

The ILOC IRA™

*The Exclusive ILOC IRA Program
Turn-Key Full Support Real Estate Program
for IRA and Private Money Investors*

<http://www.ira-investing-in-real-estate.com>



Disclaimer

The information herein shall not be construed as legal or financial advice whatsoever. It is only the opinion of the author. Real estate can be an incredibly profitable AND risky endeavor. We always advocate seeking proper legal and financial counsel before investing in real estate. Neither Mosaic Investments, LLC or Adam King is not an attorney, financial consultant and no statements otherwise shall be mentioned.

Welcome From Adam King

Thank you for your interest in the ILOC IRA. Plain and simple, what we do is offer turn-key income properties with management and consulting. We then offer you to utilize the concept of the ILOC IRA in order to become the bank. The formula in this ebook was a conceptual formula based on my experience as a private lender in the current market. It is also based on my own personal experience as a private investor who has written over 10 manuals on the subject of real estate investing. This is not an offer of a security. The ILOC IRA is not about borrowing money and we do not touch or control yours. However, we do, work, directly with our buyer's (individuals like you) IRA and 401k custodians, who can help you set up a self directed IRA if you do not currently have one. If/when you are ready to take the first steps with this powerful investment program; you may email or call using the information provided on the last page of this ebook. Again, thank you for your interest in the ILOC IRA.

Adam King
President, Mosaic Investments, LLC

The ILOC IRA Principle

Part one

How to Become the Bank ... *for yourself*

If you do a google search on private money, you will see that the most of the people (investors) are looking to “borrow” it. Why? Plain and simple; *cash gives you a massive amount of leverage*. And what’s in it for you if you take the risk of loaning your money to these investors? A rate of return with a hands-off approach...*or, so you’d think*.

What we will discuss here is how you can utilize your own IRA or private funds in order to realize, in my opinion, its highest and best use. I want you to see the advantages of the ILOC IRA instead of loaning your money for an average return. Or worse, loaning it to someone you cannot rely on, or to someone who is going to blatantly steal it from you. I have been ripped off as a lender and know how painful it can be to make the wrong choices. And trust me, lending your money to a stranger is a lot riskier than staying in control of your own acquisitions with the right team in place. Affording our private money lenders control and security along with a team of professionals to handle the process, is the founding principle driving the creation of this program.

Problem of Lending- A History

Not too long ago private lenders used to loan more based on the collateral property considerations and less on the borrower’s financial profile. That changed as the markets shifted and it became tougher to speculate on the ability to resell the property if the borrower defaulted. The lenders then needed more security so they started to lend more on credit score of the borrower and their ability to repay the debt. And when that didn’t work, they finally changed their guidelines to lend on lesser amounts of the property’s value as well.

Now, as the economy changed and things got worse, the lenders woke up to an unfortunate and very real nightmare.

For example; over the last several years speculators joined the oceanfront boom on the coasts of Florida and surrounding states. There were seminars everywhere put on by wholesalers and national gurus trying to get individuals with good credit to purchase their wholesale condos. There was a lot of money to be made because of the speculation of future equity and a lot of millionaires were created. Unfortunately what goes up must come down.

Banks were loaning based on credit score and money down, as well as the potential equity in the condos themselves (speculation). Then, when the bottom fell out and equity dried up, borrowers (investors/speculators) found themselves with a decision to make. Keep paying on the loan for the investment property, or lose their primary residence in the process.

Well, it was a simple decision for the investors to make, and condo foreclosures started to rise. Banks went bankrupt and everything fell apart. And on top of this, it created another phase in the economy called; *a buyer’s phase one*. A buyer’s phase one is when there are far more properties for sale versus potential buyers to purchase them. And when this issue hit the residential market, it has created one of the most powerful real

estate investing opportunities in the last century. This of course, is where we are now in our current economic situation.

The Solution: Become the Bank for a Little, or *Become the Investor For a Lot?*

As I mentioned on the last page, what you'll find is that most investors are now seeking private money to finance their purchases because of this massive opportunity as well as their inability to obtain financing through traditional mortgage companies. But most (if not all) of these investors still do not have a solid exit strategy. Most of their current strategies are to borrow private money, buy distressed property and then pray someone shows up who can obtain traditional financing. They then turn the loan into a legitimate debt service (interest payment) in which they must cover during the time it takes to sell the property. As mentioned on the last page, this is what caused so much of the current investment mortgage heartache in the first place.

