

# PREFACE

This book is a product of research.

As the principal broker in a mortgage brokerage firm in Toronto, I noticed a very high demand for mortgages and a very large number of applicants securing first and second mortgages at higher interest rates than offered by institutional lenders. I started playing in the private mortgage investment business and then decided to do a little personal research on the industry – not the way it should be done.

It was then I discovered that the few private mortgage investment books available provided very little help to would-be mortgage investors and mortgage professionals. I felt compelled to publish *Private Mortgage Wealth* after talking with hundreds of private mortgage investors, mortgage professionals and business people. A lot of people are grossly misinformed on the concept of mortgage lending. This book attempts to remove the disconnect between successful investing in other assets and the failure to achieve the same fit in private mortgage investment.

Private mortgage investing offers incredible financial opportunity for those who are ready for the adventure but it can be financially devastating for those who are not prepared. My goal in *Private Mortgage Wealth* is to mentor those who are eager to enter the world of mortgage investing.

I use simple and straightforward terms and concepts to explain how you can take advantage of the huge opportunity that exists in investing in private mortgages. This book provides help to those who are investing directly in mortgages and to mortgage brokers, mortgage bankers and trust companies involved in large and multiple project lending. It will help you understand how the engine of the private mortgage industry works, it teaches you how successful mortgage investors think, how to spot and assess risk and find ways to cope with the risks involved in mortgage investing.

*Private Mortgage Wealth* uses real life scenarios to capture some of the complex interactions of the private mortgage business and also lays out the guidelines for successful business practices. It identifies the players in the mortgage business and what they each contribute to make the mortgage business work. For a beginner in the mortgage business, the book follows the distinct stages in the mortgage cycle from the application to mortgage management and disposition. The step-by-step process of the business comes alive in real-life stories. Every chapter contains real life examples of what can go right or wrong in the private mortgage business. In most scenarios, I site my own experiences but I also draw on the experience of friends, clients and partners in the business, but in every case the individuals are disguised to protect their privacy. You will also be introduced to policies, guidelines and compliant processes to ensure your success in mortgage investment, if you apply them correctly.

Chapter One sounds a financial wake-up call needed by all to survive in today's capitalistic environment. As most of us already know, building a solid personal and investment foundation will always remain the first step toward financial success. Chapter One is about the real reason we succeed or fail in the money game. Have you ever wondered how some friends and co-workers take frequent vacations and enjoy an above average life-style? Some of them understand the concept of net worth and how to increase the value of their assets.

Starting from Chapter One, *Private Mortgage Wealth* will provide you with the necessary knowledge and tools for planning to increase your assets by participating in the private mortgage investment game. It does not provide get-rich-quick strategies, pyramidal transactions to achieve wealth or vague admonition of unnecessary leveraging. I have incorporated sound business principles into the step-by-step procedures for lending and this book explains why the principles work very successfully.

What will really make you successful in private mortgage investments as well as in other businesses is what you bring to the business – or your habits. What you do is your habit, not what you say, not what people say about you and not what we tell others we are. The purpose of this book is to reinforce the good habits that should be practiced to ensure daily success in private mortgage investing. Fear is a habit. Recently I spoke at a mortgage investment seminar and most of the questions dealt with the grave risk of mortgage investment. Then I asked the entire group,

“Raise your hand if you have a mortgage.” They all raised their hands except for one young man who had not purchased a property yet. Then I asked, “If you are planning to default on your mortgage, please put down your hand.” They all kept their hands in the air.

Enormous risk exists in most investment but risk management differentiates gambling from investing. This book is about how to make it work for you and to avoid the investment pitfalls into which many prominent investors and investment banks have fallen. In these pages you will learn to be a value investor who lends capital on healthy principles that worked in the past, that are effective today and that will work long into the future.

So, let us begin.