

HOW TO BE A PRIVATE MONEY INVESTOR



EVERLAND
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The No-BS Guide to Making Your Money Work Harder Than You Do

Forget babysitting tenants or fixing leaky toilets. This step-by-step guide shows you how to pocket 8%–12% of passive income by lending your money—securely, profitably, and without ever swinging a hammer.

You don't have to be a Wall Street wizard. You just have to think smarter than your bank account. **Ready? Let's flip the script and put your money on payroll.**

Private Lending FREE Resource

Ready to make your money work harder than you do? In this free guide, I'll break down how to become a private lender in real estate, the smart, safe way. You'll see how to protect your cash, spot a good deal, and lock in consistent returns that leave CDs and even the stock market looking lazy.

Real people right now are earning 8%, 10%, even more—without being in the Wall Street casino. It's time to have money backed by hard assets. Want in? Let's get started.

Myth vs. Truth



Myth: High returns only happen on Wall Street.



Truth: You can earn 8–12% safely, backed by real estate. Not roulette wheels.

Glossary of Terms

(a.k.a. No More Googling While You Read)

- **ARV (After Repair Value):** What the property will be worth once it's fixed up. Think "future value."
- **LTV (Loan-to-Value):** The loan amount compared to the ARV. Your safety net number—never go above 70%.
- **Promissory Note:** The borrower's written promise to pay you back. The "I owe you" in legal form.
- **Mortgage / Deed of Trust:** The paperwork that secures your loan against the property. Translation: if they don't pay, you can take the house.
- **Deed:** Proof of ownership. Shows who actually owns the property (not to be confused with the Deed of Trust).
- **Loss Payee:** Fancy insurance term that means you're listed on the policy. If something happens, the check comes to you first.
- **Scope of Work:** A detailed list of repairs and renovations. If the investor doesn't have one, that's a red flag.
- **Payoff Letter:** The official invoice sent to the title company when the property sells/refinances so you get paid.
- **Closing Costs:** Fees tied to buying/selling a property, title, attorney, recording, etc. The investor, not you, covers these.
- **Equity:** The difference between what the property is worth and what's owed. Your cushion against risk.

What is Private Lending?

Here's the deal: private lending in real estate is when regular people, like you and me, loan money to an investor so they can scoop up a property at a discount and fix it up. Now your money isn't floating in the wind. It's secured by a first mortgage or deed of trust, which means you've got a legal claim on the house.

Now here's where it gets fun, you get to be the bank. Instead of letting your cash nap in a savings account earning coffee money, you cut out the middleman and collect the kind of returns banks don't want you to know about. And listen, my good buddy Dave Ramsey (we'll call him "Uncle Dave") would tell you debt is the devil. But here's the truth: debt isn't evil. It's a tool. Used dumb, it'll sink you. Used smart, it'll pay you. Private lending is how you put debt to work for you, not against you.

What Kind of Interest Do People Earn as Private Lenders?

Short answer: Way more than your bank or Uncle Dave will ever give you.

Most private lenders earn anywhere from 8% to 12% on their money. The exact number depends on the deal you make with the investor and how you want to get paid. Some folks like steady checks every month, others prefer quarterly payouts, and some choose to wait until the property sells and take it all in one chunk.

Either way, you're not staring at 0.03% in a savings account. You're putting your money to work—and it's finally showing up with a paycheck.

Myth vs. Truth



Myth: Debt is dangerous and banks are the safest bet.



Truth: Smart debt makes money. Banks just keep the profits. Private lending lets you earn them.

Why Smart Investors Pay 8-12%

(Hint: Speed Beats Cheap Every Time)

Great question. On paper, banks look cheaper. But in the real world, cheap comes with strings —slow approvals, endless paperwork, and a banking system that requires a lot of bureaucracy and paperwork to say “yes.” We all know the phrase, time is money. Well never is it more true then when a real estate investor is trying to close a deal.