The ILOC IRA

The ILOC IRA was created as a simple investing system for individuals with self directed IRAs or 401Ks. It is a wholesale purchasing program (see "Steps" below) that utilizes IRAs and 401ks to purchase, sells on terms (through Land Contract and Contract for Deed) and then allows that borrower to obtain traditional financing on refinance (such as an FHA loan) within an average of 6 to 12 months. The IRA or 401k Investor then recoups their original capital, plus equity (and can even carry a promissory note) from the final sale to the Land Contract buyer.

Why the ILOC IRA is So Powerful

To begin with, there is no mortgage debt with an IRA or 401k, which means the IRA or 401k owns the real estate free and clear with no interest payments. With all real estate comes risk and this is the most important "make what's against you for you"; usually the greatest risk is the service debt, or "mortgage payment" as mentioned previously.

If you look at a lender such as Countrywide or some other large mortgage lender, you can understand how they got into so much trouble. They went into debt because they actually "owed" money on the money they are lending. In other words, they "borrowed" money from such liabilities as lines of credit in order to lend at a higher rate. *Borrow low, lend high*. So when someone stops paying, there's now someone who is not getting their return. But again, with an IRA or 401k there is no mortgage payment. There is no payment because the IRA or 401k isn't borrowing from anyone, *it is leveraging itself*.

So if a property goes vacant, then there's simply no income from when it goes vacant instead of a mortgage company breathing down your neck for you to make a payment.

Sure, there are other payments such as taxes, water, gas, electricity and attorney fees for evictions or forfeiture, but these are minimal compared to the service debt of a mortgage.

Make no mistake about it, there are risks but the leverage is that in most cases these risks will be covered by your IRA or 401k and can be recouped upon the final sale (when the end buyer obtains a mortgage) of the property. This is the ultimate in real estate financing!

Contact Adam King at: info@ira-investing-in-real-estate.com.
or call; 1-888-453-0913 Ext 743 for more information.

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The **ILOC** IRA Outline Part Two

Remember this Formula!

**Total Operating Debt Minus Gross Income Divided
By Purchase Price = Rate of Return***

The ILOC IRA™ Introduction

There's no question about it, the real estate market is in turmoil. However, everyone knows there is opportunity during down times. In this case, the opportunity to help families and profit at the same time has never been stronger. With the mortgage industry in as bad a shape as it is, there are very few places for individuals to obtain financing for their homes. Most people don't have enough money down, or simply cannot obtain financing with their current credit situation. Their problems become our opportunities. *And a noble opportunity it is.*

What you are about to read is an opportunity based on a very simple principle. And that of course, is how to leverage your IRA, 401k or Private Money to its highest and best use.

The ILOC IRA Basics:

- A. Purchase renovated property at a massive discount (50-70% of market value)
- B. Offer it to individuals with bruised credit on Land Contract or Contract for Deed to obtain a good rate of return (10% or higher for a "Base Return")
- C. Recoup your IRA or 401k investment by seeing those individuals obtain traditional financing on an average of 6-12 months
- D. Cash in on the equity when you cash out of the property ("Equitable Return")
- E. Create a note and become the bank (with any equity left over for "Passive Return" if applicable)
- F. Repeat until you double, triple or quadruple (or more) your IRA or Private Money

The Most Important Benefit

The ILOC IRA concept is very simple in nature. However, the "execution" of the ILOC IRA was created to be an applicable system based on Zipf's Principle. (See Below)

Zipf's Principle of Least Effort

George Kingsley Zipf (1902--1950) wrote Human Behavior and the Principle of Least Effort which was published in 1949. The Principle predicts that most people, most of the time, are turned back by modest hurdles that they know could be overcome, with effort. To be habitual, an action must be relatively effortless or carry a particularly large psychic reward. And in what constitutes a "large reward," opinions and motivations vary widely across individuals.

