The Consumer Advocate Financial Network

A Guide to Safe Alternative Investing

- Secured Bridge Loans
- Structured Settlement Income Stream

Learn more about creating guaranteed income using court ordered Structured Settlement transfers, why they are viewed as safe investments, and how they can help you reach your financial goals for the future.

For shorter term investments, Secured Bridge Loans, used for many decades by commercial builders, offer investors the opportunity to enjoy excellent returns, monthly income, and quick return of 100% of principal, with safety and security.

Secured Bridge Loans

What are Secured Bridge Loans (SBLs)?

Also known as Senior Position Notes, they are short-term bridge loans, usually about one year in duration, made to commercial property owners. Each SBL is secured by a valuable hard asset the subject property itself and offers the lender a lucrative yield during the limited duration, generally about 12 months, while providing a recorded first-lien position.

Isn't real estate a risky investment vehicle?

Accepting that every investment vehicle has its own risks, the Consumer Advocate Financial Network team believes the time to offer SBLs is when property values are low as seen in the current economic environment. We believe that there has never been a better time. This SBL product builds on that concept, offering higher-interest; short-term commercial loans secured by hard assets with low loan-to-value (LTV) ratios (typically 40% to 70%). We keep the LTV ratio low to create greater equity.

This means the hard assets that secure the SBLs are worth more than the loans themselves at closing, in order to address potential foreclosure or default situations. All the while, you hold a first-lien position in the mortgage, and a commercial lending firm by means of its investment fund ("the Fund") participates confidently alongside you, holding a second-lien position in that mortgage. These are not loans to owner occupied or owner to-be-occupied properties.

Our expertise in evaluating commercial mortgages offers the following:

1. Evaluation: The Consumer Advocate Financial Network commercial lending team thoroughly evaluates each subject property before allowing your hard-earned dollars, and its own, to be loaned to the prospective borrower. We base the loan on the appraised value of the real estate, so the property will always be worth considerably more than the amount of the loan at closing. We conduct an extensive appraisal and title search of every property to ensure that we have a legally insured first mortgage position.

2. Continuity: Even if the borrower does not make the required regular payments or should otherwise default on the loan, the Fund continues to make payments to you as if the default did not occur.

3. Collateral: The equity in the property is your collateral. If necessary, the Fund will be able to foreclose on the property on behalf of you and itself to provide for the returns that you expect to receive.

4. Best of all: Our commercial lending firm and the Fund is your partner; we place our money along with you and hold a second-lien position, a testament to the confidence we have in our lending standards.

Conclusion

The decision to invest in a Structured Settlement or Secured Bridge Loan depends heavily upon your financial goals. For individuals looking for a low-risk investment that pays a higher yield than today's Certificates of Deposit and Money Market accounts, both offer attractive alternatives. But, before purchasing a Structured Settlement, remember that it is a non-liquid, fixed rate investment. If a certain amount of liquidity is necessary, it is important to select the right settlement with payout amounts and dates that enable you to achieve your objectives. Carefully review each offer you are considering and weigh all your options before making a decision.

Structured Settlement Income Streams

What is a Structured Settlement

Historically, compensation claims for injuries, liability and malpractice were paid out in lump sums. But, as the dollar amount of these awards began to rise dramatically in the 1970s, the courts began awarding Structured Settlements that protected the interests of both plaintiff and injured party. These court-ordered agreements allowed the award to be paid out in installments over an extended period of time.

insurance company was assigned to set up a custom made annuity that would provide guaranteed payments to the claimant on a monthly, quarterly or annual basis for a specified number of years. The claimant does not own an annuity but rather the guaranteed payments that it produces. For that reason, the sale of the payments must be approved and assigned by a State Court of Law.

By relieving the burden of a lump sum cash award, Structured Settlements help the party judged responsible avoid Bankruptcy. They also help insurance companies balance out their risk over time. More importantly, they provide a secure income stream to the claimant.

Signed into Law in 1982, the Periodic Payment Settlement Act protected the plaintiff from bankruptcy and provided a guaranteed income flow for the injured party.

