

Dear Friend & Valued Customer:

Congratulations! You now have what experts call “The most important education you’ll ever receive” about building wealth and making money – ***Winning In The Cash Flow Business!***

By spending just a few hours each week, you’ll soon earn quick cash profits of \$2,000 to \$5,000 and 20% or more on your own investments. You’ll make money in real estate without having to own real estate – just like the banks do! And, you’ll never have to leave your home to do it!

I’ve taught thousands of students how to become successful in the world of real estate notes. The methods and techniques that are enclosed in the course are the best of the best! The fastest way to success is to follow the simple steps listed below.

First, it’s very important that you listen to the audiotapes while reading along in the ***Winning In The Cash Flow*** manual. Once completed, I’d like you to watch the video called *Marketing Magic*. Finally, read through the ***free*** bonus gifts as you wish.

**What To Do First:**

1. Listen to the audio tapes right away – the sooner the better!
2. Follow along in the "***Winning in the Cash Flow Business***" manual -- write down questions as you go – follow the suggestions!
3. Watch the video on *Marketing Magic*.
4. Read through the ***free bonus gifts*** as you wish!

Again, follow my suggestions to achieve the fastest success! Each of the steps builds upon the others, you won’t want to skip any steps – it’s the fastest and most efficient way for you to get where you want to go – I promise!

You’re truly one of the lucky few to know about this trillion-dollar cash flow business! I’m excited to share this money-making business with you and to watch you reach your financial dreams!

If there is anything that my staff and I can do to assist you, please let us know – we’re here to help!

Warmly,



Russ Dalbey  
CEO & Founder

P.S. I want to give you even more than I promised – I’ve enclosed not one, but two additional bonus gifts for you – ***free!*** These additional gifts will show you even more ways to make money immediately! Enjoy!



*Russ Dalbey CEO & Founder*

*America's Note Network*

*presents*

# WINNING IN THE CASH FLOW BUSINESS

---

*How to start your own successful in home note business*

*How to Make Quick Cash Profits of \$2,000 - \$5,000 and More*

*How to Earn 20% and More on Your Investment*

## NOTICE

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional should be sought. This information is provided for educational purposes only. Please have all forms reviewed by your attorney before using.

From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

Copyright 2001, America's Note Network. All Rights Reserved.

Dear Friend:

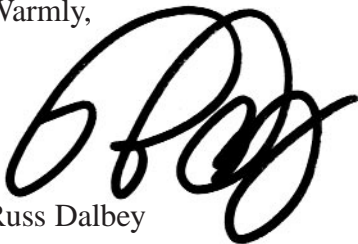
Most people don't know how to successfully maximize their investment dollars and others are not able to accumulate those additional dollars to invest. It becomes a revolving turnstile few of us are able to change. Additionally, it is well known that two thirds of America's population lives from paycheck to paycheck and less than three percent of us are considered financially secure at retirement.

We can write books and talk for hours on how difficult our financial circumstances are, but the bottom line is "We" have to take responsibility to change our future.

The purpose of this material is to give each and everyone, who is willing to take a little time, a chance to improve their financial situation with discounted real estate notes. I know you will succeed and earn quick cash profits of \$2,000 to \$5,000 and 20% or more on your own investments. If for any reason you are not satisfied with this information and opportunity of a life-time, please return it within thirty-days for a full refund of your purchase price, less shipping and handling

I truly hope my sincerity shines through in this presentation. My staff and I follow the old saying, "By helping others become successful you will become successful yourself". This statement truly captures our philosophy.

Warmly,



Russ Dalbey  
Founder

## Overview Of This Business

The discounted mortgage business has been in existence since people owned real estate. Currently there are over \$90,000,000,000 in owner-financed trust deeds and mortgages nationwide.

The majority of people holding “paper” would like to sell it if only they knew the option existed. For the educated note Buyer, this creates an enormous profit potential.

There are two unique, yet easy to understand, ways to make money in this business. First, you can do what is known as “flipping” which is how most people get started in this industry because it requires no capital outlay. This is where you locate the Note Holder and place them with a Buyer and you earn a fee for your services.

The other way is to buy these discounted notes for yourself. It is not uncommon to receive returns of 20% or more on your money. These are extremely safe investments, secured by valuable real estate.

To give you an example of the safety of trust deeds and mortgages we would like to highlight the fact that insurance companies and most pension funds invest more than fifty (50%) of their assets in real estate notes.

Until recently, the real estate note industry has only been utilized by large conglomerates and very few individuals or small companies have been able to participate, due to lack of knowledge. Now however, this powerful information is available to you. You can make as much money as you wish due to the information provided to you in this course. It's the most important education you can ever receive!

## **Discounted Real Estate Notes**

Investing in discounted paper is the practice of purchasing notes, secured by real estate, at an amount less than the remaining balance of the note, so that the return to the investor will be maximized by a combination of the interest and the discount received.

For example, a Seller sells his property for \$60,000, the Buyer pays \$12,000 cash as a down payment and the Seller carries the financing. So there is a Seller carry back trust deed/mortgage for \$48,000 secured by the property.

In most cases, the Seller would rather have had cash at the time of sale. The investor, who purchases the trust deed / mortgage from the Seller, will offer an amount less than the balance due on the note. The Seller will accept immediate cash instead of years of monthly payments. As a result, the note investor will receive the benefit of a cash discount plus the principle and interest due on the note. Additionally, the person who finds the note and line up a Buyer by listing in on the America's Note Network's web site will earn \$2000 and more for doing so – and all without using any money of his own.

## Table Of Contents

### **Section One – Overview Of The Real Estate Note business** **1**

No money needed when referring the note - \$2,000 to \$5,000 per transaction  
Find ‘em, list ‘em on America’s Note Network and make money  
Full time income part time work  
Best hassle free way to make money in real estate today  
Your check arrives in three weeks or less

You have the “Note Know-How”  
No work and monthly checks come to you  
Earn 20% or more on your investments  
Guaranteed return  
The most powerful wealth-building program ever  
A \$4 Trillion industry  
Tax Savings  
Good no matter what the economy is doing

### **Section Two – Quick Cash Profits - How To Refer Notes And Make Profits Of \$2000 - \$5000 Not Using Any Money Of Your Own** **19**

40 Ways To Find Notes And That  
Referral Marketing Is A Money Machine  
The Ten Simple Steps To Close A Transaction  
I Help People Get A Lump Sum Of Cash For Their Future Income.  
The Paper Work Necessary To Close & Earn \$2,000 And More  
List The Notes On America’s Note Network’s web site For A Fast Sale

### **Section Three – What To Do First! 40 of the Best Way To Have The Deals Find You!** **34**

What To Do First! 40 of the Best Way To Have The Deals Find You!  
The note business is one of the greatest businesses in the world.  
Part Time Work With Full Time Pay  
Few Are Doing This Business  
Success Stories - Over \$50,000  
Easily Earn \$2,000 To \$5,000  
The Future Of The Note Business  
Tools To Earn As Much As You Wish  
Marketing Magic - Turn Your Business Into A Money Machine

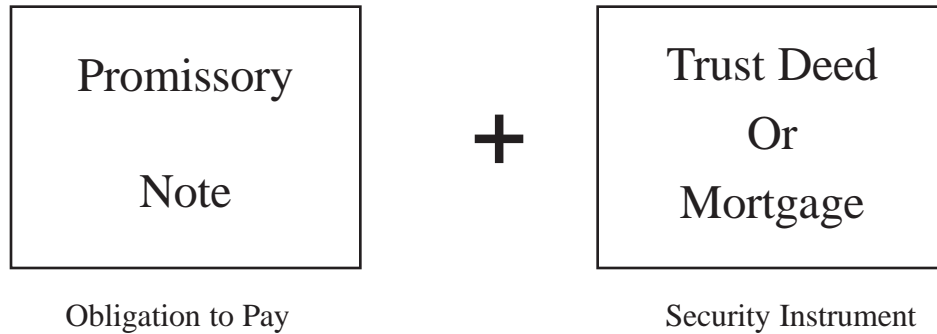
<b><u>Bonus Gift One</u> – Money Math &amp; Magic - Learn the inside secret to making even higher commissions on every deals.</b>	<b>51</b>
<b><u>Bonus Gift Two</u> – Creative Deal Structuring For Big Profits - How To Earn 20% And More On Your Own Investments</b>	<b>73</b>
<b><u>The Order Of Business For Note Purchase</u></b>	<b>107</b>
<b><u>Appendix</u></b>	<b>135</b>
Court House Lead Sheet	
Eight Telephone Scripts	
High Response Post Cards	
Blue Print For Your Note Business	
Note Pricing Guideline	
Note Brokers Resource Kit	
Ten Special Custom Cash Clause	
Sixty Different Cash Flows To Broker	
<b><u>Glossary</u></b>	<b>173</b>



## Terms Of This Business

- Mortgage:** A legal document executed by an owner of real estate by which the property is given as security for a payment of a debt.
- Mortgagee:** The Seller of the property who receives the monthly payments and holds the mortgage contract as security.
- Mortgagor:** The owner of the real estate. Also the borrower making monthly payments to the mortgagee.
- Note:** A written document that states a promise to pay, and the terms which include the amount, interest rate and length of time.
- Trust Deed:** Or Deed of Trust. A deed given by the borrower to a trustee to be held pending fulfillment of an obligation. This is the security instrument which pledges the property to insure payment on the note.
- Trustee:** One who holds property in trust for another to secure the performance of an obligation. An example of a trustee would be a title company or attorney.
- Trustor:** The person who conveys property in trust. One who deeds his property to a trustee to be held as security until he has performed under the terms of a deed of trust.
- Payor:** The person who makes the monthly payments to fulfill the terms of a note. It is also the mortgagor with a mortgage contract or a Trustor with a trust deed.
- Yield:** Your total return on an investment over a given period of time.
- LTV:** Loan To Value is the percentage ratio between the amount of the total loans on a property and the property value.
- ITV:** Investment To Value is the percentage ratio between the total loans on the property, less your investment cost and the value of the property.
- Flipping:** Slang for referring a note to an investor and making a quick cash profit.
- End Buyer:** The person who purchases the real estate note you find.

