Mortgage & Real Estate Investment Opportunities in a Challenging Market

Presented By: CU Real

Who Is CU Real & What Do We Do?

We are a Credit Union Service Organization known as a CUSO. We create investment opportunities with a focus on real estate & mortgage lending.

- We process, coordinate and facilitate mortgage loans for credit unions that fund mortgages with their own money. We ensure that all CFPB and NCUA regulations are followed in accordance with TRID Mortgage Lending Laws.
- We use CU Real investment funds from Credit Unions to provide residential mortgage loans for credit union members that provide the credit union dividend earnings.
- We use investment funds from our REIT to purchase multi unit properties that create steady short & long-term income.

Our Goal…

To create an opportunity for any size credit union to invest in conservative mortgage loans and real estate investments with low risk and steady profits that do not create risk factors regulated by the NCUA and State Regulators.

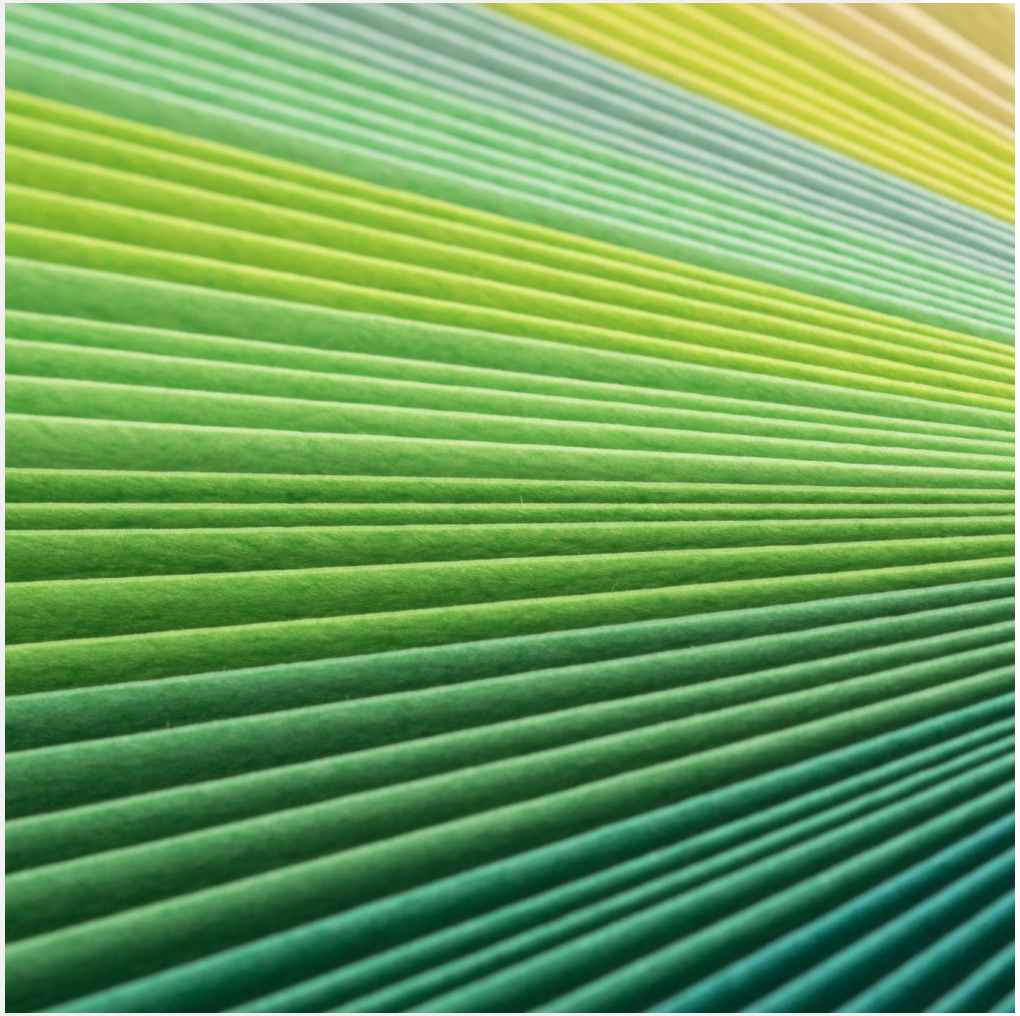
Mortgage Loan Investment Funding

Points of Interest

*Take advantage of rate hikes, a challenged economy & decreased inventory and be different . By either funding mortgage loans with your own credit union funds **and/or** by participating in the mortgage investment pool that funds mortgage loans for CU members.*

CU Real focuses on creating profitable opportunities for credit unions while taking advantage of not having to adhere to the same market highs and lows that "big box banks" must follow.

Credit unions are "not for profit" which allows them the ability to pass on to their members financial services that create more desirable terms, furthermore this gives them the opportunity to be the most desirable resource for all their financial needs.



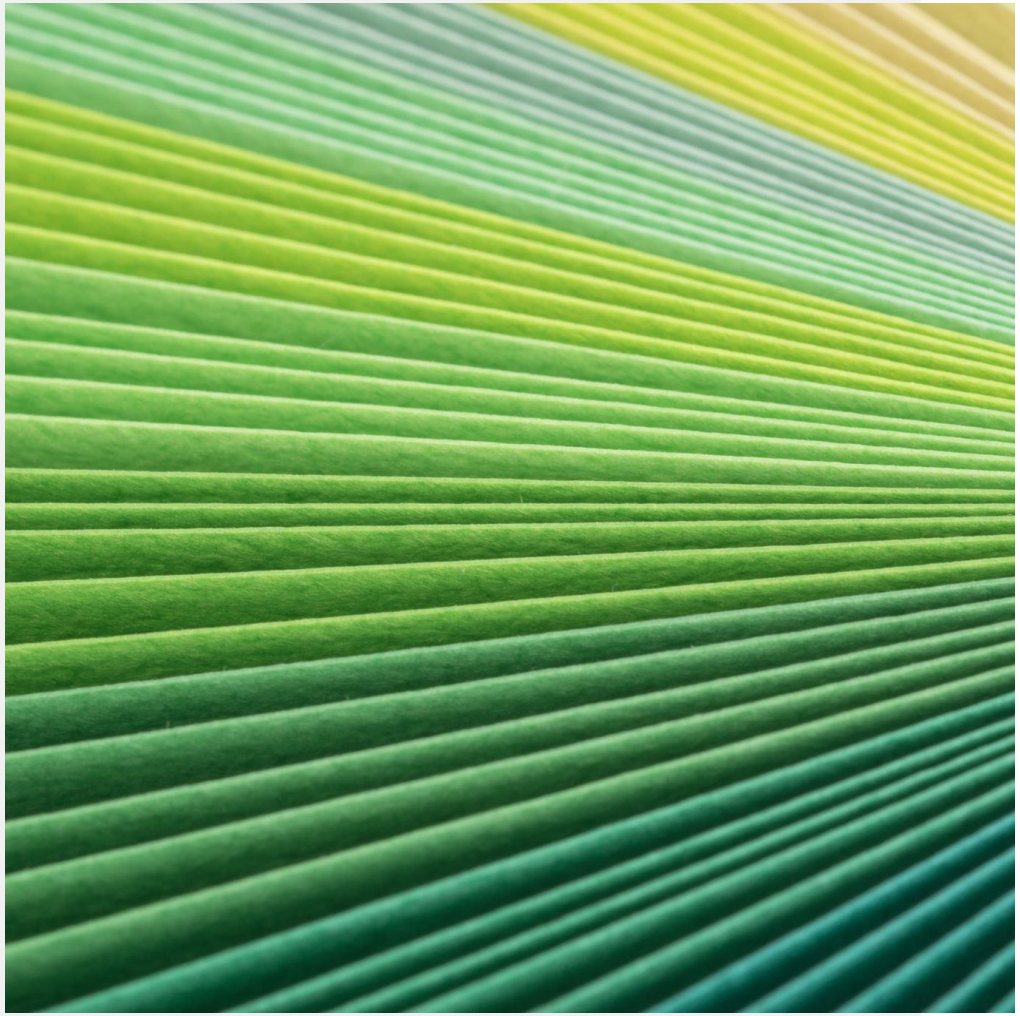
Mortgage Processing and Mortgage Investment Fund Opportunity Options:

