

# INVESTING IN PRIVATE MORTGAGES

A Practical Guide for Ontario Private Lenders

*Earn contract-based income backed by Ontario real estate*

Typical target returns: 8–10% (1st mortgages) | 10–12% (2nd mortgages)\*



CHARTEREDFINANCE

**Direct Ownership. Deal-by-Deal Approval. Fully Managed Process**

- Mortgages registered on title in **your name** (not a fund)
- RRSP / TFSA / RRIF options available via Olympia Trust
- Underwriting, legal closing, servicing and enforcement coordination handled end-to-end

Prepared by: **Rick Bettencourt**  
Chartered Finance (CentumCF)

🌐 Website: [centumcf.com/private-lender-mortgages](https://centumcf.com/private-lender-mortgages)

✉ Email: [rick@chartered-finance.com](mailto:rick@chartered-finance.com)

\*Returns vary by deal and are not guaranteed. Private mortgage investing involves risk, including loss of principal.

# **INVESTING IN PRIVATE MORTGAGES (ONTARIO)**

**A Practical Guide for  
Private Lenders**

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## **IMPORTANT DISCLAIMER**

This guide is for general educational purposes only and does not constitute legal, tax, or investment advice. Private mortgage investing involves risk, including the risk of loss of principal. Returns are not guaranteed. Each mortgage opportunity is subject to underwriting, availability, and suitability.

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# 1) What Is Private Mortgage Investing?

Private mortgage investing is when an individual investor lends money secured by real estate and earns interest for the term of the loan.

Unlike traditional lending through a bank, private mortgages are typically used when:

- A borrower needs a faster or more flexible solution
- The property or borrower profile doesn't fit standard bank guidelines
- The borrower has a short-term plan to refinance or sell

In Ontario, private mortgages are secured through legal registration on title. That means the mortgage is tied to a specific property, and the lender has defined rights and remedies if the borrower fails to meet their obligations.

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## 2) Why Mortgages Are So Profitable for Banks

Banks have built massive businesses around mortgages because they are:

- Secured by real estate
- Structured with predictable payments
- Supported by long-term demand
- Scalable and repeatable

Mortgage lending is a core profit engine for banks. While the borrower pays interest, the bank earns a spread between the mortgage rate and its own cost of funds.

Private mortgage investing is based on a similar concept—earning interest from secured real estate lending—but structured deal-by-deal rather than through a large financial institution.

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## 3) Private Mortgages vs Traditional Investments

Investors often compare private mortgages to stocks, bonds, and mutual funds. Each has pros and cons.

### Private Mortgages

- Contract-based income
- Secured by real estate
- Defined term and exit strategy
- Lower day-to-day volatility than public markets
- Not liquid (your capital is committed for the term)

### Stocks

- High liquidity
- Higher volatility
- Returns depend on market pricing and sentiment
- Potential for long-term growth, but no contractual yield

### Bonds / GICs

- Typically lower volatility
- Generally lower returns (depending on rates)

- More predictable than stocks
- Often easier to exit than private mortgages

## Mutual Funds / ETFs

- Diversification
- Professional management
- Market exposure and volatility
- Ongoing management fees

Private mortgages are often attractive to investors who want **income + security + defined terms**, while accepting that the investment is not liquid and carries real risk.

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## 4) How Private Mortgages Work in Ontario (Simple Overview)

A private mortgage transaction typically follows this flow:

- A borrower applies for financing
- The mortgage is underwritten and structured
- A lawyer prepares and registers the mortgage
- The investor funds the mortgage
- The borrower makes payments during the term
- The mortgage exits via refinance or sale
- The investor receives principal back at maturity

The mortgage is registered on title, meaning the lender's interest is tied to the property.

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## 5) 1st Mortgages vs 2nd Mortgages

Mortgage position matters because it affects risk and expected return.

### 1st Mortgage

A first mortgage is registered in first position on title.

If the borrower defaults, the first mortgage is generally paid before any other registered mortgages.

Typical target returns often fall in the range of:  
• **8–10% (1st mortgages)**

Returns vary by deal and are not guaranteed.

### 2nd Mortgage

A second mortgage is registered behind the first mortgage.

It can offer higher returns but generally carries more risk because the first mortgage is paid first.

Typical target returns often fall in the range of:  
• **10–12% (2nd mortgages)**

Returns vary by deal and are not guaranteed.

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## 6) What Drives the Interest Rate (Why Returns Vary)

Private mortgage pricing is driven by risk. Some key factors include:

- Mortgage position (1st vs 2nd)
- Loan-to-value (LTV)
- Total debt on title
- Property type and location
- Borrower profile and purpose
- Term length (often 6–24 months)
- Exit strategy (sale, refinance, construction completion, etc.)

Higher interest rates usually reflect higher complexity or higher risk.

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## 7) Understanding Loan-to-Value (LTV)

Loan-to-value is one of the most important concepts in mortgage investing.

$$\text{LTV} = (\text{Mortgage Amount} \div \text{Property Value}) \times 100$$

In general:

- Lower LTV = more equity cushion = lower risk
- Higher LTV = less equity cushion = higher risk

Investors should understand both:

- The LTV of their specific mortgage
  - The total debt on title (especially for 2nd mortgages)
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## 8) How Investors Get Paid

Private mortgages can be structured in different ways depending on the deal.