## The Security



The promissory note states the terms in which the obligation is to be paid. Also, this is where you can state additional terms or clauses. For example, the property may not be sold or transferred without the loan being paid off or the permission of the Note Holder.

Some states use the trust deed as the primary security instrument and others states use a mortgage contract. The major difference between the two instruments is the manner in which the property is foreclosed.

## Calculating A Yield

Example:

Using an HP-12C Calculator;

An existing \$27,000.00 note and trust deed or mortgage at 9% interest in second position (meaning a first loan has been recorded prior to this loan).

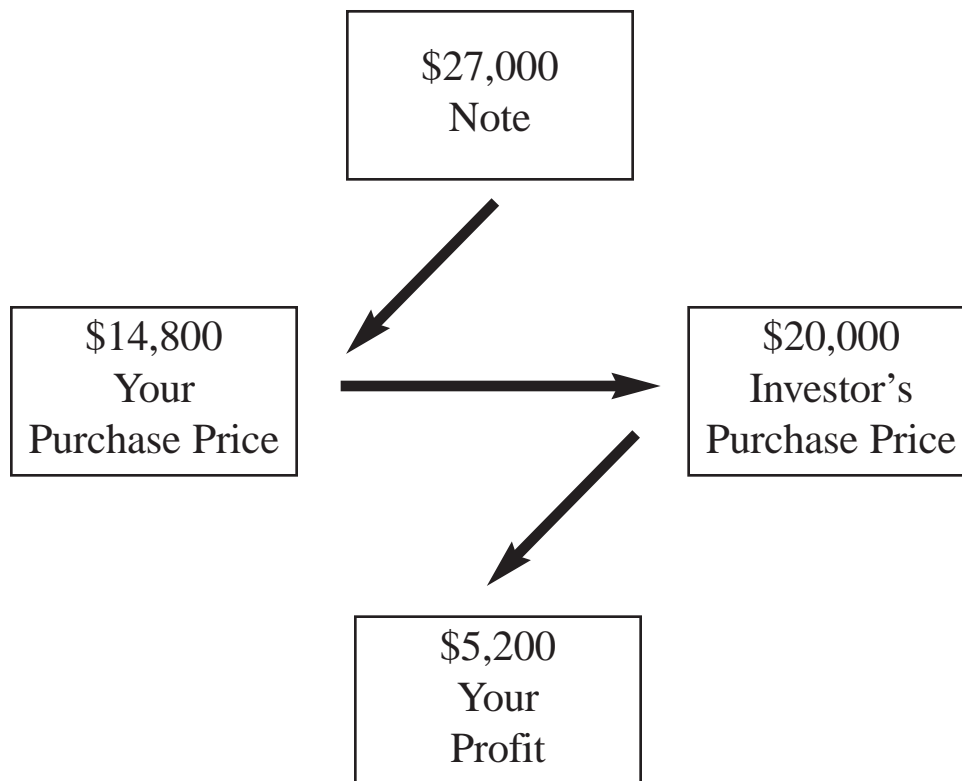
There are twenty-five (25) monthly payments of \$202.50 interest only (meaning no monthly principle reduction, the payment is all interest). Below find that “N” stands for number of payments remaining, “I” is interest rate, “PV” is for present or face value of the note, “PMT” is the payment amount and “FV” stands for future value.

N	I	PV	PMT	FV
Number of Pmts 25	Interest Rate 9%	Present Value \$27,000	Payment Amt \$202.50	Future value \$27,000
		PV		YIELD
		\$14,800	=	41.8%
		Discounted Purchase Price	Total Return on Investment	

The yield is the total return on the investment over a period of time. It represents a combination of the 9% interest rate on the note and the discount received. In this example the investor is paying \$14,800 now for a balloon payment of \$27,000 in twenty five (25) months. Plus, he is receiving the monthly interest payments.

## Referring A Real Estate Note Or Flipping

- \* No Capital Needed
- \* Produces A Large Monthly Income
- \* Average Of \$2,000 To \$5,000 Per Deal
- \* Creates A Cash Flow To Put You In The Investor Category



So, what if you don't have any money to invest at all? You could act as the middleman by finding the note. You have a confirmed purchase price of \$14,800 and a sales price of \$22,804.28 to an investor — you keep the difference. This is reasonable because your investor will still get eighteen (18) percent yield on his money, and you pocket the \$8,004.28.

## Possibilities & Considerations

1. The Payor makes the monthly payments until the note is paid off.
2. The Payor refinances the property and you get paid off the full amount early.
3. The payments stop coming in and you foreclose, keeping the property and all the equity.

### **Protective Equity:**

Protective equity is the difference between the value of the property and the loans against it, including yours. The greater the equity, the more secure your investment will be.

### **Seasoned:**

A loan is “Seasoned” when the Payor consistently makes his or her payments over a period of time. The textbook definition is twelve (12) months.

### **Property Location:**

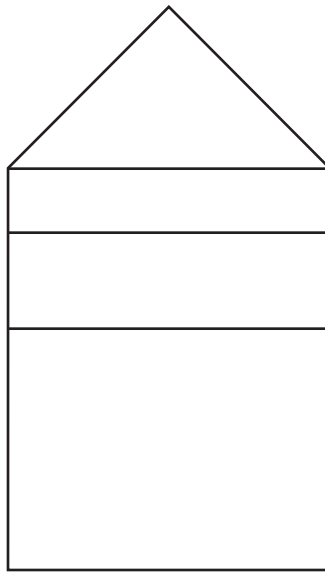
Know the area. Never buy a note on a property you would not mind owning.

### **Foreclosure:**

If the investor purchases a note with good equity in the property, his investment is protected. The property is the security. Foreclosure is the legal process safeguarding his interest.

## Creating A Note

The selling price \$100,000



Equity = \$20,000

2nd Loan = \$30,000

1st Loan = \$50,000

Total Loans  
\$80,000

The Seller has a \$100,000 house for sale. There is an existing first loan of \$50,000 to the bank and equity of \$50,000.

The Buyer agrees to the Seller's purchase price, but only has \$20,000 cash for a down payment. The Buyer has good credit and is able to assume the first loan from the bank.

To complete this sale, the Seller will carry back a \$30,000 second loan.

DO NOT DESTROY THIS NOTE: When paid, this note, with Deed of Trust securing same, must be surrendered to Trustee for cancellation before reconveyance will be made.

# NOTE SECURED BY DEED OF TRUST

(INSTALLMENT - INTEREST INCLUDED)

\$ \_\_\_\_\_ California \_\_\_\_\_ 20\_\_\_\_

In installments as herein stated, for value received, I promise to pay to \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ or order  
of \_\_\_\_\_ the principal sum of \_\_\_\_\_

\_\_\_\_\_ dollars  
with interest from \_\_\_\_\_ on unpaid principal at the rate of \_\_\_\_\_ per cent

per annum, principal and interest payable in installments of \_\_\_\_\_

\_\_\_\_\_ dollars or more on the \_\_\_\_\_ day of \_\_\_\_\_  
each, \_\_\_\_\_ month, beginning on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

and continuing until \_\_\_\_\_

## Special Custom Cash Clauses Go Here:

(Generally not available from your Attorney, Real Estate Agent, Title or Escrow Company)

**1. First Right Of Refusal: Buyer has the first right to buy this note back at the maximum discount Seller offers to anyone else.**

**A. Buyer has thirty (30) days from written notice by seller to act.**

**B. Seller will pay attorney fees if Buyer has to litigate to enforce this right.**

Each payment shall be credited first on interest then due, and the remainder on principal, and the interest shall thereupon cease upon the principal so credited. Should default be made in payment of any installment of principal and interest, the whole sum of principal and interest shall, at the option of the holder of this note, become immediately due. Principal and interest payable in lawful money of the United States. If action be instituted on this note, the undersigned promise \_\_\_\_\_ to pay such sum as the Court may adjudge as attorney's fees. This note is secured by a DEED OF TRUST to SAFECO TITLE INSURANCE COMPANY, a corporation.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

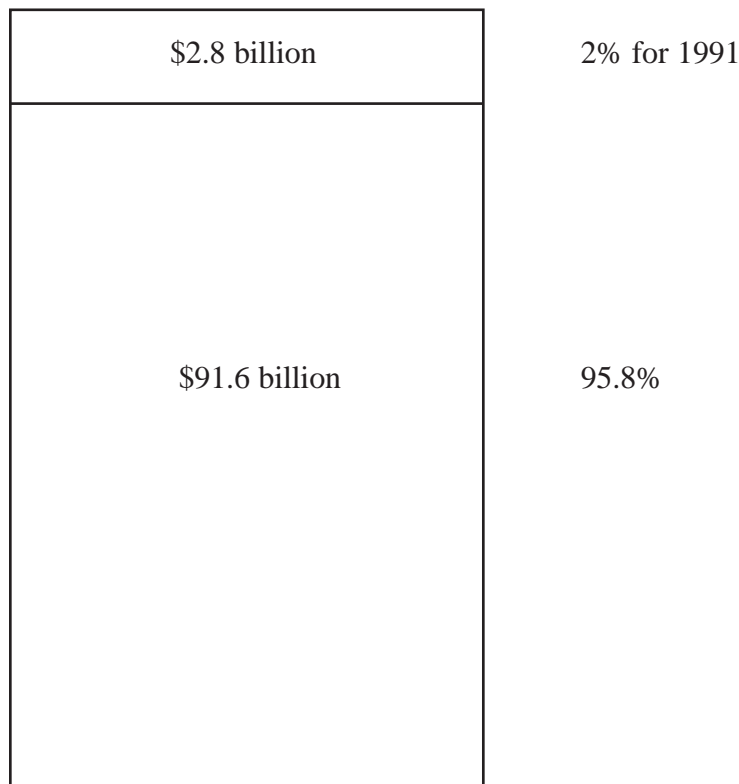
## Where To Look For Real Estate Notes

The HUD Housing Survey shows 1.8 million homes totaling \$94.4 billion of existing private owner financing.

In 1991, there was approximately \$2.8 billion of new owner financing created.

98% of the note Buyers and brokers are focusing on these newly created notes, which represent only 4.2% of the market.

Only 2% of the notes Buyers and brokers are accessing this remaining 95.8%.



You will be one of the 2% of the note Buyers and brokers accessing the 95.8%, which represents over \$90 billion of this market.



