

## When your Estate Client Wants to Borrow then Distribute Real Property but Worries that....

by Rick Harmon

Your client, the Executor, Administrator or Successor Trustee, is delighted with the idea of keeping the inherited home in the family.

They've seen rapid real estate appreciation that whets their appetite for spending their inheritance while the other heirs and beneficiaries go home and car shopping.

All are caught off guard at their difficulty to spend that money on the intended purposes, only to see their savings reserves don't go nearly as far as expected as inflation is beginning to hit everything from house, rental and consumer prices escalate.

And, then there's taxes...

For those charge and the heirs and beneficiaries who wish to keep property in the family, here's the really great thing about retaining the property and borrowing rather than selling...

The estate or irrevocable trust can get an equity-based loan on a property (up to a total of half of current value) without personal liability.

This means the PR can extract funds from the equity and then distribute house to others **WITHOUT** recourse or impacting their personal credit...

**The CloseProbate™ Fiduciary Mortgage is a Distributable, Non-Recourse Secured Debt**



Rick Harmon

These are the key points to discuss with the client:

1. The loan must be made to the estate entity, never the individual
2. Fiduciary's personal info (SSN, etc.) is never used for qualification
3. Distributable (may remain after transfer)
4. Non-recourse (collateral equity driven)
5. BOE Compliant (R & T Code, non-consumer, fiduciary-only)

Unlike a conventional bank loan or hard money lender, the trust or estate PR's obligation ceases upon distribution, termination or discharge of duties! This means is that a PR can extract liquify and then distribute real estate subject to the mortgage without fear of the payment habits of another... even if a contentious heir or beneficiary!

The mortgage remains an encumbrance (Deed of Trust) and the **"distributee"** inherits both asset and responsibility to pay the debt.

### Juggling A Thousand Emotional Knives!

No cooperation? In-fighting? Occasionally, it's necessary to distribute the property both to the first beneficiary and the second beneficiary (or to multiple beneficiaries if there's more than two) and let them work it out later

*"Did you ever notice that when the stuff hits the fan, it tends to be distributed unevenly?"*

*~ Steve Smith aka Red Green*

### End Hairy Distribution Fights Before They Happen

In a recent matter, we funded a CloseProbate™ fiduciary mortgage so that the administrator could close one estate and then distribute the cash to facilitate administration of another estate, in a "waterfall, flow-through" action. This expedited both the distribution and termination of the oldest estate. In another case, the trustee structured a loan to a trust so that the cost of trust administration and another distribution beneficiary could be made. In both cases, it required minimal involvement by all parties to complete the respective loans and make the later distributions. So, if you're getting this...

### What to Do Next ...

People do die and leave unintended messes. There are often twist and turns in distribution that brew into something worse. Call me at **1-800-779-2552** early in your case. If you wish to refer your client, they can watch videos at: **CloseProbate.com/YouTube** or go directly to **CloseProbate.com** prior to calling so they're better prepared with their questions. Talk soon.

*Rick*

**"Property can be distributed and kept in the family just for now... or forever. CloseProbate™ Fiduciary Mortgages are equity-based and non-recourse"**

Call me directly to discuss these (and other) property issues:

- Exigent & Urgent
- Creditors, Claims & Back Taxes
- Title or Dispute Workouts
- Elders or Relocation Challenges
- Property Preservation/Remediation Loans

**(800) 779-2552**

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# Here's your CloseProbate™ Network Letter

## RICK'S RANTS:

Supply chain troubles, inflation and housing prices seems to be the top news this month.

Last weekend I noticed a fully loaded container ship anchored several miles offshore, directly in front of my Capistrano Beach (Dana Point) office window. That's pretty darn far south to be waiting in the cue for offloading at LA/ Long Beach Ports. Could that be the ship with the pipeline-pulling anchor?

I've been an avid fan of economics ever since my first macro-economics class with Eugene McKibben at Fullerton in the mid 1970's. Long gas lines, smog. Rising interest rates. I was really happy to leave that decade behind.

Distribution seems to be on my mind this month. Lots of people running around trying to get settled in and ready for next year's bout with the economy.

Are you interested in How to Finance Estates and Trusts during administration?

On October 27th (noon to 1:00 pm) I'll be speaking to the San Bernardino County Bar Estate Planning and Probate Section.

It's online and a digital handout will be available for downloading:

Here's the link: <https://bit.ly/3oJp0yx>

or Just aim your phone's camera on the image.



ListServ accounts are a great way to share info with professional colleagues. Consider passing along this info to other attorneys and your professional fiduciary associates.

**We make loans to the people in charge of cash-poor estates and trusts in California.**

**Contact us when your client requires liquidity without selling or you wish to "strategize" financial and other solutions.**

**(800) 779-2552**



**Be the Hero™**

**Here are (4) ways I can help you CloseProbate™**

- 1. WATCH:** "How-to" videos - CloseProbate.com/YouTube
- 2. READ:** Weekly "Rick's Rants" eLetter - RickHarmon.com
- 3. CALL:** Guidance & Resources (800) 779-2552
- 4. BORROW:** CloseProbate.com