



## Your Money—Your Investment—Protect Yourself!

**D**o you want a good return on your money or investment? Perhaps an excellent return. Better yet an outstanding return!

An excellent or even an outstanding return on invested funds is the dream of any investor, especially when the excellent or outstanding return is steady and reliable and not subject to market fluctuations.

What are we talking about here? What kind of investment can provide all these wonderful traits? Well, there are those that will tell you there is just such an investment opportunity. What is it then?

### ***Trust Deed Investments***

Trust deed investments, also known as mortgage loan investments, are very enticing. High interest rates providing excellent returns can lure both sophisticated and unsophisticated investors. Many investors do not clearly understand the nature of trust deed investments. Heavy reliance may be placed on friends who are also investors, friends who are actually selling trust deed investments and even trusted advisors who appear to be very knowledgeable in such investment opportunities.

True stories abound of trust deed investors who have been quite successful, but there are also those who lost nearly everything. This happens because many trust deed investors do little or nothing in the way of investigating or inquiring into the investment because the high rate of return is just too alluring. There are many details to be

resolved in a trust deed investment, but these details can be arranged to an investor's satisfaction during the loan negotiations and/or escrow process. The investor needs to make some initial inquiries about the two basic facets of such an investment, i.e., the real property securing the note and trust deed and the borrower.

### ***The Borrower***

The borrower is the person who will make the payments on the note and trust deed purchased or funded by the investor. Important considerations are the borrower's ability or capacity to make payments and the desire to make the payments. In other words, items to consider are the income of the borrower, his or her job stability, assets and other debts upon which the borrower must also make payments. The borrower must also want to make the payments. This may be measured by past credit history. Has the borrower made other payments and done so in a timely fashion? If not, why not? Credit reports can help provide this type of information.

### ***The Real Property Securing the Investment***

The real property securing the investment is the ultimate means by which the investor can regain the money invested if the borrower fails to make payments. This means foreclosing on and selling the property. This will always be a possibility for the investor. Most trust deed investors do not have any intent in having to sell the property to recoup their investment. It can be an expensive process, the property may not always be readily sold and

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To receive a free copy of "Trust Deed Investment – What You Should Know!!" complete the shipping information below and submit this request to:

Department of Real Estate  
ATTN: Book Orders  
P.O. Box 137006  
Sacramento, CA 95813-7006

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all of the investor's funds may not be regained by the sale as the property may not be worth enough to cover the investment. Also, there may be other liens or loans against the property which need to be paid. All of this and more should be given serious consideration when making an investment.

### **Mortgage Loan Brokers**

Trust deed investments are generally available through real estate brokers. Those brokers engaged in arranging loans for borrowers on the borrowers' real property using the investment funds of private investors are generally referred to as mortgage loan brokers. Mortgage loan brokers will usually handle all the arrangements of your investment and generally will collect the payments on your behalf from the borrower. You should also receive a Lender/Purchaser Disclosure Statement describing the important aspects of your investment. The broker may even handle the foreclosure of the property if the borrower fails to pay the debt. However, the investor must make the effort to protect himself or herself by being familiar with the process and the elements of such an investment. Additionally, be sure to check the license status of the mortgage loan broker and/or other professionals assisting you. To do so, go to **www.dre.ca.gov** or contact the Department of Real Estate and/or the Department of Business Oversight.

Since some of these loans may have substantial costs to borrowers in the form of high interest rates and/or high

loan fees, both Federal and State consumer protection laws may restrict or prohibit certain loan terms and place increased responsibilities on both brokers and lenders. Violations of these rules could impact your ability to enforce some of the terms of the loan contract and could also incur civil penalties. Again, the investor must protect himself or herself by becoming familiar with these laws that prohibit "predatory" and "usurious" lending practices.

### **For More Information**

To assist potential trust deed investors, the Department of Real Estate (DRE) offers a publication that provides some of the essential elements of trust deed investing. The publication entitled "Trust Deed Investments - What You Should Know!!" is available on the DRE Web site **www.dre.ca.gov** under Publications. You may also request a free copy by submitting the tear-off coupon portion of this handout to the DRE.

### **Questions**

If you have any questions, please contact:

Department of Real Estate  
Mortgage Loan Activities  
P.O. Box 137015  
Sacramento, CA 95813-7015  
(877) 373-4542

**Remember it's your money and your investment — protect yourself!**

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