- ***Option 1.*** CU Real processes mortgage loans for credit unions who want to use their Credit Union dollars to fund their member's mortgage loans.
- ***Option 2.*** Credit Unions can participate in the mortgage investment CUSO with other Credit Unions. CU Real will use these dollars to fund participating credit union members mortgage loans. This options allow your credit union the advantage of funding your member's mortgage without it effecting your credit unions mortgage liquidity.
- ***Option 3.*** Combination of option 1 & 2. Your credit union can utilize CU Real to process and facilitate your mortgage loans and your CU can participate in the mortgage investment pool that will provide a larger pool of funds and loan programs that your credit union can offer to members.

It is important to note that all mortgage loans are processed to ensure that CFPB, NCUA and state regulations are followed in accordance with TRID Mortgage Lending Laws.

Prepare for Examinations

- *We are experts in mortgage lending that ensures ALL CFPB regulations and TRID lending laws are up to date and followed*
- *CU Real CUSO is made up of Officers and Board Members that have the credit union's investments best interest at the forefront of all decisions*
- *Conservative policies with clearly defined types of investments and conservative, consistent guidelines.*



CU Real Mortgage Loan Investment Funding & how it works

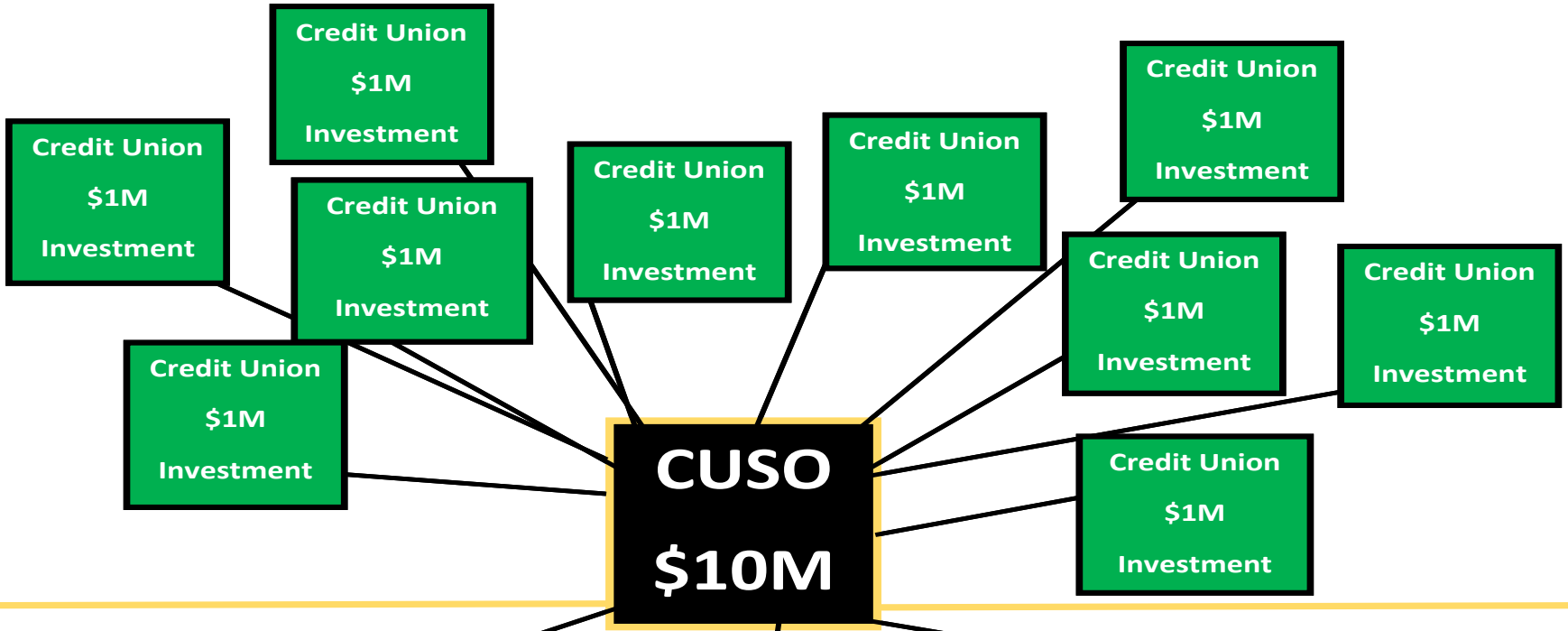
The credit unions that invest in CU Real CUSO will be able to offer their members access to purchase and refinance mortgage loans at a rate that is at between .75%- 1.5% below the current market rate. The members will have the flexibility to choose between a variety of fixed rate and ARM mortgage loans options. Guidelines for these loans are set and managed by the CUSO Officers and Board of Directors. Mortgage Loans are processed in strict adherence to CFPB regulations and TRID lending laws. Dividend profits are paid monthly to participating credit unions once funded.

