

EXCLUSIVE HANDBOOK

Essential Guide to Investing in Private Mortgages



Presented by

CMI | Mortgage
Investments



Introduction to Private Mortgage Investing

As someone who's experienced with strategic investments and desires financial stability, you understand the importance of diversifying your investment portfolio to include a versatile range of asset types. Growing your wealth strategically allows you to balance multiple projects and find time for personal or entrepreneurial pursuits.

In today's complex financial landscape, finding investment options that align with your need for safety, profitability, and minimal time commitment can be challenging. That's where private mortgage investing comes into the picture. This form of investment offers a compelling mix of capital preservation and attractive returns through real estate—a tangible asset that

has historically been a strong investment choice.

Our "Essential Guide to Investing in Private Mortgages" provides comprehensive details about private mortgage investing and specifically explores whole mortgage investments—ideal for investors with significant capital who appreciate the value of real estate-backed investments. As you examine the information in this guide, you'll learn how private mortgages could be a strategic addition to your portfolio. We encourage you to read further and discover how private mortgage investing can meet your investment criteria and help you achieve your financial and professional goals.



What Is Private Mortgage Investing?

Private mortgage investing is a strategic opportunity that allows investors to participate in the real estate market by financing loans backed by real estate rather than purchasing and managing properties themselves.

This type of investment offers a unique opportunity for those looking to diversify their portfolios and receive ongoing returns without the complexities of direct property ownership. By acting as private lenders, investors can avoid the operational challenges and overhead costs typically associated with real estate investments while mitigating market fluctuations risks.

These investments stand out by providing funds directly to borrowers through private mortgages and creating new loan agreements backed by real property rather than buying existing mortgage-backed securities. Becoming a private lender will appeal to investors with substantial resources seeking alternatives to traditional investment avenues like stocks or mutual funds.

Private mortgages are especially beneficial in scenarios where borrowers may not meet the strict lending criteria laid out by conventional banks but still possess properties with significant equity and value. These situations present viable investment opportunities, as the loans are backed by real assets, providing tangible collateral for the investment. Private mortgages provide an essential alternative to conventional bank financing, filling a gap in the lending market and creating opportunities for both investors and borrowers.

Breaking Down Private Mortgage Investments: Core Components



The Lender: You, as an investor, act as the lender, providing the necessary capital for the mortgage.



The Borrower: An individual or entity seeking to purchase or refinance real estate without going through traditional financial institutions.



The Paperwork: Legal and financial documentation that outlines the terms of the mortgage, repayment schedules, and the security held against the loan.

Whole Mortgage Investment Program vs. Mortgage Investment Corporations (MIC) Funds

Private mortgage investing is available in several forms, notably whole mortgages and Mortgage Investment Corporation (MIC) funds. As an investor with substantial investible assets, whole mortgage options are available and may be more suitable for your financial needs.

Investing in whole mortgages allows for a clear understanding of both the risks and rewards, as you are directly engaged in setting the terms of the loan. This direct connection ensures you can easily monitor your investment, making it an attractive option for investors who prefer more control.

Sometimes, this may lead an investor to focus more time and energy on managing their mortgage investment. However, you can mitigate this by working with a trustworthy and experienced private mortgage firm, like CMI Financial Group. Our team of skilled experts supports our investors from the initial consultation, guiding them through the entire investment process and providing ongoing assistance to give you the freedom to focus on other important areas of your life.

As an alternative, MIC funds offer a different investment opportunity within the private mortgage sector. MIC funds pool capital from multiple investors to invest in a diversified portfolio of mortgages. This structure reduces the risk associated with any single loan defaulting, as the impact is spread across the entire portfolio of investments.

MICs are particularly beneficial for investors who seek exposure to the real estate market and don't need as much control over specific private mortgage investments.





How Private Mortgage Investing Works

As you've discovered, private mortgage investing is a lucrative opportunity for individuals interested in the real estate market without the typical pressures of property management.

Here's a step-by-step guide on how you can become a private lender independently:

1. Establish Your Business

Set up your legal business entity and obtain any necessary insurance to protect your investments.

2. Legal Framework

Consult with a lawyer to ensure your company structure complies with local laws and regulations, including usury laws which dictate maximum allowable interest rates.

3. Define Your Lending Focus

Decide whether you want to focus on residential, commercial, or another type of real estate lending. Each category offers different risks and benefits.

4. Find Potential Investments

Join peer-to-peer lending platforms or networks to connect with potential borrowers.

5. Evaluate Potential Clients

Assess potential clients by calculating possible returns and evaluating risk levels. This involves reviewing the borrower's financial stability, assessing the property's value, and setting the proposed terms of the loan.

