LTV, you want to make sure you have at least 20% equity. *Remember, you have the updated value from step #1 and new loan balances from step #3, so use these for CLTV calculation.*
5. If they have enough equity, have foreclosure company initiate non-judicial foreclosure (if appropriate in the state the property is located at).
6. If they do NOT have enough equity, discuss the option of judicial foreclosure with the foreclosure company.
  - a. Look at the borrower’s balance sheet (in the loan application he/she had used at the time of the loan – any assets you can go after. Did they possibly buy new assets that you can go after?).
  - b. Ask foreclosure company if they can search borrower’s other assets (they will refer you to an attorney).
  - c. Considering doing a title search in the same county as the property.





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- d. Make a business decision one way or another. Also remember, in some states like California, a purchase loan is non-recourse. So discuss this with your attorney.



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### **PROCEDURE: Getting Fully Paid**

*Use this procedure to get fully paid by the borrower.*

1. Title company will contact you
2. Title company sends a “Payoff Demand” form
3. Fill out the “payoff” amount and fax back to title company
4. Title company will instruct you what to do such as sending the original note, deed of trust, and ask you for instructions on how to send you your money
5. Find out when closing date is
6. Look out for your check or wire (as you had instructed Title Company)

*If borrower calls you first to tell you they want to get you paid off, send them to the title company that will take care of all documents. Then follow steps above.*



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### **SCRIPT: Calling OPM Person (Second Contact)**

*This is used when you have already met someone interested in being the OPM Person*

Doctor  
(*Opportunity call...*)

*Rapport statements*

By the way, is this a good time to talk?

I'm calling you because you were interested in participating in some of my lending opportunities. I have an opportunity now that might fit your criteria of 8%. Are you still interested?

I have a loan in place secured by property in (*property city*) that I'm willing to pledge as collateral. I can offer you first right of refusal on this loan. The loan pays 15% and I can pay you the 8% you wanted. So far, does that sound good?

To protect our mutual interests, we use an escrow company. They are a neutral party that will take care of all the paperwork. They will also hold all monies in a secured trust account. Then, they will instruct us in all on the steps necessary to complete the transaction. Is that clear so far?

Once the transaction is completed, a servicing company will collect and distribute your monthly payments.

Does this meet your criteria?

Are you in a position right now to commit \_\_\_\_ dollars at the annual \_\_\_\_% rate you wanted for this opportunity?

### **Handle potential objections when offered with an opportunity:**

*Handle objection of our getting too high of a percentage:*

If the 8% does not meet your criteria, I have other people that would love to get that. I am giving you that because I promised you I would give you first right of refusal.

--- Or ---

I am giving you that because I promised you the first right of refusal. If the 8% doesn't meet your criteria, I have other people who would love to get that. Do you want to move forward?



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<<<They may say, *"I need to think about it."*>>>

I need a decision because I need to fund this transaction within the next 48 hrs. Can you get me a decision by noon tomorrow?

=====



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### **SCRIPT: Talking To Someone About OP Credit**

*This is used when you meet someone that has good credit that you can help them get LOCs to fund your loans.*

<build rapport>

**You:** So what is your good credit doing for you?

**Lead:** What do you mean?

**You:** I am wondering if you are using your good credit make money with it or put food on your table with it. Most people use their credit to buy cars, food, shopping, etc. but they have NO IDEA how to make money with it. I was wondering if you are using to make money with your good credit.

**Lead:** How do you do that?

**You:** Well, I use it to build lines of credit (LOC) and I then do a private loan secured by real estate. For example, I may borrow money from a LOC at 5% and lend it out for 12% and make a 7% spread. By simply having good credit, I can generate additional income every month. The best part is that this is relatively safe. You see, if the borrower does not pay, I have the team in place to foreclose on them and I end up with the property. I assembled an incredible team of broker, attorney and experts in this field to help me do that. Anyone with good credit can do that.

**Lead:** How can I do that? (or Where can I learn to do that)?

**You:** Well, it takes a while to learn to do this and build the team. That is the only problem. I'll tell you what. I can walk you through this step-by-step and you can then partner with me. I will use my experience and team to help do these deals together...

<take it from there>





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### **SCRIPT: Talking With New Borrower**

*This is used when you are talking to a new borrower (lead)*

<<Ask borrower questions from you “Borrower’s Questionnaire”>>

<<Get borrower to commit to an interest rate *FIRST*>>

I might not be able to do this whole loan by myself, so I might bring a colleague to join me on this loan. Together we should be able to fund this loan for you. Are you okay with that?