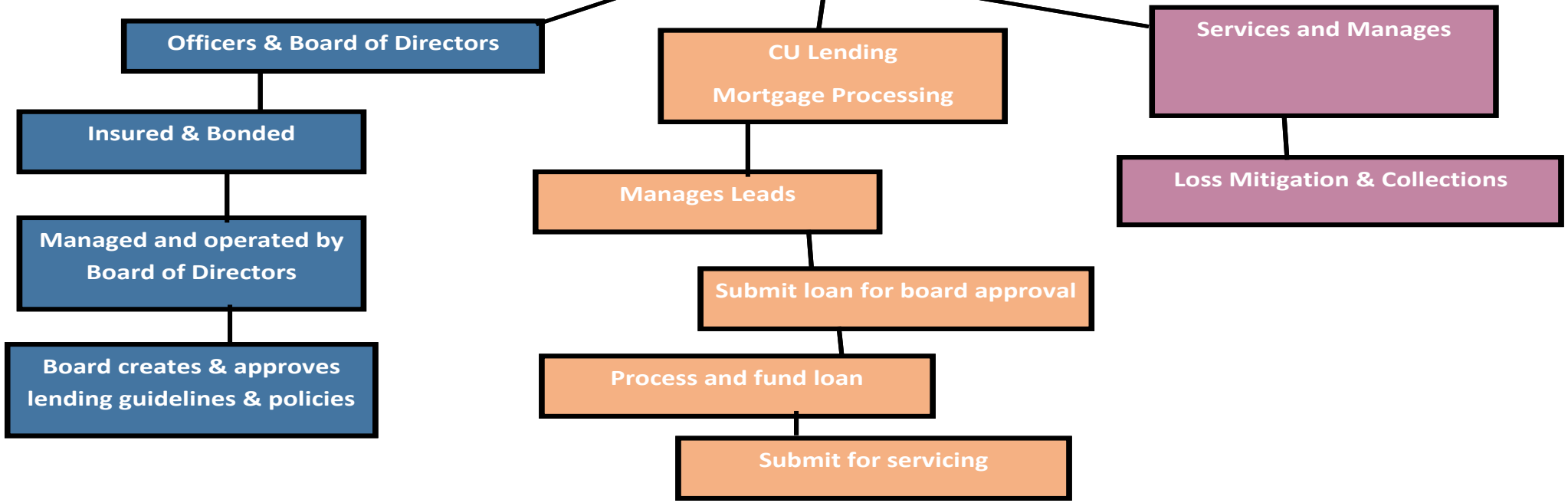
CU Real Mortgage Loan Programs

- Primary Residence
- Purchase
- Refinance Rate & Term
- Cash Out Refinance
- Single family homes/Townhomes
- 30 Year Fixed
- 15 Year Fixed
- 10 Year Fixed
- 10/7/5 Year ARMs
- Construction to Perm
- ADU (Additional Dwelling Unit) Mortgage