The injured party receives a guaranteed, long-term flow of income to help pay for medical care or replace income lost due to an inability to work. The Structured Settlement also protects the injured party from senselessly spending a lump Sum award in a short period of time, thus leaving him and his family stranded without a source of income. On the downside, the periodic payments are fixed and offer no liquidity and payments cannot be accelerated, increased or deferred.

How are Structured Settlements funded?

Casualty insurance companies purchase special investment products called annuities through life insurance companies. They are purchased for a fraction of the cost of the judgment. These annuities are set up to automatically fund periodic payments to the claimant who is named as the annuitant or payee. Payments continue for an agreed period of time, which can range from 10 to 50 years or, in some cases, the annuitant's lifetime. In the end, the claimant will have received the total amount of the award for damages.

Lottery winnings are another example of a Structured Settlement. Here, the winner also receives periodic payments secured by an insurance company in lieu of a lump sum payout.

Can a Structured Settlement Payment or Income Stream be sold?

Receiving guaranteed periodic payments may be the perfect solution for many individuals but for others having their money locked up in an annuity can be frustrating and inconvenient. There are situations in which having access to a lump sum payment would be preferable. Valid reasons for wanting to cash out or sell a portion of a Structured Settlement might include: buying a home, paying off a large debt, sending a child to college or starting a new business. Structured Settlement Income Streams are an asset class that can be owned and sold, however, the process of buying one is different from most other asset classes. An investor is not buying an annuity but rather an insurance company's guaranteed payments.

Can all Structured Settlements be sold?

No, there are specific types of Structured Settlements that typically cannot be sold. They include:

- Worker's compensation payments
- Payments to a minor
- Pensions
- Social security payments
- VA disability or pension

In all other cases, the Structured Settlement Protection Act of 2002 requires a judge to review the particular circumstances behind the request for sale to determine whether or not it is in "the best interest of the holder" to sell his annuity.

The court will look at the reasons for the sale and take into account the financial situation of the individual or family to determine whether the sale is well advised.

How does an owner sell all or part of his Structured Settlement?

He must find a buyer. Generally, that will mean researching funding companies that purchase Structured Settlements.

A seller may also sell directly to an individual. In either case, it is advisable for the seller to consult a financial planner or accountant before deciding to sell.

Once a list of potential buyers is compiled, the seller then requests quotes and begins comparing offers. The lump sum payment that the seller receives will always be less than the value of the remaining payments. Why? It is because the seller is receiving the present day discounted value of the annuity.

How is present day value determined?

Think of it as a loan. If you were to take out a 20 year loan for $100,000 at an interest rate of 5.00%, in the end you would have paid back $158,389.38 in $659.96 monthly payments to the bank.

When an investor buys a Structured Settlement, we work backwards by starting with the end value - in this case $158,389.38 and discounting each year by 5.00% starting in 2033 until we reach present day discounted value of $100,000.

Also affecting present day value are the standard filing and court fees, lien searches and transfer fees and other transaction costs which are deducted before quoting a lump sum amount to a seller.

What is a Structured Settlement transfer?

When the owner of a Structured Settlement wants to sell the rights to some or all of his future periodic payments in return for a lump sum, those rights must be legally transferred to a buyer with a court order. This is known as a Structured Settlement transfer. All of the terms of the original agreement remain intact and the future payments being sold are then legally transferred (or assigned) to the buyer.

For investors looking for a safe, predictable investment, purchasing these future payments offers steady, risk-free growth.

Benefits of investing in Structured Settlements

During the last twenty years, the security of these products has improved in many important ways. All states have mandated rules that minimize the risk and maximize the safeguards. These rules include: Heightened accounting rules, including imposition of risk-based capital testing Mandatory annual audits,

- Uniform guidelines requiring that investments meet standards for security,
- Minimum capital and surplus requirements, and
- Independent reviews and spontaneous audits to ensure compliance.

CAFN Structured Settlements are funded by arated insurance company annuities. This indicates the highest level of financial security.

Bottom line: These are safer than the insurance company that issues them. (See Additional Safety below) Historically, no one has ever lost money with an insurance company, even through the Great Depression. However, before investing, it is wise to take a look at which insurance company is backing the Structured Settlement you are purchasing. Make certain it is a top rated firm.