Through my years of coaching and training real estate students, I have come to understand *completely* that if you do the most work in a deal, the deal gets done. We apply the same principle with the ILOC IRA. To put this in simple terms for you, **our company executes the entire program and we do all of the work.**

Mosaic Investment's Role

The following is what our company Mosaic Investments, LLC offers to you. Not only do we offer the property to you, but the property itself will be “sold” when you “buy” it. This means that we organize the placement of individuals (on Land Contract or Contract for Deed) into every property that we offer. “Pre-Packaged” if you will.

Disclaimer: Although Mosaic cannot guarantee payments or financing of any land contract buyer, nor can we guarantee the absolute performance of any acquisition, we do stay on board as a consultant and coordinator through each acquisition. The reason for this is answered in Step 6 below.

The ILOC IRA Steps

Step One: Locate the Buyer

This is done by the application of a system Adam King has created call “The Locator Program™”. Our real estate agents, mortgage brokers and management companies all work together to locate pre-qualified Land Contract and Contract for Deed buyers. Sometimes the property will be purchased first (if not completely renovated etc) but the buyers may already be lined up for that particular property.

Step Two: Locate the Property

The property is identified through our brokers, bankers and wholesalers. The properties must fit our demographic and desirability criteria model. This is a model that simply allows for affordability and attractiveness for that current local market. The property is then inspected by our partners and insurance companies. Once they are inspected, we order a CMV (comparable market value report) and finally an appraisal. Our appraisals AT ALL TIMES figure in recent foreclosures and follow the same guidelines as a traditional mortgage company would while appraising a property. In other words, we seek for them to be conservative in order to help the final sale or “refinance” of our Land Contract buyers.

Step Three: Work the Numbers for the “Base” Rate of Return

The formula; (Total Operating Debt **Minus** Gross Income **Divided** by Purchase Price = **Rate of Return**) is applied. This is to insure the property is being purchased right based on the current demographic and rental market. This does not mean this will be an absolute constant rate of return (because of possible human obligation failure), but as a general guideline to prove the acquisition was a good one to start with. In other words, if it the property was held as nothing but a rental, (worse case scenario) it would set up to be making a good rate of return at a minimum. Note: *This figure does not include the profit from the sale of the property.*

Step Four: Purchase the Property with Your IRA or Provide Money

We make our money by wholesaling the property to you. In most cases the properties are sold to you at 50-70% on average of its value. This is AFTER it is completely rehabbed

and filled with either a land contract buyer, or renter. You are simply taking over that buyer with the freshly renovated property.

Step Five: Hold the Property Short Term, Get Cashed Out and/or Hold a Note

This is the most exciting part of the ILOC IRA. Once the property is purchased by your IRA or 401k, your Land Contract buyer must obtain a mortgage within 6-12 months (on average) depending on their abilities. This mortgage amount is almost always at 75-80% (or more) of the properties true appraised value. So, whatever is left over in equity, (see Example Below) you could carry as a second note. (such as a promissory note) In other words, your original investment back, partial equity on top of that initial investment, and the ability to carry the rest back on a note. All tax-free or tax-deferred into your IRA.

True Buyer Leverage Defined

The faster your buyer obtains a mortgage and pays you off, the better it is for them. The reason for this is simple; the average interest rate you will charge to your Land Contract buyer will be around 7.5%-12%. This should yield a 10%-15% (or higher) cash-on-cash return. (See Example Below) So when they obtain a traditional mortgage at a lower rate than *your* interest rate to them, their payment should be less. And the more they mortgage, (to pay you off), the more their payment drops enticing them to finance as much as possible. And finally, if you do hold a note from any left over equity, then you would be able to continue receiving payments on that note *passively*.

Step Six: Get Cashed Out and Repeat

Once your buyer obtains financing (a mortgage) and cashes you out, you will have the opportunity to purchase another property from us. This is why we stay on board even after closing to see that you are taken care of. In other words, “you” are *our* investment.