Example of Dividend Profits Paid to CUs:

- If the current market rate 30 year fixed was 7.35%
- The CU Real Pooled Funds 30 year fixed rate was 6.60%
- Profits are calculated using members mortgage rate minus 2.5% (mtg processing, mtg servicing, CUSO Reporting) which makes dividends paid to CU using 4.10%.
- With a $1M investment, this creates a overall annual profit of $41,000. The annual profits are paid to participating CU's based on the % of pooled funds used to book mortgage loans.





How do the Credit Unions Profit?

Credit Union Profits are based on mortgages funded with their Credit Union dollars. In accordance to the rate and terms that the funding credit union sets

Credit Unions who participate in the CU Real Mortgage Pool will receive monthly dividends on the **TOTAL** amount of dollars funded each month. (See Example)

Example of mortgage pool dividends using a rate of 4.10% return:

For every $1M investment funded into the mortgage pool the CU will Net $41,000 annually.
(rate subject to change)

Gain a better understanding in how the mortgage market works

- JUMBO mortgage lenders are like credit unions in the sense that they can set their rates where they want. These banks rates are not regulated by the Feds and do not sell their loans on the secondary market.

- When the FHA and Conventional Conforming rates go up, JUMBO rates are always lower. This is why the JUMBO market is very much still alive and the rates for these loans are still in demand.

- What this means to us…. CU Real acts just like a JUMBO mortgage bank and places rates below the conventional conforming market creating a HUGE opportunity for credit union members in a challenging time. The credit unions who participate the larger impact we can all make together reinforcing the advantage of banking with their local community CU
- This opportunity will reinforce an already positive reputation that credit unions have. Bonus….realtors and consumers will be forever CU fans!!!!