Common payment structures include:

- Monthly interest payments
- Interest paid at maturity or upfront (in some cases)
- Principal repaid at the end of term through refinance or sale

The exact structure should always be clearly documented before funding.

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## 9) The Real Risks of Private Mortgage Investing

Private mortgages can be strong income investments, but they are not risk-free.

### Key risks include:

- Borrower missed payments or default
- Longer-than-expected timelines to exit
- Enforcement delays and legal costs
- Property value changes
- Liquidity constraints (capital is committed for the term)
- Principal loss is possible in worst-case outcomes

A professional underwriting process helps manage risk, but no process removes risk entirely.

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## 10) Enforcement: What Happens if a Borrower Stops Paying?

If a borrower fails to make payments, the mortgage lender has legal remedies.

In Ontario, enforcement may involve:

- Formal notices and demand letters
- Legal coordination through a real estate lawyer
- Power of Sale process (where applicable)
- Recovery of funds through sale proceeds (timing varies)

Enforcement can take time and involves costs. It is not something investors should assume will be quick or easy.

This is why underwriting, property marketability, and exit strategy matter.

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## 11) Direct Ownership vs Mortgage Funds

Many investors compare direct private mortgages to mortgage funds.

### Direct Private Mortgages (Deal-by-Deal)

- Mortgage registered in the investor's name
- Investor approves each deal individually
- Clear terms and visibility on the specific property
- Often fewer layers of fees
- Capital is committed for the mortgage term

### Mortgage Funds (Pooled)

- Investor buys units in a pool
- Fund manager chooses the underlying mortgages
- Returns are net of management and fund costs
- Liquidity varies by fund rules
- Less transparency on individual deals

Investors who want control and direct ownership often prefer deal-by-deal mortgages. Investors who want simplicity and diversification may prefer a fund structure.

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## **12) Registered Investing (RRSP / TFSA / RRIF) Using Olympia Trust**

In many cases, private mortgages can be held inside registered accounts through Olympia Trust, depending on eligibility and structure.

A typical registered process includes:

- Opening or using an existing registered account with Olympia Trust
- Completing the required paperwork
- Funding an eligible mortgage opportunity
- Registering the mortgage in the name of the plan (where applicable)
- Receiving payments back into the registered account

Registered investing can be attractive because it allows eligible mortgage interest to be earned inside a tax-sheltered or tax-deferred structure, depending on account type.

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## 13) Our Process: Start to Finish (Chartered Finance)

Our role is to manage the private mortgage process end-to-end while keeping the investor in control.

### Step 1: Deal Sourcing + Underwriting

- Identify opportunities across Ontario
- Review property, LTV, borrower profile, exit strategy
- Structure as 1st or 2nd mortgage based on risk/return

### Step 2: Investor Review (Deal-by-Deal Approval)

- Present the opportunity and key terms
- Answer questions and confirm suitability
- Investor chooses whether to proceed



## Step 3: Legal Closing + Registration

- Lawyer prepares documentation
- Mortgage registered on title in investor name (or plan name)
- Funds advanced only when conditions are met

## Step 4: Servicing + Administration

- Payment coordination
- Ongoing communication and updates
- Renewals and extensions (if applicable)

## Step 5: Exit or Enforcement Coordination

- Most deals exit via refinance or sale
  - If required, we coordinate enforcement with legal counsel
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## 14) Who Private Mortgage Investing Is Best For

Private mortgage investing may be a strong fit if you:

- Want contract-based income backed by real estate
- Prefer defined terms over stock market volatility
- Want deal-by-deal control and transparency
- Are comfortable committing funds for a set term
- Understand that enforcement can be required in some cases

It may not be a fit if you:

- Need full liquidity at all times
  - Want guaranteed returns
  - Are uncomfortable with legal enforcement risk
  - Prefer daily pricing and instant redemption products
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## 15) What a Typical Deal Review Looks Like

Before funding, an investor should understand:

- Mortgage position (1st / 2nd)
- Mortgage amount
- Interest rate and payment structure
- Term length
- Property type and location
- Estimated property value and LTV
- Exit strategy
- Legal structure and closing timeline

Clarity upfront prevents surprises later.

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## 16) Next Steps: Request Current Opportunities

If you're interested in reviewing current private mortgage opportunities in Ontario, the next step is a short intro conversation to understand:

- Your investment goals
- Target return range
- Preferred mortgage position (1st / 2nd)
- Registered vs non-registered funds
- Typical investment amount per deal

**Request current opportunities:**  
[CentumCF.com/private-lender-mortgages](https://CentumCF.com/private-lender-mortgages)

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## CONTACT

### Chartered Finance

Private Mortgage Investing (Ontario)  
[CentumCF.com/private-lender-mortgages](https://CentumCF.com/private-lender-mortgages)

# Ready to Learn More?

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Private mortgage investing can be a strong option for investors who want contract-based income secured by Ontario real estate.

If you'd like to review current opportunities or understand how direct private mortgages work, reach out anytime.

**Rick Bettencourt**

[rick@chartered-finance.com](mailto:rick@chartered-finance.com)

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