



## Hughes Capital Investor Update

**ROI Strategies investors are going to receive a late Christmas gift from one our homes that we sold in December.** We had an exceptionally large profit due to some circumstances that worked in our favor. Normally we don't see much fluctuation in our monthly returns, but December's bonus gave us a nice end to 2016.

### New Strategy for ROI

Even better, we are projecting ROI Strategies will see a continued bump in returns for 2017 over last year. **We have started purchasing affordable homes at a substantial discount in a few key states.** All of these homes are bank foreclosures and are vacant. We hire preservation contractors to go to each property to inspect, take pictures, change the locks, make sure it is secure and shove a big old for sale sign in the front yard. No rehab or any other money is spent on the property. Then we find buyers for the homes and provide seller financing. We will be using the same mortgage brokers to originate the loans and perform all the underwriting that we have used for years to underwrite our rent-to-own clients.

Here is where it gets to be an all-around win for the buyers. **Our underwriting requires they meet a 25% DTI (debt to income ratio).** That means their monthly cash flow can only have \$1 of debt for every \$4 of income ( $\$1/\$4 = 25\%$ ). That is a very low DTI to ensure they can afford the home. If they were qualifying for a FHA loan, they would need as high as a 43% DTI.

The payments on their mortgage with us will be 50% to 65% of the going rent in that area. Again, we are putting them in the best possible position to be successful. We want to make sure they can afford to pay for all the normal expenses a homeowner has and ideally have a little left over to fix up the home. Most of these homes need work of some kind as they have gone through foreclosure and sat vacant for a while. This is one reason the homes are so affordable.

### Location, Location, Location

The main reason these homes are so affordable is their location. Homes in the Midwestern and Southern states where we buy are much more affordable than other places

that many of us are accustomed to. A perfect example is the town where Steve grew up, Clio, Michigan. Homes range from \$50,000 to \$150,000 today. That is just the normal market price for many suburban areas in the Midwest.

The homes we are buying are even *less*, and on average we will sell them for around \$30,000. **This is under market value, but it allows us to put families into homes and set them up for success, while also making a nice return for ROI Strategies.** We also want them to sell them quickly, and they need some tender loving care. We have to find the right buyer who has the desire and the ability to fix it up. Once they do some work on the home, they will see the value increase.

Lastly, we will sell the mortgage on the home and Hughes Private Capital will broker these mortgages. We are in the process of opening another fund to purchase and hold them, and we also plan to sell them to individual investors. We will keep you updated as to when they will be available for purchase and when our newest fund is open.

**Of course we are in this business to make money for our investors, ourselves, and our families, but it is an added benefit that we get to help people achieve the American dream of homeownership!** We are really excited to add this product to ROI Strategies.

### Notes News

**Assuravest** is really beginning to make some progress. More and more workouts and pay-offs are starting to happen and that will only accelerate from here.

**Sentinel** is ready to start selling some of its notes. We will start to sell them on the open market in the next 30 days. **If you are a Sentinel investor you have the first right of refusal to buy the notes prior to them going on the open market.** If you are interested, please get in touch with us. Happy 2017!

Thank you so very much,

Steve Sixberry

Greg Hughes