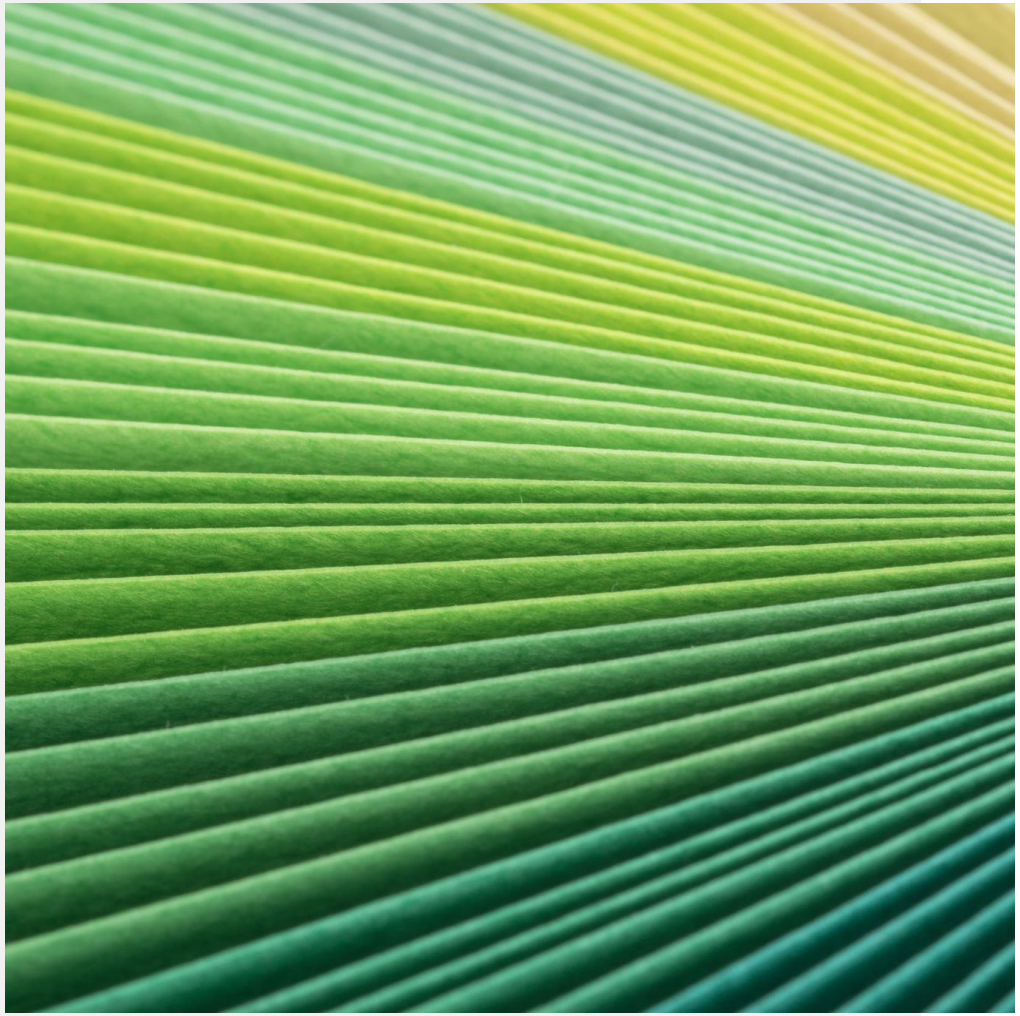
Real-Estate Investment Trust - REIT

Points of Interest

Take advantage of the benefits of your credit union having a vested interest in income producing property without the stress of managing or maintaining physical property. Each property will be vested entirely by the participating credit unions and will remain unencumbered and debt-free.