Below is a list of what Mosaic offers:

- All properties renovated at a steep discount (50-70% of market value)
- All end buyers (Land Contract or Contract for Deed) pre-qualified through our mortgage brokers and/or bankers and placed into the property.
- Consulting for your DOI (Direction of Investment) with your IRA or 401k custodian.
- All purchase, sales and note paperwork through us and our attorneys.
- Completed appraisals and value checks (CMV)
- Title Company and/or Closing Attorney coordination.
- Clean title (Fee Simple) on all properties including city inspections etc.
- All pre-qualified and implemented property management companies.
- Eviction and foreclosure instruction with our attorneys. (if needed)
- Direction of payment assistance with Equity Trust Company or your IRA custodian. (I.e. getting interest and other payments properly)
- Payment instruction by all property management services (making sure you properly receive your payments from your Land Contract buyers)
- Facilitation for re-selling the property if a buyer must be removed or replaced.
- Consulting for any issues that may arise with the property physical or professional.
- Help with the management and location/hiring of any contractors or companies to execute any arising issues.

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- Help with closing (through our legal/professional team) of your Land Contract buyer once they obtain traditional financing.
- Cooperation with your attorney and/or financial advisor, or CPA.
- Complete access to us at all times for answers to questions and support via phone, fax and email. DIRECT ACCESS.

Note: Certain tasks may produce further compensation owed to Mosaic and/or their partners, affiliates and/or associates. Such compensations shall be fully disclosed before any acquisition is facilitated or completed.

The ILOC IRA Example Part Three

Property Example

The following is an actual example of a property that was purchased in Detroit MI. Detroit and surrounding areas were chosen because of the massive opportunity to purchase foreclosed property at a huge discount. It was also chosen because of the desperate need for these properties by local residence and their families. As mentioned above, certain areas were chosen more than others based on their demographic stability. Also, the use of a IRA or 401k allows for flexibility on market value and less on the speculation of future equity whether rising or declining. Our theory is simple; if the property is purchased right then the program will work at the very least with a good rate of return based on worse-case-scenario. (As mentioned above in Step 3)

How We Do Our Math

First off, the math is crucially important. Although the core function of the ILOC IRA is to realize profit from the equity in the property by either selling for higher than purchased, and/or to hold a note, the main goal is to reach an initial 10% rate of return (or higher) with the highest applicable operating debt. For example; if the investor pays for taxes, insurance and 10% management fee, that number must be subtracted from the full rent potential and divided by the purchase price. Then, we know we have the beginnings of a good deal.

This would first be applied to the worst case scenario. And that of course is simply getting that rate of return from the property as if it were solely a rental. (See Step 3) Then, we can realize the true potential of the ILOC IRA within the sales of the property to an individual or family on Land Contract.

Example:

1. Purchase Price is \$36,000.00 or 60% (Final purchase price after renovation)
2. Property is fully rehabbed and rented at \$600.00 per month
3. Land Contract buyer pays all utilities, taxes and insurance
4. Property Value is \$60,000.00
5. Gross operating debt is \$3,066.00 (\$1,500.00 in Taxes, \$846.00 for insurance and \$720.00 management fees. Note: This is with the IRA or 401k paying all taxes and insurance “Staying conservative”)
6. Cash-on-cash return is 11.48% (use the equation above to come to this same number. Total Operating Debt **Minus** Gross Income **Divided** by

Purchase Price = **Rate of Return**. Or: $\$3066-7200 / 30,000.00 = .1148$, or 11.48%)

Note: When you apply the payment plus taxes and interest to the Land Contract, the interest rate on the Land Contract will actually be lower than 11.48%. This is how we make the sale of the property attractive to the borrower.

A Very Real Leverage

When you show interest in purchasing a property from Mosaic, you will receive all property information (Pictures, Appraisal, Update List of Renovations and Land Contract Buyer information) and also what is called an FPS (Forecasted Payment Schedule). This is a payment schedule that is mirrored within the Land Contract. What it does is shows the total payment in interest based on the “sale” price of the Land Contract. (\$60,000.00 in our example) To put things in simple perspective, it shows interest based on the entire sale amount as lower, but compared to the “cash-on-cash” rate of return based on your purchase price, it is much higher. Sound complicated? It’s not.

