

Hard Money Expert Witness: Trust Deed Investments (Part 2 of 2)

Part 2 of a 2 part article on trust deed investments. Part 1 was released 4/22/19.

LOS ANGELES, CA, UNITED STATES, April 25, 2019 /EINPresswire.com/ -- Will I get a year-end statement for tax reporting?



You make a separate decision with each trust deed investment."

Joffrey Long

Yes, at the end of the year, we send you a 1098 form, indicating the amount of interest received that year. (Except for IRA and 401K accounts, in which case you will receive a regular statement of total interest received.)

If I like this type of investment and this loan pays off, can I instruct you to retain the funds in your trust account, and

just "roll it over" into the next good loan?

No. Although we are happy to have you re-invest your funds with us, well-written laws require us to hand the money back to you, even if you intend to hand it back the next day for another loan. We are only allowed to receive funds from you for a specific, identified loan or fractionalized interest in a loan. This way, when a loan is paid off, you clearly see what happened with the loan. You make a separate decision with each trust deed investment.

What if I need the money later, and I want to sell my share of the investment?

It could be difficult or impossible. Investments in trust deeds are generally not liquid and there is no guarantee that there would be a buyer for your share. There have been circumstances where our trust deed investors have wanted to sell shares, and due to being in a good market where there was a strong demand for trust deeds, they were able to sell their shares to other existing investors in the same loan, but please don't rely on this happening.

What happens if the borrower doesn't make payments?

If a borrower defaults on the payments or on their other obligations to us, we:

- Communicate with the borrower and attempt to find ways to resolve the situation
- If nothing can be resolved, we begin the foreclosure process by having a notice of default filed
- As the loan servicer, we monitor the situation and inform investors of the foreclosure process.

What if we take back the property?

In the worst situations, a foreclosure is commenced, there are no other bidders at a foreclosure sale, and we acquire the property at the foreclosure sale. If this were to occur, we have a series of procedures that we follow to take back the property, re-sell it, or if the investors elect, retain it as rental property. If a foreclosure of the property is completed, the investors become the owners of the foreclosed collateral, and decide to sell or lease the property, depending on the market at the time of foreclosure.

For more information about this process, please contact me.

What if the borrower doesn't pay the insurance or taxes on the property?

We monitor these and if either are unpaid, we evaluate the overall decision and make a recommendation to the investors as to whether or not funds should be advanced to cover these items. If investors advance funds, these amounts are added to the principal balance and the investors earn interest on the funds at their rate of return.

Who is Southwest Bancorp?

Southwest Bancorp is a mortgage lender and loan servicer licensed by the Calif. Dept. of Real Estate, Broker License # 00898122. Southwest Bancorp has been in business since 1981 and located at the present location since 1992. Joffrey Long is the President, Owner, and Broker of Record for Southwest Bancorp. Joffrey has been in the mortgage industry since starting Southwest Bancorp in 1981. He invests in trust deeds and retains a portion of each trust deed offered to investors. He is a member of the Education Committee and the Board of Directors of the Calif. Mortgage Association, the trade association for hard money lenders. He frequently testifies in court as a Private Money Expert Witness on the standard of care and practices for mortgage lenders, brokers and loan servicers. (Joffrey Long's Broker license # is 00525142 / issued 1979.)

What about your "trust account," where the monthly payments are deposited?" How do I know your trust account is ok?

There are two simple ways that you can verify our trust account:

In California, there are approximately 300 real estate brokerage companies (of which we are one) that comply with the requirement that loan brokerage companies who make or arrange a certain number of loans and who act as a loan servicer for multi-lender loans, file "Threshold, Multi-Lender" reports. Threshold multi-lender companies must file quarterly reports with the California Bureau of Real Estate, Loan Activities Division. These reports must be reviewed by a CPA, where the CPA firm checks our trust account bank statements and documentation from certain transactions. If a threshold multi-lender company fails to file the quarterly reports or files reports with unresolved deficiencies, it would ultimately show on the Dept. of Real Estate website. The Dept of Real Estate takes relatively quick action against companies that fail to file or file deficient or non-compliant reports.

- You can request a copy of our latest, (or several of our latest) CPA Reviewed reports that were submitted to the Dept. of Real Estate.

- If you desire, we can authorize our CPA firm to speak with you if you have questions or want to verify information. A lot of cost and effort goes into having these reports completed, so we're pleased to have more people reading them!

These methods don't provide a guarantee as to the status of our trust account but provide you with some verification. Although it is unlikely this would occur, you could conduct your own audit of our trust account or appoint your own accountant to conduct such an audit.

Please let me know if there is any doubt or question about any aspect of the investment before providing funds. **IMPORTANT:** Nothing in this document represents a standard of care, or normal required practices in the industry. Primarily, it describes the procedures used at our company for certain investments in certain loans. We do not represent that we follow these same procedures for every loan or every investment. The circumstances or correct procedures may vary depending on type of investment, the company providing the investment, or the

investor circumstances or how investor capital is raised. Before considering any trust deed investment, consult with qualified advisors, obtain complete, written disclosures, investigate the trust deed, as well as the company or brokerage offering the investment, before investing. Southwest Bancorp is a licensed real estate broker and generally funds and closes loans with its own money, acting primarily as a wholesale hard money lender. Then it offers/re-sells the loans, or interests in the loans to private investors.

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