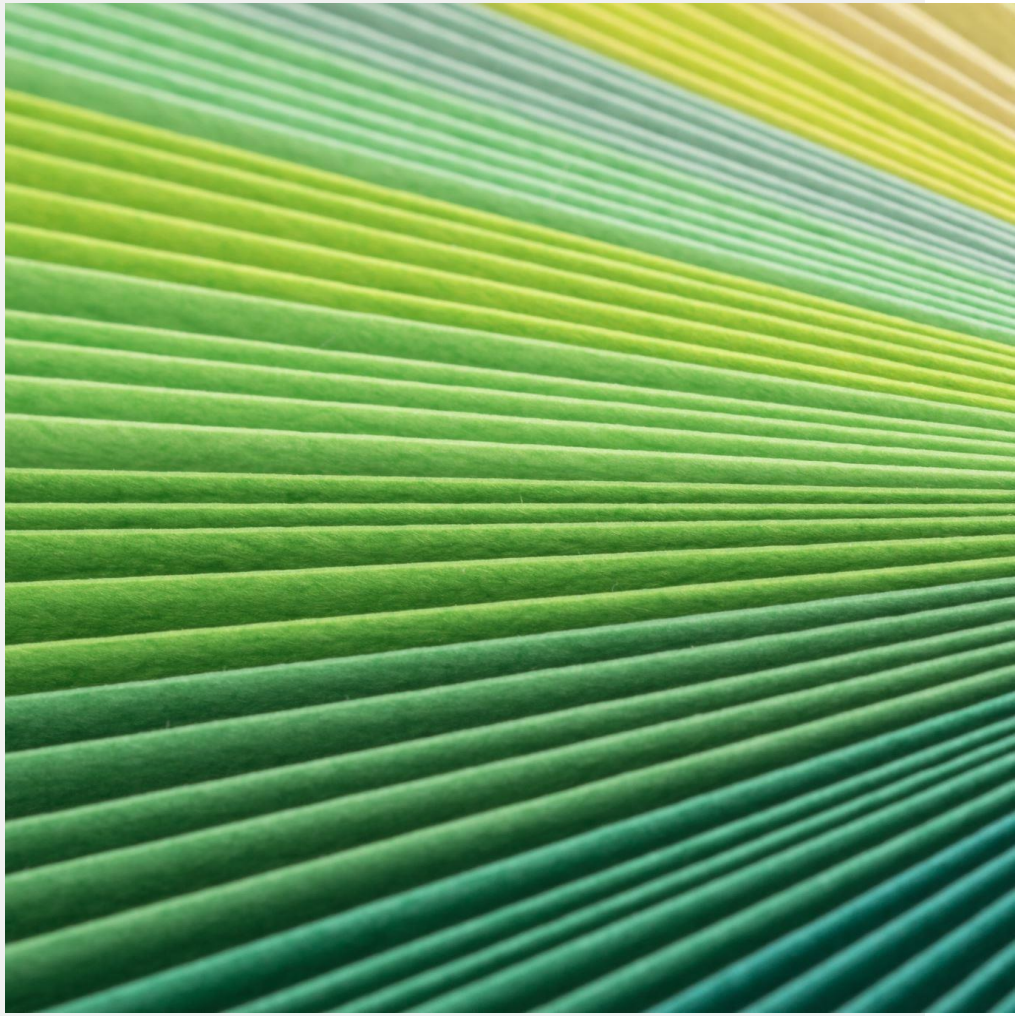
The CUSO Board will set policies, evaluate and approve each project brought forth by the Executive Team. The Executive Team will reinforce policy's set forth by the Board of Director's and the REIT Compliance Group will consist of a legal and accounting Team that will ensure each project and the overall REIT is always following applicable laws, rules, and regulations

There will be an initial offering of 100 shares at $500k with a 5 year commitment. Once these shares have been filled, there will be a second offering of an additional 100 shares at $1m each. It is the goal of this first fund to reach $150m within the first 12 months.



Prepare for Examination

- *The REIT's Executive Team consist of a conglomerate of professionals who are experts in their fields. Some of which are CEOs of participating Credit Unions and some of which are not. This provides a base of knowledge that is widespread and unbiased.*
- *CU Real CUSO Board is made up of Officers and A Board of Directors that includes CEO's of other Credit Unions to ensure that all investments have the Credit Unions best interest at the forefront of all decisions.*
- *Board of Director's and the REIT's Executive Team will also consist of a legal, accounting, and operations Team to ensure the REIT and its holdings are following applicable local and federal laws, rules, and regulations*



CU Real REIT (Real Estate Investment Trust & how it works

The primary objective is to form a group of shareholders that are made up of credit unions, who purchase property to create a private equity Real Estate Investment Trust (REIT). The shareholders will become the vested owners of income producing real estate in the residential multifamily property sector. This private equity REIT will generate income through the collection of rent and fees and mortgage payouts from the purchase of multifamily properties. Purchasing these properties will be done with a strict set of guidelines and parameters managed and enforced by the Board of Directors to ensure ROI and a 90% distribution of net profits to all shareholders (credit unions who have invested).

Potential Properties to purchase brought forth by the Executive Team

100 shares available… each for $500 = $50,000,000

The maximum number of share one CU can purchase is 49

Each property will be evaluated initially for the following criteria and presented to Governing Board of Directors. Once properties pass initial evaluation they will move on for additional evaluation and approval for purchase

- Occupancy rate
- Delinquency rate history & future rents & Lease terms
- Market conditions including minimum capitalization rate & gross rent multipliers

Properties Approved for Further Evaluation

Properties approved will be evaluated for the following criteria and presented to the Governing Board of Directors for approval to purchase.