6. Launch a Lending Business

Begin offering loans. It's crucial to continually monitor the performance of your loans and maintain communication with your borrowers.

While the above steps outline the basic process of starting as a private lender, working with a company like CMI Financial Group can significantly enhance and simplify your investment experience.

Mortgage lending companies are critical in streamlining the private mortgage investment process. Working with a trusted, experienced company offers significant advantages over doing it yourself.

Companies like CMI specialize in connecting investors with viable, high-quality borrowing opportunities, handling the complexities of mortgage funding and administration, and ensuring compliance with legal and regulatory standards. This professional support provides a layer of security and efficiency that individual investors might find challenging to achieve independently.





Benefits: Key Reasons to Invest in Private Mortgages



Direct Control of Your Investments

Since you get to make the final decision about which mortgages you're funding, you'll have more direct oversight and influence over your investments.



Higher Yield Compared to Traditional Investments

Private mortgages typically carry higher interest rates than traditional bank mortgages, translating into potentially higher returns for you as an investor.



Consistent Income and Flexibility

Investors in private mortgages can enjoy a monthly income stream, largely independent of the volatile nature of property value appreciation. This method offers flexibility in choosing specific investment opportunities and accommodating different risk tolerances and financial strategies.



Investments Backed by Tangible Assets

Private mortgage loans are backed by real property, offering protection in the event of default.



Less Risk Than Traditional Real Estate Investing

Private mortgage investing typically entails lower risk than traditional real estate investments, as it doesn't involve the uncertainties of property management, potential vacancy and liquidity risks and market fluctuations.



Less Hassle and More Time

If you work with a trustworthy and experienced company like CMI, choosing this investment opportunity will free you from tenant management and property maintenance complexities. You'll have more time to focus on other aspects of your life, including family and business ventures.

How to Navigate the Challenges

While offering numerous benefits, private mortgage investing also comes with its own challenges. These include the risk of borrower default, the complexity of legal and regulatory compliance, and the need for thorough due diligence and ongoing management of the investment. These aspects can make private mortgage investing daunting, especially for those new to the field or lacking in resources to manage the investment effectively.

Partnering with an established company specializing in private mortgage investments can significantly mitigate these challenges. Becoming a private lender with CMI means that you also get access to:

- ✔ **Risk Assessment and Management:** We conduct comprehensive evaluations of potential borrowers, assessing creditworthiness and the viability of the property as collateral to minimize default risks.
- ✔ **Regulatory Compliance:** Our knowledgeable team partners with legal professionals and manages all regulatory aspects, ensuring that your investment adheres to all applicable laws and regulations.
- ✔ **Streamlined Investment Management:** CMI offers a hands-free investment experience that frees you from day-to-day management hassles by handling all the administrative tasks, from the initial paperwork to managing repayments.



Comparing Private Mortgages With Other Investment Opportunities

Investment Type	Description	Typical Returns	Risk Level	Investment Accessibility	Operational Complexity
Private Mortgage Investing	Direct loans to borrowers backed by real estate.	High potential	Moderate	Medium	Moderate
Real Estate Investment Trusts (REITs)	Pooled funds invested in various real estate properties, traded like stocks.	Medium to high potential	High due to market volatility	High	Low
Hedge Funds	Pooled funds employing diverse strategies to earn high returns.	Medium to high potential	High	Low (typically for HNWIs)	High
Exchange Traded Funds (ETFs)	Funds that track indexes, commodities, or baskets of assets, and are traded like stocks.	Varies with market	Low (typically for HNWIs)	High	Low
Venture Capital	Equity investments in high-growth startups.	High potential	High	Low (accredited investors)	High
Private Equity	Investments in private companies to improve and sell them at a profit.	Varies, potentially high	High	Low (accredited investors)	High
Commodities & Precious Metals	Direct investments in physical goods like gold, silver, and oil.	High during demand spikes	Medium	Medium	High
Guaranteed Investment Certificates (GICs)	Bank-issued investments with fixed terms and rates.	Low	High	High	Low
Bonds	Debt securities issued by governments or corporations to raise capital.	Low to medium, varies by type	High	High	Low



Who Should Invest in Private Mortgages?

Private money lending might be the right choice for you if any of the following resonated with you:

- You're an established business owner or entrepreneur who has recently capitalized on a business venture and is looking to reinvest your gains across diverse and growing opportunities.
- You're a high-net-worth individual looking for opportunities outside traditional stocks and bonds to diversify your investment portfolio.
- You're an investor seeking to minimize the hassle and time commitment typically associated with direct real estate investments, such as property management.
- You're a strategic investor who values direct control over your investments but prefers to minimize personal involvement in day-to-day management.



Questions to Consider Before Investing

Do you prefer a more hands-free investment that still offers real estate exposure?