## Your Typical Discounted Note

Let's look at a typical note and why the Note Holder would want to sell it.

- Original Amount: \$25,000
- Ten (10%) Percent Interest
- Amortized Over 15 years
- Monthly Payment: \$268.65
- 18 Payments Made - 162 Remaining
- Present Balance: \$23,833

These figures represent the average note.

You are looking for a twenty- five (25%) percent yield on your money, representing a purchase price of \$12,438. Why would the Note Holder take \$12,438 cash now for his \$25,000 note?

- \* They get a lump sum of cash now, not a small monthly payment
- \* Medical Emergencies
- \* Taxes
- \* Credit Card Debt
- \* College Education
- \* Buying New Home Or Business
- \* Vacation

First, you could refer the note for a quick \$3,866.19! Second, you could purchase the note and your total return would be \$43,521.51 or 25%! And third, the note could pay off early and you could earn 40% on your investment!

As you can see, there are any number of situations that arise where the Note Holder would need your services to cash them out. The most important reason is that they didn't want the note in the first place.

The Note Network Paper Work Sheet

Name : JOHN SELLER  
Address: 1616 SAGAMORE AVE.  
Phone #: 459 - 8214

Date: 3-7-2000

**Property Information**

Property Address: 124 WALNUT ST. HOUSTON TX.  
Type Of Property: SINGLE FAMILY RESIDENCE. Owner Occupied: YES  
Property Value: \$ 112,000 Established By: SALE Date: SEPT. 1 1992  
1st loan Amount: \$ 62,000 Monthly Pmt: \$ 391.88 New  Assumed  
 2nd loan Amount: \$ 25,000 Monthly Pmt: \$ 268.65  New / Assumed  
Down Pmt Amount: \$ 25,000 LTV: 78 % ITV: 66 %

**Note Information**

Original Amount \$ 25,000 Balance \$ 23,833.85 As of: 3-1-2000  
Interest Rate : 10 %  
Payment Amount : \$ 268.65 Date of 1st Payment : 10-1-1998  
Original Length: (15 yrs) 180 mos. Type:  Amort, I/O, Other   
Number of Payments Made: 18 Number Remaining: 162  
Are the payments on time: YES What day of the month are they due 1  
Balloon Payment if any: \$ 0  
Are there any Clauses: DUE ON SALE

**Seller Information**

Note Seller's Motivation: BUYING A NEW HOME.  
When Needs To Close: 30-45 DAYS Received other Offers: \$ 11,850  
What does the Payor do for a living MANAGES A RETAIL STORE  
Is there anything else I should know PAYOR HAS GOOD CREDIT

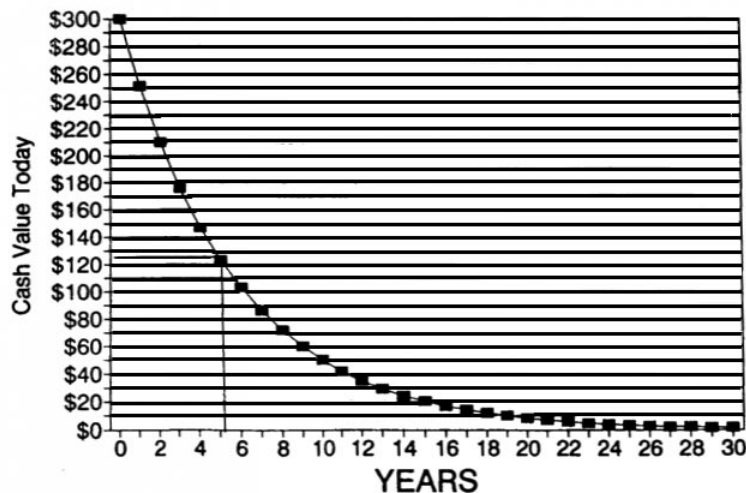
25% YIELD — PAY \$ 12,438

## The Time Value Of Money

When determining a cash value for a trust deed or mortgage we must consider the following:

- \* Where is it located?
- \* What type of property and its value?
- \* What is the interest rate on the note and terms?
- \* How long will it take to collect all the payments?

One of the most important factors is usually the length of time it will take to collect all the payments. The longer we wait, the less value or buying power the money has, due to inflation and economic conditions. This is what is referred to as the *Time Value of Money*. Immediate cash is more valuable than money in the future.



Above is a graph that gives an example of the *Time Value of Money*. It plots the diminishing cash value of a \$300 monthly payment over thirty years (30). As the chart shows, the cash value of the payment rapidly diminishes as it stretches into the future. For example, an investor, looking for an eighteen (18) percent yield, would pay \$123 today for a \$300 payment due in five (5) years.

## Rule of 72

An interesting concept to help you understand the power of compounding money is the Rule of 72. This rule calculates how long it will take to double your money at the respective interest rates compounded yearly. To determine the number of years it will take, simply divide the interest rate of your investment into 72. The answer equals the number of years necessary for your money to double.

At 3% it would take 24 years

At 6% it would take 12 years

At 12% it would take 6 years

At 20% it would take 3.6 years

At 25% it would take 2.8 years

At 40% it would take 1.8 years

To help you better understand the power of this example consider this example of investing \$100 per month for thirty-years at the following interest rates.

At 3 % \$58,273

At 12% \$349,496

At 15% \$692,327

At 20% \$2,297,783

At 35% \$107,140,942

## **Loan Payoff vs. Discounted Notes**

Would it be more profitable to pay off a \$100,000 home loan or to take that same amount of money and invest it in discounted notes?

### **Example of Loan Payoff:**

\$100,000 home loan with an eight (8%) percent annual interest rate, amortized over 30-years, with a monthly payment of \$733. If the home loan were paid off you would save or make eight (8) percent per year.

### **Example Note Purchase:**

Taking the same \$100,000 and investing it safely in discounted trust deeds with an average yield of twenty (20%) percent you could buy \$191,000 in notes.

Your monthly income from \$191,000 is \$1,676, based on the average note having a ten (10%) percent interest rate.

### **Compare:**

- \* Pay off the home loan and make \$733 per month
- \* Buy discounted notes and make \$1,676 per month
- \* If you have the know-how, your profit is \$943 per month
- \* Refer the note for a quick \$8,000 + profit

## Investment Alternatives

Source	Rate of Return	Comments
Stock Market		
Banks & Savings		
Real Estate		
Limited Partnerships		
Discounted Paper	15% to 50%  Yield  And More	Safe Secure Growth Of Investment High Monthly Income Self-Managed

## **Advantages**

Real Estate Secured Notes The Reason They Are The Best Investment And Why People Will Stand In Line To Buy Every One You Find.

Safety

High Yield

Live Anywhere

No Management

Monthly Income

Full Or Part Time

No Money Needed

Never A Bad Time

Unlimited Profit Potential

High Probability Of Early Payoff

Returns Both Interest & Principle

No Employees, Inventories Or Overhead

Benefits Of Real Estate Ownership Without The Hassle

## **Bill Buyer Makes \$12,000 With Custom Cash Clause**

### **Right Of First Refusal Clause**

The maker of this note reserves the right of first refusal to purchase this note back, at a discount (at the price a third party would pay), in the event the holder decides to sell it at a discount. You will want to include these factors: Holder shall deliver written notice of such proposed sale to maker by certified mail at ( **address** ); maker shall have ( **number** ) working days from delivery of said notice to buy the note at the discount offered to the third party; holder shall pay maker's legal fees in the event maker has to sue because of violation of this provision.

- Bill gets the note at the maximum discount offered
- He saves \$12,000 on the note
- The bank loans Bill \$30,000
- Bill pays Sue Seller \$18,000 and pockets the \$12,000 balance
- Bill's payments each month are now made to the bank
- This clause could be worth over \$80,000 in a single transaction
- You can make money as the Buyer or the Seller of real estate and by referring or purchasing the note
- You will win in the cash flow business with your "Note Know-How"



## The Psychology Of Discounting Real Estate Notes

- Which would you rather have the \$50 in my left hand or the \$100 in my right?
- What if you had to wait seven years for the \$100, but you could have the \$50 now, which would you rather have? The \$50, of course!
- Note Holders feel the same way. They want their money now!
- Expect annual returns or yields of 20 % to 30%, and up to 90% on problem notes.
- Referring notes to **America's Note Network**, you'll earn \$2,000 to \$5,000 per transaction. Deal with regular people not the big companies.
- Keep a list of all your filled out **Paper Analysis Work Sheets** to call back in three years — they will need money in the future/
- Increase your income by 20% or more!

### More Reasons They Discount

- They can make a lot of money if they had their money from the note now!
- Big Dollars vs. Little Dollars – Small monthly payment – Here's a lump sum of cash now.
- Fear of Delinquent Payments – The note won't be worth anything.
- Tangible vs. Intangible – They won't discount the house, but they will discount the note.
- Relatives or Friends – Won't foreclose and will sell at a steep discount.
- Don't know how to foreclose – It's easy — get a real estate attorney.
- The process – Recognize the opportunity, act fast and lock up the deal.

## **Solving A Problem Pays You Well**

### **You Win Because You Solve A Problem**

Every time — even if it's not real

Find a problem and solve it

You will be rewarded richly

### **Lack of Confidence**

In the person making the payments

In the real estate securing the note

In the economy

### **Deferred Gratification**

People don't like to wait for their money

Give them what they want — the “now” benefit

### **Don't Wanters**

Most Note Holders never wanted the note

They feel as if they are stuck with the note

### **Imperfect Market**

Seller is not aware that he can sell his note

Negotiate freely

### **Outstanding Bills**

Need to pay a medical emergency, taxes, high interest on credit cards, college, vacation — the list goes on and on

The biggest reason is that they never wanted the note in the first place

## Review Section 1

### 1. Refer The Note

- No money needed when referring the note - \$2,000 to \$5,000 per transaction
- Find ‘em, list ‘em on **America’s Note Network** and make money
- Full time income – part time work
- Best hassle free way to make money in real estate today
- Your check arrives in three weeks or less

### 2. Buy The Note

- You have the “Note Know-How”
- No work and monthly checks come to you
- Earn 20% or more on your investments
- Guaranteed return

3. This is the most powerful wealth-building program ever –you will be just like the bank, only better! What do you say when someone asks you what you do? “I help people get lump sums of cash for their future income. Do you have any future income?”