<<If you decide to move forward with this borrower, continue here>>

< Borrower’s Name>, this sounds like a deal we might be able to do. I run all my transactions thru my broker, <broker’s name>. He/She will contact you to request all the required documentation.

<<Potential borrower’s question>> *Why do I have to go through your broker?*

Because we have numerous transactions going on at the same time, the broker makes sure all the rules and regulations are followed and they protect all parties involved. He/she will be your primary contact for this transaction. For any other deals, feel free to call me directly.

< Borrower’s Name>, give me your contact information please.



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### **SCRIPT: Asking Broker To Do a Wraparound For The First Time**

*This is used when you are talking to your broker about a wraparound for the first time AFTER you have met/spoken with them. It assumes that you had asked the broker from before how much they normally charge for a 1<sup>st</sup> loan. This is labeled as “y %” below.*

*This also assumes you have a borrower that has been qualified by you.*

< Broker’s Name>, my name is <your name> and we spoke on <date>. As I mentioned to you when we spoke earlier, I am a Trust Deed investor and I am calling you to help me broker a transaction. I have a borrower who wants to borrow <<< \$ xxxx >>>, and I would like to fund <<<\$\$\$ >>> as a 2nd loan. Can you help broker this deal and find someone that will fund a 1st loan? How many points do you charge to broker this and can you still do <<<y %>>> for the 1st loan?

This borrower is willing to pay <<<x %>>> and I would like my 2nd to wrap the first with that interest rate. Will you be able to help me with that?

*<<<If they ask question(s) about the deal, answer them as appropriate and move to the next phrase.>>>*

Well I have several deals. If I ask you to broker this deal, how many points will you charge and are you still charging << y % >> interest for the first loan. (*this is a reiteration of our earlier statement*).

*<<< The last statement is highlighting the benefit of doing this deal with you – i.e. you can do more deals with the broker, and they can get the points. >>>*

*<<< If the broker is not comfortable, that means they do NOT understand wraps. So the solution is to introduce him/her to an escrow agent that has done this before. Use the next phrase only if they are not comfortable. >>>*

< Broker’s Name>, I know an escrow agent that has done these many times. She can handle all the paperwork for us. I just need your expertise in brokering the loan. Can I give you her phone number?

*<<< Give them LENA SIGNOR phone number – Her website is [www.NorcalEscrow.com](http://www.NorcalEscrow.com) and her contact information is available there. Make sure you do this only after introducing yourself to her and mentioning you are one of George Antone’s students. >>>*



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### **SCRIPT: Raising OPM (First Contact)**

*This is used when you are talking to a new borrower (lead). This is an actual transcribed conversation George had with a student Thien in a class.*

#### *Build Rapport statements*

George (G): How are you?

**Thien(T) I'm fine.**

G What do you do?

**T I'm a mechanical engineer. I design bridges and buildings.**

G Oh, that sounds interesting.

**T I've been there for quite awhile. What do YOU do?**

G I'm a private lender. Do you know what that is?

**T Not really.**

G I make my money just like the banks do. I basically lend money out. And it's a GREAT business to be in . . . The way it works—I lend money to real estate investors—so all my money is backed by real estate.

**T But real estate—it's horrible right now!**

G Absolutely!

**T People are losing their jobs, and losing their homes . . . !**

G Absolutely! And that's why I love doing it! What people don't realize is . . . that as a lender, you are much safer than the homeowner. Let me give you an example.

**T How do you explain these banks borrowing money from the government blowing up?**

G Good question! Because they were greedy! They went to 100% LTV financing. Let me explain how this whole thing works.

Let's say you have a property worth \$100,000. I would lend \$50,000 to \$60,000; that's the highest loan to value. Now, if they don't pay me, I take the whole building. So for \$50,000 to \$60,000, I get a \$100,000 building. But if I loan \$100,000 against a \$100,000 property, then I have shifted the risk away from the homeowner -- to ME! So then I am taking ALL the risk! That's what got a lot of those banks in trouble. It's greed.

But as a private lender, I lend no more than \$60,000 against a \$100,000 property. So, if they don't pay me, I actually thank them, because I just made a lot more money!

Now what these guys typically do, is they usually borrow money for short term, because they buy the house, they fix it up and sell it, and I charge them quite a bit, so I end up making a KILLING off of it, and it is relatively safe.

Now what's interesting about it is that this has been going on for decades! A lot of people do it. A lot of high net worth people in the San Francisco Bay Area do it. The CEO's and executives in high tech companies do it. And I learned from them how to do it. And I'll tell you, it is amazing! In fact, the guy that taught me how to do this was



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doing this for 25 – 30 years, and he only lost one time. And he lost \$2000. But he has made hundreds of thousands of dollars off of this. It is a fascinating business to be in!