Are you looking for ways to diversify your investment across multiple properties without the need for direct involvement?

Would you benefit from the collective expertise of a professional management team overseeing your investment?



Why Now?

The investing landscape is rapidly evolving, with alternative investments taking center stage because of their impressive growth and ability to diversify portfolios beyond traditional stocks and bonds.

According to a report by Preqin, the alternative asset market has seen exponential growth, with assets under management more than tripling since 2015 and expected to surpass \$23 trillion by 2026. As a subset of alternative investments, private mortgages have become increasingly popular due to their unique benefits:

Attractive Returns: Private mortgages offer investors tailored opportunities to generate higher yields. With CMI, this has historically ranged from 6% to 16% annually, often more competitive than traditional fixed-income investment avenues.

Low Correlation to Traditional Markets: Unlike publicly traded securities like stocks and REITs, private mortgages are less affected by market fluctuations, providing a less volatile investment during times of market stress and economic uncertainty.

Backed Investment: Loans in private mortgages are backed by real property, offering tangible collateral that helps mitigate risk.

Short-term Horizons with Lower Interest Rate Risk: A private mortgage's typical term is about 12 months, reducing exposure to long-term interest rate volatility compared to traditional mortgages.

Increased Demand for Non-Bank Lending: With stricter banking regulations, more borrowers turn to private lenders, expanding the market for private mortgage investors.



The Process of Investing with CMI

Before you make an investment decision, we want to ensure you have a comprehensive understanding of the process. At CMI, you will experience a seamless investment journey, guided by your own dedicated investment account manager. Here's a detailed step-by-step outline of how to become a private lender with CMI:

1. Request a Consultation

Speak with a dedicated Investment Account Manager who will discuss your unique needs and preferences so they can offer you the most suitable mortgage investment opportunities.

2. Set Up an Account & Create an Investor Profile

Fill out a "Know Your Client (KYC)" form, including details about your financial situation, risk tolerance, available capital, and investment objectives. With this information, the Investment Account Manager will create an investor profile and present investment opportunities that match this unique profile.

3. Receive Potential Mortgage Investments

Your dedicated Investment Account Manager will send potential mortgage investments via email. You will have 4-6 hours to review and accept the opportunity before it's shared with other potential investors.

4. Choose the Most Suitable Investment Opportunity

When you see an investment that you're interested in, you'll be able to easily provide an e-signature on the documentation to accept it.

5. Fund Your Investment

At closing, CMI will notify you via email regarding the transfer of funds and advise you of the law firm's trust account details. You must provide CMI with a copy of the draft (or wire) and deposit receipt once funds have been transferred to the lawyer. Let our fulfillment and compliance team handle the rest!

6. Receive a Reporting Package

Once the deal closes and the legal process is complete, you will receive a reporting package that includes registration and mortgage documents as well as searches and other legal documents.

7. Receive Steady Stream of Income Payments

You will typically receive interest payments monthly, except for pre-paid mortgages where the interest is paid upfront. Funds are directly deposited via pre-authorized withdrawals from the borrower's account, taking up to five business days to process. Investors should receive payments by the sixth business day of each month. If a payment collection fails, CMI will retry mid-month. A second failure prompts direct contact with the borrower to arrange payment via direct deposit or e-transfer.

8. Renew Your Mortgage Investment

60-days prior to maturity, CMI's renewal team will review the mortgage to make a renewal recommendation.





The CMI Difference: How We Help You Invest

Our investment approach is focused on capital preservation while delivering competitive yields to our investors. Our strength lies in our vast mortgage industry experience, access to high-quality mortgages from across the country, and an expert team that works together to deliver a seamless investment experience.

Experience

At CMI, we provide a personalized investment experience with a dedicated Account Manager crafting customized profiles for tailored opportunities. Our full-service loan administration ensures a seamless, hands-free experience for every investor.

Due Diligence

We are exacting when qualifying investment opportunities against our rigorous lending standards, and we thoroughly analyze the regional market and its underlying fundamentals for each investment opportunity we present to you.

Footprint

We offer you the ability to create a diversified portfolio of mortgages backed by real property in real estate markets across Canada. With the flexibility to invest in a specific regional market or to diversify across regions, we work with you to build a customized portfolio.

Pedigree

With more than \$2.5 billion in successful mortgage placements, we are one of Canada's fastest-growing non-bank financial services providers.

Getting In Touch With a Specialist

Our experienced Investment Account Managers are ready to help you start investing in our mortgage investment program. They can answer any remaining questions and assist in tailoring an investment profile that suits your needs. Start your mortgage investment journey with attractive returns and ongoing monthly cash flow.

Set up your custom investment profile now! >