4. You learned how to make several thousands of dollars on your next real estate transaction. And, that real estate notes are the basis of creative real estate financing.

5. Nine little words that can make you \$500 or more, for ten seconds of work!

a. What to say to the Note Seller after you’ve agreed on a price: “Of course this includes the next monthly payment, right?”

b. What to say to the Note Buyer when referring a note, after you’ve agreed on a price: “And, of course, you get the payment beginning on \_\_\_\_\_”

6. Deal with only private party Note Holders and not big companies.

7. People discount notes for many reasons – they didn’t want them in the first place.

8. The cash flow industry is a \$4 trillion industry and you are one of the lucky few who are involved.

9. Tremendous tax savings by having your own in-home note business.

10. Goal is one thing – find real estate notes. The more you find the more you’ll make.

11. Good no matter what the economy is doing – The worse the economy, the more you’ll make.

## **Section 2**

### **Quick Cash Profits**

**How To Refer Notes And Make Profits**

**Of**

**\$2000 - \$5000**

**Not Using Any Money**

**Of Your Own**

## **Ten Simple Steps To Making Quick Cash Profits**

### **1. Find a note**

- a. Find notes for sale on America's Note Network's web site – Membership
- b. Look in the newspaper for Sellers – Large metropolitan areas are best
- c. Newspaper for Buyers - offer to purchase the deals they don't
- d. Talk with Attorneys, CPAs, Mortgage Brokers, and Realtors and solicit referrals
- e. Marketing Magic section will give you 40 of the best ways to find real estate notes

### **2. Determine the value of the real estate note**

- a. List the note on America's Note Network
- b. Receive offers within a few hours
- c. You'll know exactly what the note is worth
- d. Accept best offer
- e. Use the Note Pricing Guidelines found in the back of this manual
- f. Use software program [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips)

### **3. Call Seller back to make an offer to purchase the note**

- a. Note Seller agrees to sell - proceed
- b. Note Seller declines to sell – follow up with Seller in 3-months

### **4. Send Commitment Letter to Seller and Request For Information**

- a. Include Commitment Letter – Filled out with Seller's information
- b. Cover to the Commitment Letter
- c. Information Request Form

### **5. Get signed paper back from Seller along with necessary documentation**

- a. Look through the paper work to be sure that you've received everything

### **6. Send a Non-Circumvent Agreement to Buyer protecting your interest**

- a. Buyer sends back the signed Non-Circumvent Agreement

### **7. Forward all documents you've collect from the Seller to end Buyer**

### **8. End Buyer will open escrow to purchase**

- a. Buyer handles all the paper work – you do nothing from this point on

### **9. Transaction takes place**

- a. Buyer get the real estate note and future payments
- b. Seller receives his check for the sale
- c. You receive a check of \$2,000 to \$5000.00 or more

### **10. Good job! Let's find some more deals just like this one!**

On the following pages you will find all the documents you need to earn quick cash profits of \$2,000 to \$5,000 and more! I would like for you to **pause the tape now** and read through these next few pages. This is an important step in understanding what's involved and just how simple it will be to earn an ongoing income.

## **The Note Broker Resource Kit**

On the next several pages you will find six valuable resources that you may print and use over and over. Please be note, America's Note Network nor its employees are giving legal advice or recommending you use these documents. These sample documents are provided to you for educational purposes only.

1. Telephone Script
2. Paper Analysis Worksheet
3. Commitment letter – Contract With The Note Seller
4. Cover Letter to the Commitment Letter
5. Information Need From Note Seller – Information Request Form
6. Non-Circumvent Agreement – Contract With Your Buyer

#1  
**Telephone Script**

The telephone Script is designed to give you an idea of what to say to your prospective note Seller. Remember, you want to be comfortable with what you are saying and not come across as reading. Once you have obtained the information required, you can then post that information on the America's Note Network web site for an immediate sale. The web address is: [www.notenetwork.com](http://www.notenetwork.com) or you may fax or mail us the information

Note Seller's Name \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_ Your Name \_\_\_\_\_

Phone # \_\_\_\_\_

SCRIPT FOR CALLING

Their 1st name, this is your 1st name (speak with excitement). I'm calling because I have an interest in the property you sold in (state). Do you remember? The Buyers weren't able to pay you off in full so you had to carry back a promissory note, right?

I would like to cash you out of what you're owed.

Did you know that you have a right to sell your contract and get cash now? YES NO

Would you be interested in finding out today's value of your note? YES go on / NO stop

(Paper Analysis Worksheet Questions)

1. What is the property address? \_\_\_\_\_

2. What kind of property is it? \_\_\_\_\_

3. Do the Buyers live there? \_\_\_\_\_

4. What is the property worth? \_\_\_\_\_

5. How much did you sell it for? \_\_\_\_\_

5. a. What are the loans on the property?

a. 1st Loan \$ \_\_\_\_\_ Mo PMT \$ \_\_\_\_\_ NEW or ASSUMABLE LOAN

Lender? \_\_\_\_\_

b. 2nd Loan \$ \_\_\_\_\_ Mo PMT \$ \_\_\_\_\_ NEW or ASSM

Lender? \_\_\_\_\_

d. What was the Down PMT\$ \_\_\_\_\_

6. What is the original amount of your note? \_\_\_\_\_

7. What is the interest rate on your note? \_\_\_\_\_

8. What is the monthly payment amount you receive? \_\_\_\_\_

9. What is the original length of time on the note? \_\_\_\_\_

10. When did you receive your first payment? (Mo & YR) \_\_\_\_\_

11. What day of the month is your payment due? \_\_\_\_\_

12. How many payments have you received? \_\_\_\_\_

13. Have all of your payments been received on time? YES / NO

(if no) number of months late? \_\_\_\_\_

14. What does the Payor do for a living? \_\_\_\_\_

15. If we were to agree upon a price, how soon would you need the cash? \_\_\_\_\_

Ok, let me analyze your information and I'll call you back in a few minutes with an exact price.

(Now post this information on America's Note Network's web site at [www.notenetwork.com](http://www.notenetwork.com). By posting this information you will gain an immediate idea of what the note is worth from the end Buyer. Once you know what a Buyer will pay for the note simply deduct \$2000 to \$5000 from that price and offer it to the Seller. The amount you deduct will be the amount you earn for your efforts. Be sure to check with the Buyer to be sure that the price offered is total price you will receive. Some Buyer will make you pay from \$500 to \$800 in closing costs, which will come out of your check, so be sure to ask the Buyer what your "net price" is. One more point is to ask for two different prices – a price for the full sale of the note and a price for a partial sale or some of the payments from the notes.

Also, if you don't have Internet access, you can fill out the "Paper Analysis Worksheet", which you will find in the next section. Transfer information from script to Paper Analysis Work sheet. Once the Paper Analysis Worksheet and then you can either mail or fax us the information.



## What To Say When You Call Back The Note Seller

Hi, Bob this is \_\_\_\_\_. I have a purchase price for your note. Do you have a piece of paper and a pencil handy? You never know when I might say something important.

Have you ever sold a note before? Let me just briefly explain to you how this process works and how we determine the cash value of your note.

We are analyzing each monthly payment you receive and calculating its value into the future. In other words, dollars today will buy more than dollars in the future. If it's ok with you, I would like to give you a couple of examples about what I'm talking about.

Looking back 15 to 20 years ago, we could go to the movies for what? About \$.50, right! And gasoline was about \$.65 a gallon? Now look at what we pay. This is what I mean when I say dollars today are worth more than dollars in the future. So we have to factor that into the price.

I have another example: Suppose I have \$10 in my left hand and \$5 in my right. Which bill would you like? The \$10 in my left hand, right? But now, let's add this to the equation: you have to wait (the remaining number of monthly payments on their note, lets say 96) 8 years to get the \$10 or you can have the \$5 now. Which one would you rather have? Of course the \$5 now, right?

So, let me give you some numbers, now that you understand how we determine the cash value of your note.

There are two ways you can sell a note. The first way is through a partial sale of your note, which is the most profitable way for you. You can sell a portion of the remaining payments on it. For example, you sell me the next 60 of your 96 remaining monthly payments you are owed. At the end of the 60 months, the note payments revert back to you, and you would receive the remaining 36 payments. At that time, the balance will still be \$\_\_\_\_\_.

So, you are getting a lump sum of cash now and you still have \$\_\_\_\_\_ coming to you in 5 years. With this option you are still in the deal. If the Payor doesn't pay, I'm going to come back to you and say, "Bob, I gave you all that money, so you need to keep me whole by keeping those payments current. They sound as if they are good Payors from what you described, so I'm sure there shouldn't be any problem.

The Second option is to cash you out in full. So, if the Payors don't pay or the property burns down or blows away, you don't care because you are out of the deal. I will give you \$\_\_\_\_\_ for the full sale of your note.

Which one of these options sounds the best to you? (Be quiet and listen in order to solve their problem).

If they say, "I need to think about it". You can say, ok, I can understand that. Bob let me just explain one other thing to you. I want you to understand how the papers are actually transferred and how you are guaranteed to get paid.

When you decide to go ahead with this sale, I will send you out a Commitment Letter that states my obligation to you, along with a list of copied documents I will need back from you.

Then I'll deposit a check in the amount of \$\_\_\_\_\_ (purchase price) into an escrow account at a title or escrow company of your choice. They'll close the transaction and make sure you get the right amount of money and that I get the right paper work. This way you are guaranteed to get paid - Sounds pretty good, doesn't it?

Would you like me to send you this information package today? If yes: Ok, you should receive it in the next \_\_\_\_\_ day. Would it be ok if I called you back on that day to go over it with you and answer any questions you may have. (Set an appointment or don't send it out).

If No: Ok, when should I call you back? Incidentally, I haven't said anything to offend you have I?

(Be quiet! They'll tell you their problem and what you need to do to solve it).

If the Seller says yes, you will send him a Commitment Letter, A Cover Letter and an Information Request Form all of which you will find in this section.

Additionally, to save you time you might log on to our web site, [www.notenetwork.com](http://www.notenetwork.com) - then click on the How-to Reports section and look for "The Note Brokers Resource Kit". Once you are there, you'll be able to copy and paste this information into a word document and save time from having to retype these documents. Please note, only copy the information on the site that state that you can. Never copy anything that states our copyright, which is 99.9% of our web site. We take copyright violations seriously and will prosecute to the fullest extent of the law.