Here’s the reality: real estate investors buy distressed properties at steep discounts, fix them up, and resell them for a profit. The catch? These deals move fast, sometimes in just 24hours. If we can’t close quickly, the opportunity disappears. Banks take weeks, sometimes months, to approve financing. By then, the property is long-gone and some other investor closed the deal with cash.

That’s why private lenders are so valuable. You provide funds that are fast, flexible, and reliable. For an investor, paying 8–12% interest is simply the cost of speed, and speed protects profits. Would you rather give up a slice of the pie, or miss the pie entirely? Easy choice.

So yes, banks look “cheaper.” But their slowness makes them the most expensive lender in the room. With private money, you (the lender) earn secured, high returns, and we (the real estate investor) get to keep building profitable deals as quickly as we can find and close them and without red-tape that comes with the banks.

That is why private money beats bank money every time. I like deals where everyone wins and in this way, we all win!

And just to be clear, speed doesn’t mean sloppy. Fast money doesn’t have to be risky money. Every deal is structured so both sides are protected. We’ll cover exactly how to lock in security, secure your investment with real estate, and make sure everyone sleeps at night (yes, even your lawyer).

We’ll get to the “how” in a bit, but for now, know this: private lending is quick without being careless. It’s speed with guardrails.

Myth vs. Truth



Myth: Fast money is risky.



Truth: Fast money is secured.

The 70% Rule: Your Golden Safety Net

Good news! It's not rocket science. The easiest way to know if a private money loan is solid comes down to one number: Loan-to-Value (LTV). The rule of thumb? Never lend more than 70% of the property's After Repair Value (ARV). That way, your loan is always cushioned by plenty of equity.

Uncle Dave says debt is dangerous. Nope. *Dumb* debt is dangerous. Smart debt with a 70% safety net? That's how you protect yourself and still make money.

1. Loan-to-Value (LTV): The Number That Keeps You Safe

Investors buy properties at a discount and borrow well below what the place will be worth after it's fixed up. The key number you care about is Loan-to-Value (LTV). Basically, how much is being borrowed compared to what the property will be worth.

Here's how you figure it out:

1. **Find the ARV (After Repair Value).** That's the future value once the property is fixed. You can determine this from an agent's comps or an appraisal.
2. **What are the Repair Costs?** The investor should already have a budget created for the costs to repair the property. Not sure if they know what they're talking about? Call a licensed contractor and get a real bid.
3. **What is the Purchase Price?** Add that to the repair costs, and now you've got the total loan amount.

Finally, divide the loan amount by the ARV. If that number is 70% or less, you're in the safe zone. Go higher than that, and you're taking on more risk than you need to.

Think of it this way: banks lend up to 80% or more. You don't need to play that game. Stick with 70% and keep your safety net.

Let me run you through an example:

Purchase Price + Repairs = Loan Amount

Loan Amount ÷ ARV = LTV%

- ARV: \$150,000
- Repairs: \$20,000
- Purchase Price: \$85,000

Your calculations: \$85,000 + \$20,000 = \$105,000

Then, \$105,000 ÷ \$150,000 = **70% LTV**

The 70% Rule: Your Golden Safety Net (cont'd)

If your loan stays at 70% LTV or less, you've got a solid deal and lower risk. Your biggest safety net is simple. You're lending way less than the property is worth. The closer you creep toward 100%, the thinner that safety net gets. Banks don't mind lending 80% or more because they love risk (with your money). As a private lender, you don't need to play like a bank. Stick with 70% and keep the odds stacked in your favor.

2. The Borrower (a.k.a. The Investor Running the Show)

Your money is only as safe as the person you hand it to. Experience matters—a lot. A seasoned investor knows how to juggle renovations, manage budgets, hit timelines, and actually sell the property when it's done. They'll have a track record they can show you. Real deals, real numbers, real profits.

Bottom line: lend to someone who's been around the block, and your risk goes way down. Or if you are working with a rookie, that doesn't end the deal. But knowing they have a seasoned investor doing a joint venture with them will go a long way to making sure they aren't taking their hits with your money.

Myth vs. Truth



Myth: The higher the loan amount, the bigger the win.