**T** *So you say that when you go to foreclosure, you never lose anything on what you invested in?*

**G** You almost never lose because your loan to value is so low, and that is one of the key things you have to be aware of in private lending, and you have to stick to that! The minute you budge, because of greed or whatever, that's when you lose. And that is what happened to the banks. The banks went from 80% to 100 % financing. In fact, they went to 125% financing! And that is what killed them. But if you stick to the rules, which is low LTV financing, you will never have to worry. It is relatively safe, that if you do some research on trusted investing—Google it—you will see it is one of the safest things you can do.

**T** *Foreclosures. Doesn't that take a long time?*

**G** That is the biggest myth. We have someone on my team who takes care of the whole process. In California, it will take less than four months. They do everything; all I have to do is pick up the phone. I have built a team that takes care of everything—from making sure all the legal paperwork is in place; I have a team for attorneys. If the homeowner files bankruptcy, it becomes a nightmare, and I have the right attorney who takes care of that for me. All of that is taken care of, and we have been doing that for several years. I can tell you it is one of the best things anyone can do.

**T** *What about all the fees involved with foreclosure. Would I be responsible for that?*

**G** That's a very good question. The fees are entirely the borrower's responsibility. The borrower pays for everything. Let me give you an example.

If they want to borrow money, they have to pay for that appraisal. Think about this: every time you borrowed money from the bank for a mortgage, who paid for the appraisal? You ended up paying that. Every time you used an attorney, broker or anything like that, who ended up paying for that? It's the borrower. In foreclosure, we might end up funding some of that, but ultimately, the borrower ends up paying for it. It's a great business to be in!

That's why banks own all these huge buildings—because they make so-o-o much money. In fact, a lot of people will tell you that real estate investors are millionaires, but what is interesting, bankers are the billionaires. Look it up; it is very, very interesting!

So that is what I do, and I just lend money, sit back and love it!

**T** *So what is your return?*

**G** There is interest rate, and there are deals. Typically, I can get 14%, 20%, 25% if you do the deals right. It's fascinating. So, all I have to do is borrow money from my line of credit for 6-7%, and lend it out at 25%, or 14% or whatever, it depends on you. But I make a nice spread, very nice spread. In fact, what's interesting is that a number of engineers who are friends of mine are getting involved with me, and I am showing them how to do it. So what I do is—do the deal, and they might get involved in some of the





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deals. Now they are believers. They were the biggest skeptics, but now they are believers.

T How much money is involved in the deal?

G It depends; each deal is different -- \$20,000 to 100,000 to 200,000. Each deal is different. It depends what people are comfortable with. It's a fascinating business!

**T So how do you find these deals?**

G We have a team. They find the borrowers. It's all they do full time. They find the borrowers and do all that for us.

**T So if the borrowers have credit problems, what happens?**

G That is another good question. That's the biggest difference between a traditional lender and us. A traditional lender looks at credit; but we look at the asset. We're an asset-based lender. That means "If you don't pay me buddy, I'm going to take your whole property."

So if their property is worth \$100,000, I am only going to lend them UP TO \$60,000, like we talked. I couldn't care less about their credit, because, ultimately, if they don't pay, I am going to make more money. So it's a great, great business to be in. In fact, there are several brokers that I work with. Each of them is making about a half a million dollars to a million dollars a year doing this. That's why a lot of people don't talk about it. It's a great business to be in.

**T Wow! How do I get involved?**

G I'll tell you what I could do if you are interested. I always have deals, and I make 12-14% per deal. What I COULD do, if you're interested, because I work with a lot of people, is to get you involved is to pay you a little bit less, like 8% so that I can still make a spread. Would that work for you—8-10%? That way, I can keep a spread and use my whole team to help put this deal. Would that work for you?

**T I want the whole thing.**

G That sounds like a great deal. But why on earth would I give you a deal like that if I am not going to make money on it? I'm trying to help you out here.

**T But I'm putting up a lot of money.**

G Not to offend you, but I think you should stick to your engineering. I don't really need to do this. I have a lot of people I am working with right now, and I don't really need to do this. I was just going to share a deal with you, and it is only fair that I make SOME money off of that. I'm sorry, but I don't think it is going to work for you.

**T How about if we do a split. You get a 2-3% spread, and give me 11, instead of a fixed rate.**

G Okay. Sounds good. I'll tell you what I'll do. I'll see if I have anything else right now, and I will see if you're interested. Or I will give you a call when I have something for you. Does that sound good?

Make him think that he is not THAT important to you. You want him to think that you are doing fine without him. **You always want to come from a position of power.**





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