## #2

### The Paper Analysis Worksheet

The Paper Analysis Worksheet will always need to be completed in order to determine what the note is worth. Please make sure that you gather all the information on this worksheet. If you follow the script above you will have all the information necessary to list it on [www.notenetwork.com](http://www.notenetwork.com)

#### America's Note Network Paper Work Sheet

Name Of Note Seller: \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_

Phone #: \_\_\_\_\_

#### Property Information

Property Address: \_\_\_\_\_

Type Of Property: \_\_\_\_\_ Owner Occupied: \_\_\_\_\_

Property Value: \$ \_\_\_\_\_ Established By - Sale/Other: \_\_\_\_\_ Date: \_\_\_\_\_

1st loan Amount: \$ \_\_\_\_\_ Monthly Pmt: \$ \_\_\_\_\_ New / Assumed

2nd loan Amount: \$ \_\_\_\_\_ Monthly Pmt: \$ \_\_\_\_\_ New / Assumed

Down Pmt Amount: \$ \_\_\_\_\_ LTV: \_\_\_\_\_% ITV: \_\_\_\_\_% (internal use only)

#### Note Information

Original Amount \$ \_\_\_\_\_ Balance \$ \_\_\_\_\_ As of -Date: \_\_\_\_\_

Interest Rate : \_\_\_\_\_% Payment Amount : \$ \_\_\_\_\_ Date of 1st Pmt: \_\_\_\_\_  
(internal use only)

Original Length: \_\_\_\_\_ mos. Type: Amortized, Interest Only, Other \_\_\_\_\_

Number of Payments Made: \_\_\_\_\_ Number Remaining: \_\_\_\_\_

Are the payments on time: \_\_\_\_\_ What day of the month are they due: \_\_\_\_\_

Balloon Payment if any: \$ \_\_\_\_\_ Balloon Payment Date: \_\_\_\_\_

Are there any Clauses: \_\_\_\_\_

#### Seller Information

Note Seller's Motivation: \_\_\_\_\_

When Does H/She Need To Close: \_\_\_\_\_ Received other Offers: \$ \_\_\_\_\_

What does the Payor do for a living: \_\_\_\_\_

Is there anything else I should know about this note: \_\_\_\_\_

### #3 Commitment letter – Send To The Seller

The Commitment letter is a letter that you will send the Seller of the note as soon you have an agreed upon price. This letter will tie up the note and take it off the market. If the Seller cancels the agreement, then you will receive \$125 minimum for your efforts (if you choose, you can even replace the \$125 with a flat rate percentage of the note, I.e. 10% of the note balance). If for any reason you or your Buyer cancels the agreement you may also cancel your agreement with the Seller without penalty.

THIS COMMITMENT TO PURCHASE, is made \_\_\_\_\_ by and between you, ( **their name** ), the undersigned (Seller), and ( **your name** ), (Purchaser), and/or its successors and assigns, whose address is your address.

This commitment is made in ( **your county** ), subject to and contingent upon ( **your name** ), and/or its investor's inspection and approval of the property and all documents including, but not limited to, credit, appraisal and title work.

Seller agrees to sell and convey to Purchaser, and Purchaser agrees to buy, upon the terms and conditions set herein, that certain ( Trust deed / Mortgage / Land Contract - **the name of the instrument** ), wherein the Payor owes a current principal balance of ( **\$balance amount** ) as of this month, carrying interest on the principal balance at the rate of ( **interest rate %** ) per annum, and requiring a monthly principal and interest payment of ( **payment amount** ).

The agreed purchase price is the sum of ( **\$purchase price** ) provided there are no underlying problems. If the contract has to be renegotiated a verbal commitment from the Seller will be binding.

The subject property is located in ( **county** ) and is legally described as follows;

Property Address

---

#### ADDITIONAL LEGAL DESCRIPTION TO BE PROVIDED AND VERIFIED BEFORE CLOSING

Seller warrants that:

1. There are no prior liens or encumbrances on the property subject to the Instrument except as stated below:

SUBJECT TO: NO OTHER LIENS OR ENCUMBRANCES

2. It has full power, authority and legal right to execute, deliver, and perform, its obligation under this letter;

3. This Letter and the Instrument are legally valid and binding, and enforceable in accordance with their terms, and there are no claims or defenses, personal or otherwise, or offsets whatsoever to the enforceability or validity of the Instrument;

4. There are no lawsuits or legal proceedings pending, or to the best of Seller's knowledge, threaten regarding encumbrances on, or the ownership, use or possession of, the property or the Instrument;

5. No brokerage or other commission is due and unpaid in connection with the Instrument; and,

6. Seller has, as of the date of this Letter, and will have as of the date of the closing, good, marketable title to the Instrument.

During our processing period any additional payments made to Seller on the Instrument which cause a reduction in the principal balance below \$100 will also cause a minor adjustment in the purchase price at closing. Seller agrees to return any payments received after the closing of this Instrument.

Seller understands that ( **your name** ), is not acting as an advisor for Seller in connection with this transaction, nor as Seller's agent, but rather is dealing with Seller at arms length, at all times. Seller acknowledges that it has sought and received whatever independent legal, tax, accounting or other advice it desires concerning this transaction. Further, Seller is not relying on ( **your name** ), in entering into this transaction, but is acting on its own best judgment.

Seller agrees to execute all necessary documents to effect the assignment and conveyance to Purchaser of its interest in the Instrument. Seller agrees to furnish any and all documents in its possession necessary to consummate this transaction. If, after closing, it is discovered that errors, omissions, or loss of documents has occurred, Seller agrees to cooperate with the Purchaser to correct any and all errors, omissions, or losses with in ten (10) days of receipt of notice from Purchaser.

Upon our receipt of all the necessary closing documents related to this transaction, we should be able to close within 21 to 30 days.

All normal closing cost will be the responsibility of the Purchaser with the exception of any additional, or unexpected, legal cost necessary to clear or perfect title.

Should the Seller fail to close, after signing this agreement, Seller shall be obligated to reimburse Purchaser for all out-of-pocket expenses incurred related to this transaction, up to the time of cancellation. These expenses should normally be limited to title and/or appraisal fees, plus the processing fee of 10% of the remaining balance of the of the note as of today's date.

Purchaser hereby gives Seller a specific period of ten days to complete, and return, this Commitment Letter, and agrees to keep this offer open for that period of time. If Seller is unable to complete, and return this agreement within the allotted time , this agreement shall be canceled. Purchaser may extend the time period, upon conditions it deems acceptable.

By \_\_\_\_\_  
Your Name & Signature

ACCEPTED:

\_\_\_\_\_  
Sellers Signature

\_\_\_\_\_

Social Security Number Of Seller

SSN: \_\_\_\_\_

SSN: \_\_\_\_\_

DATE: \_\_\_\_\_

**#4**  
**Cover To The Commitment Letter**

Date

Seller's Name  
Seller's Street  
Seller's City, State, Zip

Dear First Name:

Thank you for the opportunity to be of service to you. We will do everything possible to expedite your closing once you return the enclosed "Information Request Form" and copies of the requested documents.

The cash you will receive is ( **dollar amount** ) for the full sale of your interest, or ( **dollar amount for partial sale** ) for the next \_\_\_\_\_ number of payments.

A typical transaction takes 21 to 30 days to process provided there are no unusual circumstances that arise. The normal closing process includes a credit evaluation on the Buyer, a drive-by appraisal and a title insurance review. We pay for the normal closing costs.

Occasionally, purchases have to be renegotiated or canceled if the review process reveals underlying problems that cannot be corrected. Thankfully, this situation doesn't happen very often! If it does, you retain the right to cancel the transaction without any obligation on your part.

Also find enclosed a formal "Commitment Letter" which begins the closing process and states our obligation to you. Please sign it and return it with the above requested documents. If you have any questions please call me at (1-XXX-XXX-XXXX). Thank you.

Warmly,

Your Name  
V.P. Operations

## #5

### Information Request Form – Goes To Seller

The Information Request Form indicates the documents and information that you will want the note Seller to send to you. You may want to send this form to the Seller along with the Commitment Letter and the Commitment Cover Letter.

#### INFORMATION FOR YOUR CONTRACT SALE

The sale of your real estate contract CAN ONLY be processed when you follow these requirements. The information you provide on the front and back of this sheet is necessary to process your contract sale.

We will need a copy of the documents listed below:

- Copy of Note
- Copy of Trust Deed, Mortgage or Land Contract
- Payment History – Payment Book or Bank Deposit
- Escrow instructions from real estate sale in which the “Contract” was created
- Escrow closing statement from real estate sale in which the “Contract” was created
- Title insurance policy that insures the “Contract”
- Fire insurance information on the property which secures the “Contract” (Insurance Company, Policy Number, Agent’s Name and Address)
- Loan Payment Record
- Please provide two (2) pictures of subject property
- Copy of street or city map showing property location
- Plans, surveys or other documents in your possession

Your signature is required for us to confirm balances, payment history and to obtain copies from your title or escrow company in the event we need further information. Thank you.

\_\_\_\_\_  
Seller’s Signature

\_\_\_\_\_  
Title / Escrow Company

\_\_\_\_\_  
Policy Number

## #6

### Non-Circumvent Agreement – Send To Buyer

The Non-Circumvent Agreement is designed to protect your interest when you are brokering a note to an investor or the end Buyer. You will have a commission due you for referring the note to the end Buyer. This document will protect you. Please have your attorney review this sample agreement that is used as an example and for educational purposes only.

#### NON-CIRCUMVENTION, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS AGREEMENT entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_ is for the Professional Association and arrangement of Non-Circumvention, Non-Disclosure and Confidentiality between \_\_\_\_\_ whose office is at \_\_\_\_\_ and \_\_\_\_\_ whose principal place of business is at \_\_\_\_\_ hereinafter, called the "The Parties."

The Parties with this agree to respect the integrity and tangible value of this agreement between them.

THIS AGREEMENT is a perpetuating guarantee for five (5) years from the date of execution and is to be applied to any and all transactions present and future, of the introducing party, including subsequent follow-up, repeat, extended, renegotiated, and new transactions regardless of the success of the project.