Truth: The win is in the spread. Stick to 70% LTV and lend to experienced investors. That's your golden safety net.

Uh-Oh Indicators



No Track Record - If the investor can't show past deals, it doesn't mean "no," but it does mean "dig deeper." *Pro Tip:* Ask if they're partnering with a seasoned investor. Joint ventures can balance out inexperience.



Vague Repair Numbers - "We'll fix it for cheap" isn't a budget. *Pro Tip:* Ask for a contractor's bid or written scope of work.



Over-promising Timelines - If the investor says the whole project will be done in 30 days, smile politely and ask for a realistic plan. *Pro Tip:* Compare their timeline to average rehab times in your area.



No Exit Strategy - If they don't know how they'll sell or refinance the property, that's a problem. *Pro Tip:* Ask what their Plan B is if the property doesn't sell right away.

Repairs Don't Have to Be Scary

(If You Ask the Right Questions)

First things first: you've got to trust the investor you're lending to. Comfort starts with confidence in the person running the project. Ask to see before-and-after photos from past deals. They should have receipts, not just stories.

Next, get the paperwork. Ask for a scope of work and a repair estimate before you hand over a dime. The scope should spell out what's getting fixed, that it'll be done to code, and when it'll be finished.

Inspections can also help. Don't worry about whether the air conditioner works. Assume it's getting replaced. What matters most is the big stuff: the foundation, the roof, the bones of the house. An experienced investor may handle this themselves, but if you're new or unsure, make a contractor or inspector back them up. And in case you are wondering, the investor should pay for that, not you.

Remember, they're the ones who have to prove the deal, not you. You're the lender, not an investigator. If they can't clearly show what's broken, what it'll cost to fix, and how they're going to pull it off, that's your cue to walk. And you know what's worse than the deal that got away? The one you funded that turned into a disaster.

Bottom line: only write the check when you're 100% confident they know construction or have someone on their team who does. If you're guessing, you're gambling. And this isn't Vegas.

Myth vs. Truth



Myth: As the lender, it's your job to figure out all the repairs.



Truth: It's the investor's job to prove the plan. You just need to check their homework.

Do Investors Get Paid Before the Sale?

Short answer: the smart ones do. Good investors don't sit around broke waiting for a big check at the end—they build smaller profit centers into every deal. That could mean making money on acquisitions, construction management, or even sales. Why? Because running a real estate business costs money, and cash flow keeps it alive.

Uncle Dave might tell you to eat beans and rice until payday, but real investors don't starve themselves waiting for the closing table. They make money along the way.

Cash Flow: The Lifeline of Your Investor (and Your Loan)

As a private lender, you actually want your investor to be profitable along the way. An investor who has consistent cash flow can weather storms, keep their team paid, and stay in business long-term. An investor who's broke until closing? That's a recipe for disaster. At the end of the day, you're not just funding a property. You're funding a business. And businesses without cash flow don't last.

Myth vs. Truth



Myth: A good investor only makes money when the property sells.



Truth: The best investors make money throughout the process. Steady cash flow keeps them (and your loan) safe.

What Else Should I Think About Before Funding a Loan?

Beyond the 70% rule and the investor's experience, there are two big safety nets you should always make part of the deal:

- 1. Lender's Title Policy** - This is your shield against any title defects. Since loans are closed at an attorney's office or title company, it's easy. Just tell the investor to include a lender's policy in the package. No excuses. It's standard.
- 2. Loss Payee on Insurance** - Fancy phrase, simple meaning. If something happens to the property (fire, flood, alien invasion, whatever), you're on the insurance policy as the one who gets paid. The investor can't cash the insurance check without your signature. Make sure this is added at closing.

Think of it this way: title policy + insurance equals peace of mind. It's cheap protection that gives you a voice and gets you paid if something goes sideways.

Title Insurance: Skip the Policy, Invite the Headache

When a real estate deal closes, two types of title insurance should be issued: an Owner's Policy (protects the buyer) and a Lender's Policy (protects you). Title insurance is basically a backup plan in case someone missed something in the title search.

