

What Do Trust Deed Investors Really Want?

Smart Trust Deed Investors maintain a portfolio of Trust Deeds that provide smart passive income. These investors realize the significant benefits of a diversified high yielding current income basket of Trust Deeds. We hear from these investors about what they would like to see and experience as they build their portfolio. Today's online loan origination, vendor management, document management, web-based social capabilities, automated underwriting and servicing technologies provide an opportunity for a better approach and process for Trust Deed Investing. Below are some highlights of what Trust Deed Investors really want and what they can expect to see in 2015:



Industry-wide challenges for Trust Deed Investors	Current Industry Practices	Technology Based Future
Stale Status -Investors call to invest in a Trust Deed and the Trust Deed is already sold or a portion of it is	Static, offline flyers or descriptions of Available Trust Deeds either sent out by email or posted to a Website	Real-time Status - Online Real-time pledging of whole or fractional interests in Trust Deeds
Multiple Statements Investors receive Servicing Statements from multiple Trust Deed Providers and don't have a consolidated statement	Servicing Statements from multiple Trust Deed providers and servicers	Consolidated Statements - Consolidated Servicing Statement for all the Trust Deeds an investor may hold
Limited Transparency and Influence - Lack of transparency and influence on who else might be holding the other fractional interests in a Trust Deed	Fractional interest ownership dissemination provided offline by the syndicator/originator	Full Transparency and Influence -Online Community approach to Trust Deed investing where investors know who else is involved in the investment and can syndicate friends
Re-Investment Challenges – Returns impacted by the inability to re-invest in a timely manner, resulting in a discontinuity of interest income after a TD pay offs.	Call originators or look online for a new Trust Deed Investment across multiple sites, in multiple formats	Automated Re-Investment - Online Marketplace that gathers Trust Deed investments from multiple providers, suggests appropriate investments based on investor criteria.
Lack of Liquidity – no easy way to sell existing trust deeds	Offline attempt to sell a Trust Deed to another investor or sell the Trust Deed at a discount on an exchange	Online Marketplace that allows investors to buy, sell and trade Trust Deeds
No Filtering - Personal investment criteria not matched with Trust Deed offerings, no easy way to filter offerings	Email and phone bombardment of Trust Deed Opportunities that don't meet the investors specified criteria, time-consuming to sort through	Search Filters - Online search filters present only Trust Deed opportunities matching an investors criteria

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<u>Lack of Transparency in Pricing Risk</u> - Some Trust Deeds pay more than the risk profile warrants and some loans pay less, limited ability to compare and assess risk	Trust Deed pricing set by the originator and borrower and does not consistently reflect actual risks	<u>Appropriate Risk Based Pricing</u> – Automation and transparency will drive more appropriate risk based pricing for Risk Adjusted returns
<u>Significant Minimum Investment, Limits Diversification and Investor Participation</u> - Fractional Trust Deed minimum Investment requirements range from \$50K to \$100k or more, making it challenging to diversify for everyone but the largest investors.	Investment amounts less than \$50,000 are typically unavailable, making it challenging for investors with less the \$500,000-\$1M to diversify and participate.	<u>Small Minimum Investment, enables Diversification and greater Participation</u> – Crowdfunding with a Borrower Dependent Note structure enables minimums as low as \$10,000 or lower, servicing costs and their impacts on returns limits how low minimums will go.
<u>Inconsistent Due-Diligence</u> - Lack of consistency and transparency into the underwriting and due diligence. For instance, some brokers are more conservative than others on LTV, different vendors provide differing results.	Due Diligence material provided to the investor via an online portal, file sharing (Dropbox) or email, with each broker using their vendors of choice.	<u>Standardized Due-Diligence</u> - Standardized due diligence with full transparency. Complete documentation with online analysis, ratios, meaningful and verified metrics all accessible securely online.
<u>No visibility into Payoff Timing</u> - Lack of advance knowledge of payoff timing creates challenges for timely reinvestment, impacting returns	Loans mature across different servicing platforms with payoffs happening haphazardly, with little advance warning, if any.	<u>Payoff Alerts and Visibility</u> - Single platform where Trust Deed maturities can be mapped with payoff requests being communicated in advance to facilitate timely reinvestment.
<u>Loans over \$1M, unfundable</u> – Most loans over \$1M, many of which are very high quality, go unfunded, since pulling together more than 4 or 5 investors on a deal, each with \$200K plus to invest is challenging at best.	Brokers solicit investors for deals manually and are limited to 10 investors per deal.	<u>Loans over \$1M, fundable</u> – Crowdfunding enables more than 10 investors to invest in a deal and the ability for investors to “self-syndicate” via the platform makes it easier for groups to come together to fund larger amounts.

What do you really want for your Trust Deed Investment portfolio? We would like to know. Please let me know with a post on our [Mortgage Vintage, Inc. Facebook Page](#) or our [LinkedIn Company page](#). If you enjoy discussions like this, please sign up for our [Linked in Group](#) called Southern California Trust Deed Investment Group.