Because of THIS AGREEMENT, the Parties involved in this transaction may learn from one another, or from principals, the names and telephone numbers of investors, borrowers, lenders, agents, brokers, banks, lending corporations, individuals and/or trusts, or Buyers and Sellers hereinafter called contacts. The Parties with this acknowledge, accept and agree that the identities of the contacts will be recognized by the other Party as exclusive and valuable contacts of the introducing Party and will remain so for the duration of this agreement.

The Parties agree to keep confidential the names of any contacts introduced or revealed to the other party, and that their firm, company, associates, corporations, joint ventures, partnerships, divisions, subsidiaries, employees, agents, heirs, assigns, designees, or consultants will not contact, deal with, negotiate or participate in any transactions with any of the contacts without first entering a written agreement with the Party who provided such contact unless that Party gives prior written permission. Such confidentiality will include any names, addresses, telephone, telex, facsimile numbers, and/or other pertinent information disclosed or revealed to either Party.

The Parties agree not to disclose, reveal or make use of any information during discussion or observation regarding methods, concepts, ideas, product/services, or proposed new products or services, nor to do business with any of the revealed contacts without the written consent of the introducing party or parties.

The Parties agree that due to the many variables surrounding each Business Financial Transaction that will occur because of this agreement, the commission to be paid and/or the fee structure between the Parties can vary. A separate fee/commission agreement will outline compensation for each Business/Financial Transaction. The fee or commission agreement must be drafted and acknowledged by signature before all Business/Financial Transactions.

In case of circumvention, the Parties agree and guarantee that they will pay a legal monetary penalty that is equal to the commission or fee the circumvented Party should have realized in such transactions, by the person(s) engaged on the circumvention for each occurrence. If either party commences legal proceedings to interpret or enforce the terms of THIS AGREEMENT, the prevailing Party will be entitled to recover court costs and reasonable attorney fees.



The parties will construe THIS AGREEMENT in accordance with the laws of the State of Oklahoma, County of Oklahoma. If any provision of this agreement is found to be void by any court of competent jurisdiction, the remaining provisions will remain in force and effect.

THIS AGREEMENT contains the entire understanding between the Parties and any waiver, amendment or modification to THIS AGREEMENT will be subject to the above conditions and must be attached hereto.

Upon execution of THIS AGREEMENT by signature below, the Parties agree that any individual, firm company, associates, corporations, joint ventures, partnerships, divisions, subsidiaries, employees, agents, heirs, assigns, designees or consultants of which the signee is an agent, officer, heir, successor, assign or designee is bound by the terms of THIS AGREEMENT.

A facsimile copy of this Non-Circumvention, Non-Disclosure and Confidentiality Agreement shall constitute a legal and binding instrument. By setting forth my hand below I warrant that I have complete authority to enter into THIS AGREEMENT.

For: Company Name Here

\_\_\_\_\_

Buyer's Signature

\_\_\_\_\_

Date

Although it is not necessary, if you would like a more complete list of documents for closing and managing your own personal transactions, I recommend that you go to the link below for more information: [www.notenetwork.com/help tips](http://www.notenetwork.com/help tips) - The documents enclosed in this section of the course are all you need.

## Review Section 2

1. We learned a few of over 40 ways to find notes and that building referrals are the key to finding deals.
2. Ten simple steps to close a transaction – they are always the same for every note transaction.
3. Gathering the necessary information to determine the value of the note.
4. What do you say when someone asks you what you do? “I help people get lump sums of cash for their future income. Do you have any future income?”
5. Simply agree on a price with a Note Seller, send her a Commitment Letter, list the note on **America’s Note Network**, collect the documents, and forward them to the Buyer! That’s it. You will find ‘em, list ‘em and make money! We’ll discuss this in more detail in the next section.
6. You can easily list notes on **America’s Note Network’s** web site to determine the value quickly and to receive an instant sale for the notes you find.
7. Calling back the Seller and making the offer. Once the verbal offer is received, you will prepare the “Commitment Letter” and Federal Express it to the Note Seller for signatures and additional documentation.
8. How to send the Note Buyer a Non-Circumvent Letter, which protects you and insures you will get paid.
9. You will receive your check within three weeks. Average check is between \$2,000 and \$5,000 per transaction.
10. You’ve learned about **America’s Note Network’s** web site and how it is a valuable resource for you to use daily.

## **Section 3**

**What To Do First!**

**40 of the Best Way**

**To**

**Have The Deals Find You!**

## What To Do First!

Spend five to seven hours a week following my plan – you will see results in as little as 60 to 90 days

1. Get a list of 400 Note Holders – Mortgagees
2. Get a list of 400 professionals – Attorneys, CPAs, Mortgage Brokers & Real Estate Agents

### Getting Your Target Lists

1. This is your target market that you will market to every 6 to 8 weeks. Don't change your target market! This is where everyone makes mistakes. When marketing, if people don't see an immediate response they do one of two things: First, they quit altogether and say, "It just doesn't work!" Or, second they get a new list thinking the grass is greener on the other side. Don't make this mistake! Part of the magic of marketing is repetition.
2. To find professional referral sources you can either look them up in your phone book or call a local list broker for those names. You will find list brokers in your local phone book under "mailing services".
3. For Note Holders you can also call a list broker or you can go to our web site to access the largest list broker, at [www.notenetwork.com/help/tips](http://www.notenetwork.com/help/tips) - Another way to find Note Holders is by going to your local Court House and looking up "Mortgagees". See the Court House worksheet in the Appendix.
4. When someone sees your name in print five times, they feel as if they know you even if they have never met you. This is a marketing statistic that all good marketers know and understand. Your success comes from marketing over and over to the same audience.
5. Your goal is to have ten professionals sending you cash flow deals. If you have ten professionals sending you deals you will make a nice six-figure income with little effort.

Many of my marketing secrets won't cost you a dime to implement! Remember, if you are not marketing your business then you are not in business! Marketing is the key to success in any business and I'll show you how to make \$11 dollars for every \$1 you spend in marketing! And, you will be able to automate the whole process so all that you are doing is answering the phone! This is the greatest business in the world because you can build a huge monthly income in only a few hours each week!

## **Professional Image**

1. Business Cards
2. A Brochure
3. An Informational Newsletter

Personally, my favorite way to market, and the most cost effective way to continually market, is by having your own personalized newsletter. You can receive a lot of ideas and information about how to create your own personal newsletter at our web site. Go to [www.notenetwork.com/info](http://www.notenetwork.com/info) to receive a free report on how to create your own newsletter. Of course, we can also create a highly effective newsletter for you.

Our research indicates that for every dollar someone spends on marketing with our newsletter they will receive, on average, \$11.00 in income.

## **Finding A Coach To Help You**

1. You have found someone who truly cares about your financial success. My staff and I will help you succeed.
2. Never give up! The only way anyone can ever fail is if they quit. Remember this!
3. This is an “earn as you learn” business. Make money while applying what you learn and remember you don’t have to do everything in this book to get started.
4. Don’t let paralysis of analysis hold you back.

## **A Specific Plan Of Action**

1. Write down what you would like to achieve in this business.

---

---

---

2. Get a list of your target markets.
3. Mail to your target markets every 6 to 8 weeks.
4. Follow up with calls to your target markets. If you don’t like doing the calls yourself you can hire a local college student to do them for you.
5. Sample calling scripts are at the back of the manual and they are very casual, friendly and short. You will simply develop a friendship and they will refer business to you for doing just that. It’s simple, fun and will never feel like selling someone something. It’s a nice way to create a business!

## The Best 40 Ways To Market Your Cash Flow Business

It is important to remember when looking for notes that massive action produces massive results. If you concentrate on only one method you probably will not get the results you desire. If you focus on several methods at one time you will see great results. Sure, some methods will work better than others and you will want to focus on those areas specifically that work for you and suit your personality.

What I'd love to see you do is purchase notes for your own account and those that are too large to purchase — broker them. The reason I would like you to purchase notes is very simple — you will gain a level of understanding that you can only appreciate by doing. Brokering notes is a great business. Sure, you can earn \$2000 and more on a deal, but even better is buying notes for your own account — learning how to get the payer to pay you more per month or to pay off the note early — this is where you will find the really big returns! So, please keep this in mind.

Now let's talk about the four biggest problems you will face are:

1. Lack of credibility,
2. Lack of deals crossing their desk,
3. Lack of experience and confidence, and
4. Lack of capital to continually market and promote their business.

By having many notes come across your desk each day you will solve the first three biggest problems. Lack of capital, can be overcome by marketing your business intelligently. The purpose of this marketing course is to teach you 40 of the best ways you can market your business intelligently – and I will tell you a few of my favorites.

When it comes to marketing, it is very important to remember: I said it before and I'll say it again because it's so important, if someone sees your name in print five times they feel as if they know you, even if they've never met you. So, the key to successfully marketing your cash flow business is repetition! Repetition to the same group of people...

You will market to only two groups:

1. To Note Holders and
2. To referral sources

### Marketing To Note Holders

Marketing directly to Note Holders can be profitable, but you have to remember — it's most likely a one shot deal. In other words, you will only get *one* deal when marketing to a Note Holder. So, this, although a good way to market, is very expensive. It costs you a lot just to get *one* deal and you will not receive any referrals or additional transactions from the note Seller, in most instances. However,

this is a very fast way to receive deals, but it is, as I mentioned, expensive. Don't rule this way of marketing out; however, just bear in mind what I have said. If I had known what I'm telling you now when I started this business back in 1990 I would have saved, or made, a lot more money.

### Marketing To Referral Sources

Marketing to referral sources is not as fast as marketing directly to Note Holders, however, it is much more cost effective. It may take you 90 days to get a good referral source, but that one good source could potentially refer ten deals to you next year, and in years after. So, you will want to market to both referral sources and Note Holders. As I mentioned before — massive action produces massive results!

### The 40 Best Ways To Market Your Cash Flow Business

I would like to break up the “40 Best Ways To Market Your Cash Flow Business” into two sections: the people you will market to and the methods to market your business.