Even if the title company did their homework, surprises can pop up later—like an old lien, a forged deed, or someone claiming ownership. Without protection, those headaches could come back to bite everyone. With a Lender's Policy, the insurance company takes the hit, not you.

Banks never skip this step—it's always part of their closings. But in private lending, deals are often treated like "cash," so title insurance gets overlooked.

Don't let it. A Lender's Policy makes sure you've got clear, marketable title and covers the costs if something goes wrong.

Best part? It's a one-time fee, paid at closing (and yes, the investor covers it). For that small cost, you get:

- ➡ **No-fault recovery of losses**
- ➡ **Claims handled and paid for you**
- ➡ **Broad coverage for mistakes made by closing agents or attorneys**
- ➡ **Peace of mind that your loan is fully secured**

Think of it like buying an umbrella. You hope you don't need it, but when the storm hits, you'll be glad it's there.

No Insurance, No Deal

Insurance isn't optional. It's your seatbelt in private lending. Property casualty and fire insurance must be in place before you fund a deal. These policies protect against common disasters like:

- Fire or lightning
- Explosions
- Earthquakes
- Car collisions (yes, it happens)
- Riots or malicious damage
- Theft
- Subsidence (think sinking or shifting ground)

Here's the kicker: the policy must be set up for **vacant property**, not a standard landlord policy. Vacant homes carry more risk, so the premiums are higher. Typically, the first three months are paid upfront, with quarterly payments after that.

Once repairs are complete and the property sells, the policy is canceled. A good investor already bakes this cost into their budget before they even show you the deal.

And don't forget, you should always be listed as the **Loss Payee** on the policy. That way, if something happens, the insurance company can't cut a check without your signature. If the investor ever lets the policy lapse, you can force coverage to continue and bill them for it.

Bottom line: no insurance, no deal. If the house burns down without coverage, your investment goes up in smoke—literally.

Myth vs. Truth



Myth: Insurance is just the investor's problem.



Truth: Insurance is your safety net. No policy, no protection, no deal.

The Only Wrong Way to Close: On Your Own

Yes, always. For your protection (and your sanity), only fund a private loan if the deal is closed by a professional. Some states require attorneys, others use title companies —it just depends on where the property is. Either way, you want a pro running the paperwork, recording the lien, and making sure your interests are secured.

Think of it this way:
**you wouldn't perform your
own surgery, so don't DIY
your closings.**

What If the Real Estate Investor Stops Paying You?

(Spoiler: You're Still Covered)

It has happened to the best of us. If your real estate investor stops paying, you're not powerless. You've got rights. Depending on the state, you can:

- **Call the loan due** (demand full payoff now).
- **Foreclose and take the property** (because remember, you're secured).
- **Take legal action** against the borrower.

Every state has its quirks when it comes to foreclosure and collections, which is why you don't wing it. You hire an attorney. They'll keep you compliant, efficient, and protected.

Here's the kicker: if the borrower wants to reinstate the loan after you've lawyered up, they're on the hook not just for missed payments, but also for attorney fees, penalties, and interest. That's why you make sure your Promissory Note spells this out from day one.

And if it all goes south? Thanks to your low LTV, you've got options. You can list the property at a discount and still walk away whole. It's not ideal, but you're protected, and that's the point.

Myth vs. Truth



Myth: If the borrower stops paying, you're out of luck and lose your money.



Truth: With a secured loan and low LTV, you hold the cards. Worst case, you take the property and still come out ahead.

What Paperwork Protects You as a Private Lender?

Good news. The paperwork is simple, but it packs a big punch when it comes to protecting your money. Two main documents lock in your loan:

1. **Promissory Note** – This is the investor’s written promise to pay you back. It lays out the details: how much they borrowed, the interest rate, the payment schedule, the length of the loan, and what happens if they default. Think of it as the official “I owe you.”

Every private money loan should come with a **Promissory Note**. This is the written promise from the borrower to pay you back. It lays out all the terms: the loan amount, interest rate, payment schedule, maturity date, penalties, and what happens if they default. Basically, it’s the rulebook of your loan.