For investors who choose predictability over risk, purchasing a Structured Settlement offers peace of mind along with above average returns. It's also a great way to balance out a portfolio that may lean heavily toward risk.

Predictability

Unlike the stock market that involves many ups and downs as well as variables that are out of your control, Structured Settlements offer certainty. The terms are specified in the settlement and, as an investor, you are guaranteed those terms regardless of what is happening in the economy.

You are not subject to shifting consumer trends or market volatility. Plus, there's no need to monitor your investment or fret about buying or selling. Structured Settlements are worry-free Investments.

Protection by Federal Law

The Structured Settlement Protection Act mandates that all Structured Settlement transfers be carefully reviewed and approved by the court; this helps to protect the interests of both buyer and most importantly the seller. Once the transfer is complete, your rights to receive these payments are also protected by this Federal law.

If you are considering investing in a Structured Settlement, seek the counsel of a trustworthy advisor who is very familiar with these products. If they are not, they cannot give you an objective opinion.

Higher yields than other safe investments

Since the recession, interest rates on CDs and Money Market accounts have plummeted. In many cases, banks and other financial institutions are offering less than 1%. There is no telling how long rates will remain at this low level. Many investors are looking for safer ways to secure their money and watch it grow. One answer is purchasing a Structured Settlement. These investments offer a 4-7% annual yield while providing a reliable stream of income or a generous lump sum payout at a specified future date. Institutional investors purchase these solely because of their combination of guaranteed safety and high yields.

Opportunities that fit your financial goals

What helps make Structured Settlements a good option for so many people is the wide variety of offerings that are available. For instance, a young couple might choose to invest in a Structured Settlement that pays off in a lump sum in 15 years Oust about the time their daughter will be heading off to college}. Or a retired couple might choose to buy a Structured Settlement that offers a 7% annual yield with an income stream of $1,500 per month for 25 years (enough to supplement their pension}. Remember, Structured Settlements are established to benefit the original owner. Some offer weekly, monthly or annual payouts and some end with a lump sum payment at a pre-determined future date.

Before purchasing a Structured Settlement, carefully examine your financial goals. Your personal objectives will help you select one that best meets your needs.

Risks in investing in Structured Settlements

While there are virtually no risks in purchasing a structured settlement, you should be aware of the following before deciding to invest in one:

- Delays Once a Structured Settlement transfer is complete, the value will have been well worth the wait. In the meantime, because so many parties and laws are involved in completing a Structured Settlement transfer the process can take up to three months, and occasionally as long as six months. If the judge determines, for whatever reason that the transfer should not occur then the investor may choose another settlement contract or receive a full refund of all monies paid into escrow.
- No Financial Liquidity--You will have no immediate access to the money you have invested should an emergency arise.
- Fixed rate of growth While a Structured Settlement transfer guarantees investors a very good rate of return, it is a fixed rate. Should interest rates suddenly increase, your investment will remain at the fixed rate.
- Not FDIC insured While Structured Settlements are backed by highly rated insurance companies, it's important to note that your investment is not FDIC insured but instead is backed by the State Insurance Fund or Guarantee Association.

Additional Safety

- There are several layers of protection for Structured Settlements.
- Highly rated life insurance companies purchase insurance (called reinsurance) which backs up their own guarantees.
- The Structured Settlement Protection Act of 1982 provides an added level of protection. In the unlikely case that the insurance company backing the settlement defaults, the annuity will be assigned by law to another insurance company insuring that your payments will continue.
- Each state has a Guarantee Fund which provides additional reimbursement money, much like the FDIC.

How are purchased Structured Settlement payments taxed?

Interest is taxed as ordinary income. The annual growth of your Structured Settlement will be taxed as ordinary income each year.

What are the steps to completing a Structured Settlement transfer?

1. Choose an offer that suits your financial goal. Consumer Advocate Financial Network receives a daily listing of structured Settlements available for purchase.

2. Each investment offer should be examined carefully to determine which best meets your individual objectives when it comes to growth rate, income stream or future lump sum payout.

3. Verify availability and request paperwork (BID) Call or email your Consumer Advocate Financial Network representative to verify availability and submit buyer information to request paperwork.