These are the people you will market to in alphabetical order are:

Appraisers	CPAs	ExchangeGroups	Mobile Home Park	Real Estate Agents
Attorneys	Collection Agency	FSBO Ads*	Mortgage Brokers	Retirement Homes
Bail Bondsmen	Contractors	Financial Planners	Nursing Homes	Simultaneous Sale
Board of Realtors	Developers	Loan Service Co.	Other Paper Buyers	Title Officers
Builders	Escrow Officers	The MLS	Property Management	Water Filtration Companies

\*FSBO means “For Sale By Owner”

These are methods to market your business:

Billboards	Direct Mail	Newspaper Ads	Radio	Word of Mouth
Business Cards	Internet	Postcards	Seminars	Write Articles
Court House	Newsletters	Postcard Decks	Telemarketing	Voice Mail

### Your Marketing Targets

**Appraisers:** Appraisers place values on real estate properties. They may know of notes that are available on properties. Locate appraisers in the Yellow Pages. **Marketing:** Send them a postcard, newsletter, or business card telling them what you do and follow up with a telephone call.

**Attorneys:** Attorneys are great sources of notes. Most people overlook attorneys as referral sources but believe me; they come across *more* notes than even real estate agents. This is one of the best groups to market to. **Marketing:** The best way to get attorneys to refer business to you is to offer them a free informational newsletter on a topic they may be interested in. I have found great success sending them a newsletter on real estate investing. Remember, everyone loves and is interested in real estate. You will not get through to them with letters, postcards or phone calls. The only way to capture their attention is to send them an informational newsletter.

**Bail Bondsperson:** A Bail Bondsperson is someone who puts up bail for people in jail. Often a Bail Bondsperson will secure his/her investment by creating a note secured by real estate. Many Bail Bondspeople have lots of notes for sale. Again, they are easy to locate in your Yellow Pages. **Marketing:** You can market to Bail Bondspeople using letters, postcards telemarketing, newsletters, or a personal visit to his/her office. One of the most effective ways to market to Bail Bondspeople is to mail a brochure or informational letter and then give them a follow up telephone call.

**Board Of Realtors:** The Board of Realtors is an excellent source for securing referrals. Become a member of your local Board of Realtors. As a member, you are entitled to names and addresses of other members. In some locations they have mailboxes for each of the board members and you can simply put your flyer, brochure, newsletter or other information about your services right in each mailbox. Here, in Boulder Colorado, we have over 200 mailboxes, side-by-side. So, it takes only a few minutes to put a message in each box. Another way you can market to this group is through the mail. As a board member you can obtain the list of other members and mail your message to them. **Marketing:** You have to realize that this is a difficult market to crack. You will need to mail to the realtors in your area at least five times before you start receiving a response. Mail them a newsletter or postcard telling them what you offer.

**Builders:** Builders are often a good source for notes and cash flows. Many times these folks carry back paper to facilitate a real estate sale. In most instances, builders need cash to complete their projects; and are, therefore, an excellent source for paper. A word of caution, however, builders take small down payments and carry the majority of the balance in the form of a note. Remember, if there is a small down payment you want a large discount on the note. The reason for this is simply that the Buyer of the property can easily walk if they have only a small down payment in the property. **Marketing:** There's only two effective ways to reach builders — telemarketing and direct mail. Look in your area for a builders association. Often you can purchase this list with contact information. Otherwise, look in your phone book for this information. I will talk more about telemarketing and direct mail shortly.

**CPAs:** Certified public accountants, bookkeepers and financial planners are other excellent sources for finding cash flows. Of all referral sources, I rank CPAs as number two (attorneys being number one) as the best people for referrals. They work with a variety of people and their clients often need to liquidate a cash flow or real estate note. Contact them through professional organizations that are listed in your phone book. **Marketing:** The only way to reach CPAs is to use direct mail and follow-up phone calls. The most effective direct mail method is to send a personalized newsletter every quarter (four times a year) and a follow-up postcard six weeks later (four times a year).

We at America's Note Network have created an incredible high response newsletter, just for you. This newsletter is called "*Update On Real Estate*™" and people across the country have had great success



sending this newsletter, personalized with their information, to their contact list. For more information about how to get your own personalized newsletter, go to: [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips) You will find complete details on this exciting money making program.

**Collection Agencies:** Collection agencies are a good source of notes and cash flows. Frequently, collection agencies collect from people who have real estate investments. You will be surprised at how often you find debtors with real estate notes. Again, look them up in your local phone book.  
**Marketing:** First call these companies to make personal contact and tell them what you do (“I buy notes and other cash flows — I help people who have future income and liquidate it for a lump sum of cash, now”). Next, follow up with a personal letter, newsletter and postcard reminders every six weeks.

**Contractors:** Contractors are much like builders — they may be forced to carry back notes on completed projects. **Marketing:** Like builders, there are only two ways to reach contractors — telemarketing and direct mail. Look in your area for a contractor association. Often, you can purchase this list with a contact name, address and phone. Otherwise, look in your phone book for contact information. I will go more into telemarketing and direct mail in a moment.

**Developers:** Developers purchase land to build upon. It is common for developers to carry back paper in order to sell properties that they build. Developers are much like builders, only on a much larger scale. There are three levels of developers: small developers; medium-sized developers; and large developers. Generally, developers most in need of money are small-sized companies and, therefore, the best deals will be from these developers. **Marketing:** Again, there’s only two ways to reach developers: telemarketing and direct mail. Look in your area for a developer association — you can often purchase a list with contact information. Otherwise, look in your phone book for this. I will talk about telemarketing and direct mail in more depth in a moment.

**Escrow officers:** Escrow officers put together real estate transactions; they are the ones who do all the paper work. For the sake of clarity, in some states title officers facilitate these transactions. Often, escrow officers come across a situation where cash is needed at closing where notes are generated. And remember, nine times out of ten, when somebody sells real estate, they want their cash. Therefore, escrow officers would be happy to know about your services. **Marketing:** There are two ways you can market to escrow officers: One, meet them in person and explain what you do (“I buy notes and other cash flows — I help people who have future income to liquidate it for a lump sum of cash now”). Be sure to leave the escrow officer a business card and either a brochure or a newsletter with your contact information on it. You may even ask if you can leave a handful of brochures or newsletters in their waiting area. You can purchase an acrylic rack for about \$5.00 to place your brochures or newsletters in. You can also market to escrow officers with direct mail or telemarketing.

**Exchange Groups:** An exchange group is a group of people who get together to help one another facilitate 1031 tax-deferred exchanges on real estate properties. An exchange often requires the creation of real estate notes and *you* can purchase these notes. **Marketing:** I highly recommend that you attend exchange group meetings in your area, which you can find through your local Board Of Realtors. You will find many deals and they cost nothing to find. You may even do a short presentation to a group explaining that you purchase real estate notes. At the end of your presentation give them your card, brochure or newsletter. Also, call the president of the group and ask him/her if s/he would be kind enough to pass along your brochures and notify the group about your services.

**FSBO Ads:** FSBO means “for sale by owner”. In many areas there are little newspapers called FSBO, which is an advertising center for sales in that area. **Marketing:** Call the Sellers and explain that they can sell their property quicker, and for more money, by using Seller financing. Send the Seller your newsletter — nothing will impress him/her more than to receive an informational newsletter about real estate.

**Financial Planners:** Financial planners know about their clients’ financial affairs; they are, therefore, good sources of referrals, which you can find in your local phone book. **Marketing:** When marketing to financial planners, send them a newsletter or brochure in the mail and follow up with a phone call.

**Loan Servicing Companies:** A loan servicing company collects payments on notes for Note Holders. In other words, the person who is collecting the payments chooses to have a company manage the collecting process, because the person receiving the monthly payments doesn’t want the added hassle involved. **Marketing:** Contact these companies and ask them if you may include a flyer or brochure with the statements they send out. Most loan servicing companies send out monthly statements updating account information to the mortgagee or the Seller of the property. This is an excellent opportunity for you to get in front of the person receiving monthly payments. In fact, it’s an implied endorsement from the loan servicing company on your behalf. Of course, arrange to pay the loan servicing company a fee for every deal you close.

**The MLS:** The Multiple Listing Service shows the real estate listed in that area and is available to realtors. What is nice about the MLS is that it shows all the listings that are advertised as “owner will carry”. **Marketing:** Get this list and mail over and over again (once every six weeks), this will be an excellent source of note deals.

**Mobile Home Parks:** Mobile home parks and dealers are a great niche market to exploit. In fact, the mobile home market is one of the best niche markets available to anyone in this business. You can buy notes secured by mobile homes at pennies on the dollar because you’re the only one in town who will buy. This is such an exciting market for those of you who work it. Remember, you are helping people get cash. In every instance, with every cash flow, and in everything you do, it is always the same — “getting people cash.” **Marketing:** You can purchase a list of mobile home parks or find them in your local phone book. The best way to market to this group is through direct mail. Additionally, there is an exceptional course written by David Butler called, The Complete Guide To Making Money With Mobile Home Notes - Tin Can Alley. This 400-page course is available on our web site at [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips)

**Mortgage Brokers:** Mortgage brokers make traditional loans on real estate. They can be an excellent source of referrals because they run across people who need money to purchase property. Many times, these people in need of money have carried back a note in the past. You can refer people to the mortgage broker and the mortgage broker can refer people to you. Each time either of you refer someone to the other you should get a fee. **Marketing:** Mortgage brokers are easy to find, just look in your local phone book. Contact them via the phone or through direct mail.

**Nursing Homes:** Often when people move into a nursing home they have to liquidate all of their assets. It is highly recommended that you contact these seniors *just* prior to their being admitted into

such a home. **Marketing:** Contact nursing homes in your area and tell them what you do. They will be happy to hear from you. Also, arrange to go to the nursing home to make a presentation about what you do. This will be an excellent source of referrals for you. Contact nursing homes via the telephone and direct mail.

**Other Paper Buyers:** Contacting other paper Buyers is a great way to build referrals. These paper Buyers often spend a lot on advertising for notes. You can benefit from their marketing efforts.

**Marketing:** Call the paper Buyer and explain that you will purchase any notes that s/he doesn't purchase. Remember, other paper Buyers come across many notes that they themselves are not interested in. These notes are not bad notes, they merely do not meet the criteria of this note Buyer. So, use this information to your advantage — get these notes referred to you from paper Buyers and list them on America's Note Network. See, your affiliation with America's Note Network gives you a great advantage to buy or sell *any* note. All notes are sellable at the right price!

