



Foreword

Before you start reading the excellent work of Dr. Gomez, ask yourself three questions: Would you like to generate a passive and meaningful income stream in all market conditions? Would you like to generate this income stream consistently? Would you like an alternative with less risk than investments subjected to the volatility of the stock market? If your answer to at least one of the three questions is “yes,” then this book is a must-read for you. Read on. It will be a worthwhile investment of time to learn how to generate significant investment returns.

As you read, understand that this is the first-ever “how to” guide emanating from a university research study addressing the investment strategy to be described. Undoubtedly, the guidelines and recommendations described in this book will eventually be mimicked by others because of its power to build wealth. Before explaining the significance of the investment strategy that is so eloquently described by Dr. Gomez, let me explain why I passionately subscribe to his formula.

In 2008, when the U.S. economy was troubled and real estate investing was distressed (which is an understatement), I followed a vision—the very vision that Dr. Gomez describes in this book. I knew there was a real estate investment strategy that could withstand the economic turmoil, inflated housing prices, and weak consumer confidence. While the odds were against me, I founded a privately-held real estate investment company that not only survived what has been called the Great Recession, but also thrives today. Headquartered in Miami, Florida, Benworth Capital Partners is an asset-based lender. Many of the loans Benworth provides are for single-family homes purchased by teachers, firefighters, and recent college grads—Americans seeking the American Dream—but unable to achieve it through traditional lending sources. Private lending is their solution. Private lending is the investment strategy detailed in this book.

Neither the strategy nor my vision was built on a hunch. I am what people call “*the real estate guy*.” Prior to forming Benworth, I established Home Mortgage, a company that grew to become the South Florida leader in new construction residential mortgages. Moreover, it became the company that the nation's number-one home lender, at the time, sought and purchased. You don't get coined “the real estate guy” without working for household brands. Tenures in the finance and mortgage departments at Fortune 500 companies, such as Citibank, GMAC, and JP Morgan Chase, are part of my repertoire. I also hold degrees in finance and governmental policy from the University of Miami and Harvard University, respectively. A combination of education, experience, and passion create my unique perspective on private lending.

Permit me to draw on my academic side to share a bit of history and financial economics. When the financial crisis began as the result of the “bursting of the housing bubble,” the United States and the world were subjected to the most intense period of global financial strains since the Great Depression of the 1930s. This economic crisis led to a deep and prolonged worldwide recession. During situations like these, the Federal Reserve is tasked with conducting monetary policy that will achieve maximum employment, price stabilization, and moderate long-term interest rates. Consequently, the Federal Reserve—in response to the crisis and to help in the stabilization of the U.S. economy and its financial system—reduced short-term interest rates to near zero. This Federal Reserve policy artificially created a low interest rate environment, which has made it impossible for investors to generate an acceptable rate of return from the customary investments that typically encompasses retirement portfolios such as CDs, bonds, and saving and money-market accounts. While this low-rate environment is damaging to interest-sensitive investments, it is favorable in supporting investment in private mortgages.

A private mortgage is a form of asset-based loan—a secured debt obligation—that can produce a consistent and almost predictable income stream to the investor. It comes with all the security, protections, and recourse that a mortgage lien can provide. Unlike stocks, the underlying security is a tangible asset, brick and mortar. This type of investment possesses numerous lawful protections, such as title insurance, and many other unique rights and remedies that ensure the enforceability of a mortgage lien. Additionally, many private mortgage loans are secured by personal guarantees from the borrowers, which create another layer of legal recourse that furthers benefit the investor. In short, an investment in a private mortgage provides substantial downside protection for the investor.

For most investors, the most important aspect of any investment strategy is the return on investment (ROI). At the time of this book’s publishing, an investment in a private mortgage loan was generating a return ranging from 9% to 12%. It’s probably difficult for the reading audience to believe that these kinds of returns can be obtained in this type of low interest rate environment, but this is a verifiable fact. Most significantly, the amount of return is driven by the quality of the asset and the underwriting process.

At this juncture, a caveat is crucial: as you consider the investment in a Private Mortgage Loan, first and foremost, be very cautious of who is presenting you with the opportunity to invest. It is also imperative, as Dr. Gomez points out, to vet the loan originator. Know who is supplying you with the leads to the loan opportunities. Not just their name, but their experience, their lead sources, and their reputation to do the right things for the borrower. Private mortgage borrowers pay a premium for this type of loan. As investors, we have a legal and ethical obligation to ensure that a borrower can afford to buy property and can sustain ownership. With long-term interest rates so low, this type of lending must be treated as bridge lending. To do

right, we must invest with confidence that the borrower has the ability-to-pay to ensure their pathway to safe permanent ownership.

To me and to Dr. Gomez, it's all about transparency, understanding the origination process, the underwriting guidelines, and the flow of your funds. Transparency is about meticulous reporting. Transparency is about servicing of the loan with quality. Transparency builds reputation. If there is one word of advice that I would impart, it would be to invest your funds where there is a favorable reputation. Look for the track record. Look for the expertise in the real estate lending industry. It makes all the difference in mitigating investment risk.

The vetting process to find the right opportunity to invest in a private mortgage loan may seem daunting to the novice investor. However, Dr. Gomez makes the process easy, as you will soon learn as you read on. He articulately breaks down the myths and barriers to enter this investment environment in this masterful handbook. Follow his approach, and you will achieve double-digit returns by investing in private mortgage loans.

I encourage every investor fortunate enough to discover this valuable book to embrace the teaching that Dr. Gomez expounds in its pages. The information will build your wealth and help safeguard your financial future.

To Your Future Wealth and Success,

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