

Turnkey advantage

Assured Returns by the Numbers

By Andrew Waite

Just because there are fewer sources of loans does not mean you need to put your investment goals on hold. In fact, now is the time for financial innovation; ideal properties are available at

ment in which a developer completes the entire project on behalf of a buyer, then turns over the keys.

Here are the steps that result in either a hold or sale to a pre-qualified retail buyer:

from the private lender (the lender is an individual, not a bank or lending institution).

Step 4 a. Once completed, and the property is destined for rental, Yates assigns an investor/ credit partner to

the property and re-finances the property. This pays off the private lender. Yates now rents and manages the property for the credit partner/ investor (an investor whose loan criteria are good credit and the ability to obtain a more conventional loan).

Step 4 b. If the private lender has loaned on a property intended for sale to a retail buyer, Yates finds a qualified buyer and repays the private lender. (Go to Step 7.)

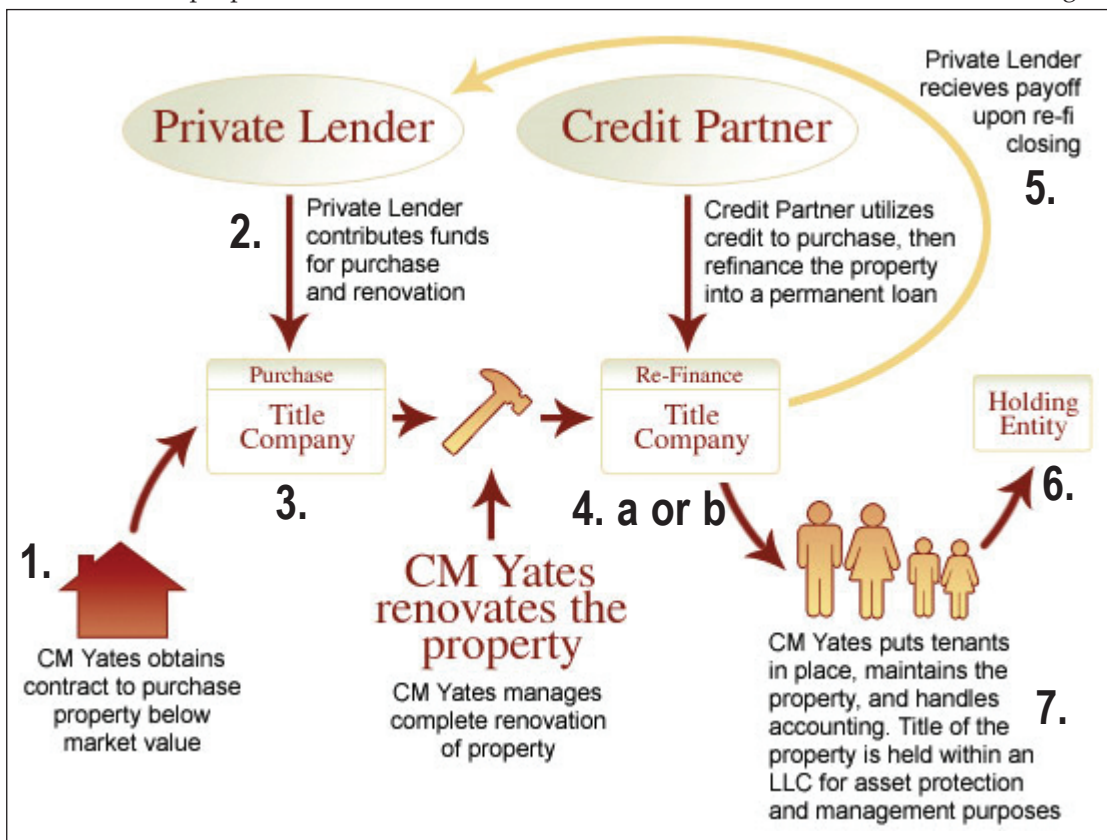
Step 5. In the rental or the retail sale scenario, the private lender receives 100 percent of his/her invested capital, with interest and fees.

Step 6. In a rental, the property is transferred into a holding entity for the investor's (the credit partner's) asset

protection purposes. Now, Yates manages the property for cash flow and long-term equity appreciation.

Step 7. If the transaction is a sale, the property is sold to a pre-qualified retail buyer at a profit to CM Yates with the private lender fully repaid under the terms of the first trust deed secured loan.

Chris Yates developed his practice by structuring deals and finding financing from private sources, a particularly



one of the most ideal points ever in the investment cycle.

Chris Yates of CM Yates Capital, Denver, Colorado, has put together a plan that reduces investor and private lender risk, provides capital to buy wholesale properties, buys, improves, refinances into conventional loans, leases to a tenant, and manages investment property. Alternatively, he sells the property to a pre-qualified retail buyer. Turnkey — net quick.

A turnkey project is a develop-

Step 1. Yates locates an investment property.

Step 2. Yates offers money sourced on a private note (from an IRA or other source owned by an individual, in contrast to an institutional lender), to cover acquisition and remodeling costs, not exceeding 75 percent of the value after repairs.

Step 3. Yates purchases the property and begins remodeling, using funds

relevant strategy in this market. "There are two parts to this deal," says Yates. "Both scenarios mean that more people can be real estate investors than most would believe."

A. Private Lender

"Many people with retirement accounts do not understand the value of these or what they can earn for the owner if applied intelligently," says Yates. "They can hold real estate for their IRA account or fund other investors' deals."

Either strategy pays significantly better returns than any bank instrument. For example: A first trust deed secured private money loan pays the IRA owner a fee of 1.5 points and 12 percent interest. A second trust deed position earns a 3 point fee and up to 15 percent interest. These single-lender notes are secured by real estate title typically structured into a six-month

balloon. History shows the average payoff is six weeks, effectively yielding between 15 percent and 25 percent annually, if the money is constantly employed.

B. Credit Partner

"Also people with good credit do not understand the value that this offers, especially when coupled with steady W-2 employment," says Yates. "This may qualify a wage earner for one to ten investment properties, even in this market."

CM Yates pays the credit partner a \$1,000 fee per loan closing, delivers 25 percent of the equity in the deal after the closing (with an 80:20 loan-to-value, loan equity is effectively 20 percent) and 25 percent of any appreciation, 25 percent of positive net cash flow and 25 percent of the tax benefits.

"The sweetener is the credit partner is never liable for maintenance

costs or other expenses, we cover this during any vacancy," says Yates. "The only risk is if CM Yates were to go out of business, but even then the credit partner would own the subject property as a result of the quitclaim term in every CM Yates contract."

Truly, investment by the numbers secured by titled real estate. ■

Editors Note — These individual investments are secured by real estate title to benefit an individual lender so that Yates may operate under Regulation D of the Securities Act of 1933.

RESOURCE

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