- Building construction including: physical & structural,
- Utilities functionality & energy efficiency,
- Property management
- Maintenance plan

Properties Approved For Purchase Using CU Shares

- Purchase Contract signed
- Deposit Provided
- Escrow Opened (60-90 days)

Physical Site Evaluation of each property completed by Executive Team Member to further confirm accuracy of findings and present to Board of Directors for a final Approval to close escrow.

These properties will remain unencumbered, meaning debt free. Each credit union will receive quarterly payments totaling 5.250% for the 5 year investment term and will be eligible to receive additional yearly distributions of net profits potentially adding another .75%-1.25% in return.

How the REIT Identifies Property to Purchase

The Executive Team will be responsible for locating and evaluating each individual project to ensure it meets the defined criteria as set forth by the REIT Governing Board of Directors. Projects will begin with a conservative baseline of set parameters to filter through and identify potential investments and is considered as meeting the initial criteria. Such factors include vacancy rate and history, lease terms and conditions, minimum capitalization rates, gross rent multipliers, etc.

Once a property is identified, there will be a thorough individual evaluation of each project with the findings to be included once the project is formally presented to the Governing Board of Directors. This will include property management and market conditions including all demographics, future rents, the building construction itself and any structural or utility issues, the overall energy efficiency of each property, as well as any additional possible income opportunities. These findings, in addition to a detailed, specific management and maintenance plan, will be presented to the Governing Board of Directors for Secondary Approval.

If the property receives Secondary Approval, we will then move forward with an initial deposit to secure the property and begin a 60–90-day escrow period. During this time, all parties involved will use whatever means possible to confirm the initial information and to confirm the accuracy of everything presented. In addition, during this escrow period, members of the Executive Team will physically visit each property to further confirm the accuracy of our findings as well as search for any other items of interest to the success or failure of each property.

Qualifying Criteria Includes but not limited to:

All properties must be “Turn Key”

85% Occupancy Rate

All leases must be 12 months (NO month to month)

Minimum 8.5% CAP Rate

Acceptable Gross Rent Multipliers

Captial Growth & Value Add Possibilities

Location & Community Environment

How does the Credit Unions Profit?

Profit are paid quarterly based on the collections of rents and fees set at approx. 5.25% fixed for the 5 year term.

Additional income will be paid yearly and will consist of a 90% distribution to all shareholders of the net profits of each project.

Each investment will begin as a 5 year term commitment. Once the 5 year term is up your CU can choose to have 100% of your initial investment returned, keep your investment as-is and add to other investments for additional properties, or you can renew for an additional 5 year term.

Gain a better understanding in how the REIT works

- There will be an initial offering of 100 shares at $500k each. Credit Unions can participate in order to meet minimum requirements. Once these shares have been filled, there will be a second offering of an additional 100 shares at $1m each. It is the goal of this first funding is to reach $150M within the first 12 months.
- Five or fewer credit unions cannot own more than 50% of the value of the REIT's stock during the last half of its taxable year.
- There will be a paid Board of Director's to manage, assess, guide, and promote this endeavor. The Board will set policies, evaluate and approve each project brought forth by the Executive Team. The Executive Team will reinforce policy's set forth by the Board of Director's and the REIT Compliance Group will consist of a legal and accounting Team that will ensure each project and the overall REIT is always following all applicable laws, rules, and regulations

For More Information

Karen Introcaso…Karen@CULending.org / 925-451-0942

CAO/Chief Amazement Officer

50 years of credit union experience. Highly acclaimed and recognized among peers as a trend setting Credit Union CEO.

Anthony Viscia…Anthony@CULending.org / 925-383-4017

CEO/Owner CU Lending

20 years of mortgage experience. Leader in the credit union mortgage space creating opportunities and solutions for CUs to profit with limited risk.

Angela Scalise…Angela@CULending.org / 925-301-5105

Operations Manager

15 years of mortgage experience. In the trenches and hands on, always working to put the credit union and its members as TOP priority.