2. **Mortgage or Deed of Trust** – This document secures your loan against the property itself. Depending on the state, it’s called either a mortgage or a deed of trust. It gets recorded in public records by the closing attorney or title company, which means everyone knows you’ve got money tied to the property.

The Promissory Note is signed at closing, right alongside the mortgage or deed of trust, when the loan is funded. Together, those two documents protect you: the Promissory Note says they owe you the money, and the mortgage/deed of trust says your loan is secured by the property.

Now, don’t mix up a **Deed of Trust** with the **Deed**. The Deed proves ownership. Showing the investor owns the property. The Deed of Trust, on the other hand, is your safety net. It’s recorded alongside the Deed and makes it crystal clear to the world: you’re owed money, and you get paid when the property sells.

In plain English: the Promissory Note is the promise, and the Mortgage/Deed of Trust is the muscle behind that promise.

Show Me the Money: How You Get Paid

You don't chase checks—the money comes straight to you. Here's how it works: a **payoff letter** gets prepared (by you, your attorney, or the investor with your approval). The payoff letter happens at the end of the loan, right before the property sells or refinances. That letter spells out exactly what you're owed. It's sent to the title company handling the sale or refinance, and they cut your check directly at closing. Clean, simple, no funny business.

Example Deal:

- **ARV:** \$200,000
- **Repairs:** \$30,000
- **Purchase Price:** \$110,000
- **Closing/Holding Costs:** \$4,000
- **Total Private Loan:** \$140,000 (70% LTV)
- **Terms:** 10% interest = \$1,167/month
- **Loan Length:** 12 months
- **Total Interest Paid to You:** \$14,004
- **Total Payoff:** \$154,004

Translation: You loaned \$140,000 for one year. You collected \$1,167 per month, and at payoff you walked away with \$154,004. That's your money back, plus over \$14K in profit for letting your cash sit secured by real estate.

Myth vs. Truth



Myth: You'll have to chase the borrower to get your money back.



Truth: The title company pays you first, directly at closing.

Taxes & Returns: Uncle Sam Wants His Cut Too

Let's talk about the part nobody loves but everybody needs to know. Taxes. The money you earn as a private lender usually comes in as **interest income**. That means it's taxed like ordinary income, not capital gains. In plain English: the IRS treats it the same way it treats wages, interest from your bank, or dividends.

Now, here's the key. Most private lenders report their returns on a **1099-INT** form, which your borrower (or their title company) should provide if they've paid you over \$600 in a year. Always double-check with your CPA or tax pro, because different setups (like lending through an LLC, retirement account, or self-directed IRA) can change the rules and give you some sweet tax advantages.

The bottom line: don't spend all your new interest income before checking how it'll affect your tax bill. Smart lenders not only protect their principal; They protect their profit from unnecessary taxes.

Did the Investor Still Make a Profit?

Absolutely. Even after paying you a solid interest rate and keeping your money secured the whole time, the investor still walked away with a healthy profit. That's the beauty of private lending. It's a win/win. The lender gets strong returns, the investor makes money, and everybody comes back for round two. In fact, right after this deal closed, the same lender reinvested with the same investor and earned the same high returns again. That's how lasting partnerships are built.

Myth vs. Truth



Myth: If the lender makes money, the investor loses.



Truth: Both sides profit when the deal is structured right.

And That's a Wrap!

(Sorry, Uncle Dave)

Private lending isn't complicated—it's just overlooked. Stick to the 70% rule, partner with the right investors, and cover yourself with title, insurance, and paperwork. Do that, and you're not just lending—you're the bank.

And here's the twist Uncle Dave won't tell you: you can even use self-directed retirement accounts to do this. That means your IRA or 401(k) can earn 8–12% returns, backed by real estate, instead of snoozing in mutual funds. It's time to get out of the Wall Street Casino and diversity your investments to be backed by real, solid assets rather than someone else's opinion. You can be in the driver seat of your future and not dependent upon Wall Street anymore!

Your money deserves better. Private lending is how you make it happen.

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