Example:

1. Full Payment by Land Contract Borrower = \$600.00 per month
2. Taxes (\$1,500.00 per year) plus insurance (\$500.00 per year. Less for owner occupied) = \$2,000.00 per year total, or \$166.66 per month.
3. Total payment \$600.00 minus \$166.00 = \$434.00 per month interest.
4. \$434.00 minus 10% management fee = \$390.60 per month to IRA or 401k Investor
5. The ILOC IRA formula: \$390.60 (interest payment times 12 = \$4,687.20) divided by gross sale price \$60,000.00 = 7.8% interest rate on the Land Contract to the borrower/buyer.
6. Total cash-on-cash? \$390.60 (times 12 = \$4,687.20) divided by \$36,000.00 equals 13.00% cash-on-cash return.

Again, if the property was sold on land contract, then the buyer would cover the taxes and insurance. And to keep things fair, they would be given a lower interest rate based on their purchase price in order to keep the payment at \$600.00 per month. (Interest only) However, the debt to the investor would be less, equaling out the rate of return. Again, the concept is simple; go in with a good rate of return in mind, but mostly focus on the end result. And that of course, is to build up your IRA or 401k.

Building Your IRA with the ILOC IRA Program

Now we can see the final fruits from the ILOC IRA’s labor. In the example above, the investor would realize a \$390.60 payment going into their IRA or 401k. This would of course, become smaller over the life of the land contract if principle were applied. (Schedule given with each FPS) However, that’s not the main focus of the example. The main *function* of the ILOC IRA is to capitalize on the **equity** within the property *while* getting a good rate of return. This is what makes the ILOC IRA stand out from ANY other system out there.

Note: The following example is based on an “interest only” schedule and does not include any possible risks that come with investing in real estate. Risks such as vacancies, possible tax inflation, investor demanded/required repairs or any other unforeseen issues that could arise. If principle were applied, the payment would reflect that and interest rates could simply be risen to give the buyer an alternative method to pay

down their debt. And finally, this example is based on a 60% purchase price. All numbers would work accordingly if the property were purchase for higher or lower.

Below is a final example of a fully successful ILOC IRA acquisition *interest only*:

1. Property purchased at \$36,000.00
2. Property sold at \$60,000.00 on Land Contract
3. $\$390.60 \times 12 \text{ months} = \$4,687.20$
4. Land Contract buyer mortgage amount \$48,000.00 or 80% of the property's value.
5. Second note created by investor for \$12,000.00 at 10% interest for \$100.00 per month
6. Total return on interest for one year including note = \$5,887.20
7. Total cash profit from equity up front = \$12,000.00
8. Total profit in notes, interest and cash for one year = \$17,887.20

Now let's play devil's advocate and say we had a horrific worse case scenario. Let's say everything goes wrong and somehow the investment loses \$10,000.00 from the potential profit. That is still a whopping 21.9% return on investment potential! It's not hard to see the massive potential of a system put together properly.

In Closing

I thank you for your time in reviewing the ILOC IRA program. Currently we invest strictly in MI because of the opportunity to purchase properties at low prices, as well as locate and manage buyers for them. There is a definite demand here and the popularity of this system is constantly increasing. Also, this is where Mosaic Investments LLC is located. And in order to offer the level of service we do with the ILOC IRA, it is important that we are located where the properties and people are located. We understand the market here, we work with the people and we know the outcome. Together we can continue to grow the ILOC IRA on a national level, but for now we want to stick with what works.

Please contact us if you are interested. Currently we have enough room for investors to work with us purchasing our properties. Again, this opportunity is limited.

For more questions, please email us at: info@ira-investing-in-real-estate.com or simply give me a call at 1-888-453-0913 Ext 743. I look forward to talking to you personally.

Sincerely,
Adam King

Author information on the next page.

About the Author

Adam King



Adam King is a national real estate speaker and is the president of Mosaic Investments, LLC, a Michigan based Real Estate Company. Mosaic purchases, rehabilitates and holds and wholesales commercial, multi-unit and single family residential income properties.

Mr. King and his associates, affiliates and partners have put together hundreds of real estate transactions nationwide. His team is currently in 22 states and Canada. He is also a partner with a national hard money lending company that currently lends in 44 states.

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