RiverBank
Financial Corporation

Established 1987

MISSION STATEMENT

Direct private mortgage note lending Mortgage pools are like the mutual funds of private mortgages. Each investor's money is pooled with the other investors participating in the pool and the money is used for private lending.

Over the years there have been some notable benefits to investing in a mortgage pool. Because a mortgage pool is pooling the money of all investors, the pool manager is able to reduce risk by diversifying over many different properties.

Of course, the trade-off to mortgage pool investing is reduced returns. The mortgage pool manager draws their pay directly from pool profits. This substantially lowers profits and cuts deep into investor's pockets. However, many investors have leaned toward the mortgage pool option over the direct lending option because it was easier and incurred less risk.

The RiverBank Finance strategy of investment overcomes the former downside of direct private mortgage lending, giving direct private mortgages the advantages of mortgage pools without the historical challenges typically associated with direct private mortgages. Direct lending is typically reserved for seasoned real estate professionals due to the level of expertise that is needed to identify undervalued properties and go through the appropriate steps to protect the investment and assure a top return on investment. In return, however, they are able to gain direct access to the collateral provided in the direct lending model.

The direct lender typically has an appraisal done on the property, analyzes the value of the property and the upgrades it will need, works the numbers to determine a break-even point, and then calculates what kind of offer on the property will be feasible to earn a good return on investment. Once that's done they find a qualified buyer to purchase the property and draw up paperwork that protects them against the possibility of the buyer defaulting on the mortgage.

It's actually, in our opinion, very satisfying work. However, it does take a great deal of expertise. RiverBank Finance has made direct private mortgage lending a real possibility, even for the average investor. You don't need any expertise in the real estate market to take advantage of the combination of, good returns and stability, that private mortgages offer. RiverBank Finance does all the ground work for you. All you need to do to take part in direct private lending is invest the money.

As a direct investor, you'll be able to take advantage of higher returns than you would get if you invested in a mortgage pool without any of the expert knowledge required.

MANY PEOPLE ASK how it is possible for private mortgage notes to pay double-digit returns on low-risk, fully secured instruments when the rates of return on most other investments are so low. We understand their thinking, so it is important to see all the facts.

WE ARE LIVING IN AN ERA OF CHEAP MONEY

Money continues to be about as cheap as it's ever been:

- 30-year fixed home mortgage loans average 3.5-4%
- The two-year Treasury Bill pays less than 1%
- 24-month CDs are returning approximately 1.5%
- The WSJ prime rate has remained stable at 3.25-3.5% during the past year
- Loans rates for new and used cars are running 2.5-3.5%
- SBA loans rate average between 5-8.25%

So how is it that private mortgage notes can afford to pay investors double-digit returns?

More to the point, why would anybody turn to private mortgage notes as a funding source given they pay such high rates to their investors?

We understand that you're skeptical. Savvy investors are.

WHY BORROWERS USE PRIVATE MORTGAGE NOTES

There are two main reasons why buyers of investment real estate are willing to pay higher interest rates:

1

ACCESS TO CAPITAL

Banks don't often make construction loans, and they're seldom willing to lend on properties requiring significant turnaround. Between the lingering economic effects of the Great Recession and the increased regulation of financial institutions, lending standards have become incredibly stringent. Private mortgage notes fill the void, taking care of the business that traditional banks rarely work on anymore.

2

SPEED OF CAPITAL

Even if banks were willing to make construction loans like they did in the past, the transactions would take 45-60 days to process, and sellers just won't wait that long. Sellers typically sign contracts with buyers who can prove they have the cash to close quickly. Private mortgage notes can often close a sale within a week or two. This allows buyers to purchase properties that would have been sold to someone else had they not had access to speedy capital.

SUPPLY AND DEMAND

Setting prices usually boils down to supply and demand. In this case, the people who rely on private mortgage notes to fund their property purchases have a large and immediate need. Therefore, these borrowers are willing to sacrifice some of their future profit — through paying higher interest rates — rather than lose out on the opportunity completely because they couldn’t secure other funding.Additionally, this is a diffcult time for banks. In spite of nearly a decade of quantitative easing by the Fed, which has poured billions into the coffers of commercial bankscoast to coast, the vast majority of that money is sitting onbank balance sheets collecting dust. Meanwhile increased government regulation and reserve requirements are making the banking sector far less profitable. All of which has made getting a loan from a bank much more diffcult. This means private funding is not only real and appealing, but in many cases it is also the only option for real estate investors and developers.

SHORT-TERM BORROWING

Most private mortgage note borrowers only use that funding for a relatively short period, usually satisfying the loan with a balloon payment within a term of 24 months or less. They refinance the property at a substantially lower interest rate once the building has been renovated and its financial condition stabilized.

TOO GOOD TO BE TRUE? NO!

So, in answer to the question we posed at the outset: How can private notes pay such high returns?

The answer is simple. Because property buyers are willing to borrow at higher rates, private mortgage note providers are able to securely pay investors higher rates in return. This is a win-win opportunity for private lenders and property investors because the underlying real estate asset provides solid collateral.

LOW RISK

We say securely because each borrower and each underlying real estate deal are carefully vetted to ensure they are sound: that the property generates more than enough rent to cover the borrower's note payments, as well as all the property's operating expenses and still returns positive cash flow. And unlike risky paper investments, every private mortgage note is backed by incomeproducing real estate, the value of which cannot and will not fall to zero. Additionally, investors are protected with a first-lien position. This is why we consider private mortgage notes to be a low-risk investment opportunity. You can invest with full confidence that your monthly doubledigit APR interest payments will be paid month after month, regular as clockwork.

UNIQUE INVESTMENT

Private mortgage notes are an asset class relatively few investors know about. Throughout history, billionaires have profited from making hard money loans, which can be one of the best ways to maximize passive income.

Yet, most regular investors have simply not been allowed access to these remarkable investment opportunities, or they don't have enough extra cash on hand to loan out the full amount required for a compelling property. Instead, private mortgage note investors hold first lien position with as little as $50,000 invested.

REPEAT INVESTORS

Once people invest in a private mortgage note, they usually do it again and again. They can't wait to share their experience with family and friends. Where else is it possible to lock in fixed, double-digit returns, well above market with returns paid monthly — for a defined term? RiverBank has a long-standing proven track record. This is a unique and exceptional opportunity.