4. Review the Offer Sheet (OS) This document outlines in detail the specifics of the offer. It should be reviewed thoroughly together with your financial planner or legal counsel. This document must be signed.

5. Sign a master assignment agreement (MA)This agreement must be signed only once and will be held on file. It serves as an affidavit that protects the rights and privacy of both the seller and the buyer.

6. Indicate preliminary acceptance within 48 hours Once you ask to reserve a case, it is taken off the list and is no longer available to other investors. Paperwork must be returned within 48 hours or the case will return to the deal sheet.

7. Funding of Escrow Depending on the status of an offer, either a 10% deposit or full funds will be required. You will be notified what the funding requirements are when you initiate your purchase. Buyers should always have full funds ready. 7. Petition for a hearing date Once paperwork and funds are received in full from both the seller and the buyer, a petition is filed with the court which includes the seller's reasons for the sale of settlement payments and the investors offer. It can take up to 60 days for a hearing date to be set.

8. Hearing date A court date will be set for a hearing before a judge. Once you are notified of the court date you must produce the full balance at least 30 days prior to that scheduled date. These monies will be held in escrow until the court has made its decision on the sale.

9. Court Decision The judge will determine whether or not there is good cause for the sale and whether or not the transfer is "in the best interest" of the Structured Settlement holder. If the judge refuses the request for sale and the case is not re-filed, the offer dies and all monies held in escrow will be refunded to you in full. If the offer is approved, the court will issue an order transferring the rights to the assigned payments to the new owner (you).

10. Stipulation and acknowledgement. Some court orders will include a stipulation from the insurance company recognizing the new owner. In some case where there is no stipulation, the court order is sent to the insurance company requesting an acknowledgement letter. In either case, the insurance company's recognition of the new owner is necessary before we close escrow.

11. Receive closing book several weeks after the transfer is approved by a judge, you will receive a closing book with all your supporting documents. Included in the closing book will be details of the court-approved transfer including the court order and the acknowledgement from the insurance company that assigns the Structured Settlement to you.

The entire process can take anywhere from 30 to 180 days. After the closing, you will begin receiving scheduled payments in accordance with the Structured Settlement agreement.

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Are there any hidden fees or costs?

When purchasing a Structured Settlement through Consumer Advocate Financial Network the stated price is all you pay.

There are no additional fees unless planning or investment advisory services are requested. There are no costs for a Structured Settlement above and beyond the final purchase price.

Will I pay more than the purchase price listed?

The purchase price listed on the offers is strictly an estimate. If the price has dropped by the time of closing, you will receive money back. In a small number of cases, long delays will cause the price to increase slightly because of the closer proximity to the first payment. In these cases, investors will need to complete the full purchase price to finalize the purchase. Many investors like the friendliness of a one-time decision to obtain a safe, guaranteed, fixed rate and term, high yield income agreement that is backed by a highly rated insurance company and removed from the volatile swings of the markets.

How will payments be made?

If you have purchased a Structured Settlement that provides periodic payments, the payments are usually mailed by check. In some cases, the payments can be electronically transferred into an account specified by the investor. What happens to my payments if I die?

Depending on the stipulated terms, there are several possible scenarios:

- Payments continue to be paid out to the next of kin in a "period certain" annuity.
- A discounted lump sum is paid out to the beneficiaries (approximately 90% of the total remaining value) if the policy has a commutation rider.
- The annuity is held in joint with right of survivor JTWROS.

It is advisable to review the Structured Settlement agreement with an attorney or financial advisor to find out which of these scenarios apply. To avoid probate, you can buy payments in trust. In this case, the surviving individual automatically inherits the settlement and becomes the perpetual beneficiary. This is also something you will want to decide before choosing your Structured Settlement.

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What if I need to sell in the future?

Structured Settlements are non-liquid investments and payments cannot be accelerated, increased or deferred. Our Structured Settlement providers may buy your payments back. However, if you decide to sell, the lump sum payment you receive will be only a percentage of future value because the costs of transferring will be factored into the offer made to you.

If you think you may need to sell the Structured Settlement at some future date, consider buying it with an entity so that the LLC owns the rights to the settlement.

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