**Property Management:** Property management companies manage properties for their owners. It is common for these owners to have notes and, if they knew about your services, it is likely they'd be interested in selling their notes. **Marketing:** Find a list of property management companies in your local phone book. Solicit them using direct mail and telemarketing.

**Real Estate Agents:** Real estate agents can be a good source for note referrals. However, you need to educate them about Seller financing. Many realtors carry back their commissions when selling a property and, therefore, realtors may know of other realtors that have notes. **Marketing:** There are a few ways to market to realtors — all are good — all work. Giving a presentation is one way to market to realtors. Call and make an appointment (usually Tuesdays) to present to realtors in a given office. Explain that they can sell properties quicker using Seller financing. Be sure to present the following: loan to value, partial purchases, how Seller carry back notes can increase the price, what agents can do with notes received as commission, and what is a good, or bad, note. Remember, when you make a presentation always bring something to eat like doughnuts or sandwiches. Mailing a brochure or newsletter with your contact information on it is another way to reach realtors.

**Retirement Homes:** Many large retirement homes have their own newspaper. **Marketing:** Place a small advertisement in these newspapers for minimal cost.

**Simultaneous Closings:** A simultaneous closing is simply creating a note at the point of purchase and then reselling that note to an investor. Although it's called a simultaneous closing it's not really done simultaneously. What happens is this: A person sells a property and goes through the normal closing process and a note is created. Then, another closing takes place later that day for the purchase of the note. The note purchase is pre-arranged and pre-determined. When the note closing occurs, the property Seller receives cash from the note sale and the investor receives the monthly payments. And, of course, the note broker gets a commission. **Marketing:** Your market is FSBO and real estate agents — those who were involved at the point of sale. Market to these groups as we have already discussed in the appropriate sections.

**Title Officers:** Title officers, in many states, handle closings on property sales and make their money when the deal closes. Title officers are a good source for referrals because many times real estate

transactions do not close on time and the solution is the sale of a note. **Marketing:** There are two ways you can market to title officers: One, meet them in person. During this meeting explain what you do (“I buy notes and other cash flows — I help people who have future income liquidate it for a lump sum of cash now”). Be sure to leave a business card and either a brochure or a newsletter with your contact information on it. You may even ask if you can leave brochures or newsletters in their waiting area. You can purchase an acrylic rack for about \$5.00 to place your brochures or newsletters in. You can also market to title officers using direct mail or telemarketing.

**Water Filter Companies:** OK, remember you are in the cash flow business and there are more than 60 identified cash flows. Companies that sell water filtration systems are a great source of paper. These companies often sell expensive systems to purify water in homes. Frequently, notes are created or money is owed to these companies — these notes can be sold. **Marketing:** Find a list of these companies in your local phone book and contact them via telephone and direct mail.

## **Marketing Methods**

**Billboards:** I have heard of a few companies using billboard advertising to get deals. Although I have personally never used this form of advertising, I hear that it works well. With this type of marketing, you can place some kind of direct response ad on a billboard in a high traffic area. This can be a cost effective way to market if you have the right message on your billboard advertisement.

**Business Cards:** There are many things you can do with your business card. For example, you can insert your business card with every bill that you pay. If you are paying your telephone bill insert your card. Your card might say, “I buy notes, trust deeds and mortgages”. Another way to market with your business card is to stick it on local bulletin boards located in your grocery store, coffee shop, realtor office, etc.

**Court House:** Remember, every note secured by real estate is recorded at the local County Court House. The Court House has names and addresses of mortgagees. Who is a mortgagee? It’s the Seller of the property who receives the monthly payments and holds the mortgage contract as security. In other words, it’s the person you want to solicit to purchase their note. Go to your local Court House and look up property Sellers or mortgagees who have carried back paper *at least* twelve months ago. Why do we want to look for mortgages twelve months old? Simply, because research shows that most note Sellers sell their note after twelve months. You will get a list of mortgagees that you can market to over and over. The best way to accomplish this is to send them a postcard. A postcard is what I call, “The mail they always read”. Send them a postcard once every six to eight weeks that states, “I have been trying to contact you about the trust deed or mortgage you own. Please call me at: XXX-XXX-XXXX”. The key to postcard marketing is to make the postcard look personalized. Use a stamp and make your message look like it was handwritten.

Another thing I would like to tell you about Court House Records is that large list companies have compiled stats on mortgagees for many states and counties. In other words, they have already done the work to get these names that they then sell to anyone who will buy them. It is not uncommon for

a company to sell their list fifteen times per year. So, if you purchase a list from one of these companies realize that although there is little work for you to do, you will have more competition with this type of list.

The largest company that sells mortgagee lists is Experian. You can purchase your own list by going to [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips) - the cost is approximately \$0.10 per name, address, and phone number. Having the note Seller's phone number is a great asset!

If Experian does not have names and addresses of Note Holders in your area then you will have little competition going to the courthouse yourself. One downside to looking up names and addresses, though, is that it's very time consuming and it's difficult to get phone numbers. This is because Court Houses do not have phone numbers of Note Holders. So, instead, mail them a postcard. When gathering names and addresses of Note Holders from the Court House you can expect to find ten to fifteen leads per hour. This will be a great list for you, but it will take time to accumulate. If you use this form of marketing, I recommend that you mail at least a thousand postcards per week. You might want to hire a local college student to go to the Court House for you. This can be an inexpensive way for you to accumulate a list that is solely yours.

**Direct mail.** Many of the most successful note brokers use direct mail to find deals. This is an excellent way to go, however, you must have some money behind you to see this through. There are several ways you can use direct mail. You can send either a letter, postcard, brochure, or newsletter to potential note Sellers or referral sources. And remember, the reason this is a long-term commitment is because your customer must see your name *at least* five times before they feel as if they know you.

**Internet:** Marketing on the Internet can be very tricky. There are very few companies earning profits on the Internet. Why is this? Because it's difficult to get a message out to your target group! The best way to market on the Internet is to have a professional-looking web site and then research methods to bring traffic to your site. Not only do you want traffic, you want the right kind of traffic. If you do not have a professionally designed web site with articles about the cash flow business you can obtain one very easily. Go to [www.cash4cashflows.com](http://www.cash4cashflows.com) — for less \$500.00 you can have a site that is customized just for you with information that educates your target market. I highly recommend this service.

Remember one thing when using the Internet — the Internet is used for one purpose — finding information. Giving out good, high quality information is your key to becoming successful on the Internet. Another way to market using the Internet is to take advantage of all the resources at America's Note Network [www.notenetwork.com](http://www.notenetwork.com) - There you will find hundreds of notes listed each month to buy or broker. Membership is limited and is available on a first come first served basis. To be considered for membership, go to the URL above.

**Newsletters:** Having a personalized newsletter is a must. There's no better way for you to obtain credibility than to have personalized contact information on your own newsletter. We have found that the average note broker using this marketing approach will earn \$11.00 for every \$1.00 spent on marketing! This is phenomenal! In other words, if you send 400 newsletters out to attorneys, CPAs, mortgage brokers or realtors, on average, you will get two deals. The average commission per deal is \$3,000. So, for those two deals you can make \$6000 in commissions! And it only costs \$450 – with a net-profit of \$5,500!

The best part is that the entire process can be automated. A mailing house can mail out your newsletters. All that is left for you to do is to answer the phone. And, what's even better, is that you will not receive thousands of calls — you will receive a few calls — each one bringing you a deal. This is what you want — little time involvement with high profit potential. The more newsletters that you mail, the more money you will make. For information about creating your own newsletter or to have America's Note Network create it for you, go to [www.notenetwork.com/info](http://www.notenetwork.com/info)

**Newspaper Ads:** Most note brokers, when they get started, place newspaper ads; however, their commitment to running an ad is not long enough to make it worthwhile. Newspaper ads can be good if you look for little niche newspapers in your area. You want to avoid big newspapers like the LA Times, the Wall Street Journal or USA Today unless you have a lot of money behind you. Place small ads in many newspapers. Your ad can read, "Private party has cash for your trust deed. Call XXX-XXX-XXXX." Believe it or not, this ad is the best I've found.

You may also want to write a short article for some of these newspapers. It can be an article without pay, in exchange for exposure. At the end of each of your articles say something like, "To receive my free newsletter on real estate investing, a \$29.00 value, for free, call XXX-XXX-XXXX." Have a voice mail message attached to that phone number stating that the person should leave their name, address, email address and phone number and you will be happy to send your newsletter. This will save you a lot of time, and we all know — time is money. You want to capture all of this information so that you can continually market to this group of people as they will refer notes to you in the future.

**Postcards:** Postcard marketing is used mainly to remind people about what you do. It can also be used to market directly to Note Holders. It's an inexpensive way to put your message into the hands of potential customers. The key to postcard marketing is to make the postcard appear personalized. Accomplish this by placing a stamp on the card and make your message look handwritten. Do this by writing your message on a postcard and take that card to your local printer, they can print thousands of them for next to nothing. Have it printed in blue ink to make it look personalized.

If marketing to Note Holders, use a message like, "I have been trying to contact you about your mortgage. Please call me at XXX-XXX-XXXX. Thank you!" This is an example of a high response postcard; one out of ten people who call will say, "Yes, I want to sell my note". And, out of those people who say, "Yes" four to five of them will close. So, you see, you will have to get several calls to get a deal. This is, however, an excellent long-term approach.

**Postcard Decks:** We've all seen in the mail those decks of cards advertising people's specialties. One thing to remember, when doing this type of marketing, is that you want to target your customers. In other words, you want to be sure that your message is going to the right people. Contact direct mail companies in your area to find out more. Look in your phone book under mailing services to find a list of direct mail companies. Ask them about postcard deck advertising. Offer your potential customer to cash out of their mortgage or note, or a free newsletter on real estate. The idea here is to get potential customers to sell you their note.

**Radio:** You can use radio to get deals in two ways. The first way is to advertise during specific real estate shows. In other words, you can have a 30-second ad telling listeners, "Private party has cash for

your trust deeds or mortgages. Please call XXX-XXX-XXXX” or, something catchy to grab your audience’s attention. Another great way to use radio is to be a guest host discussing real estate and Seller financing. There are many radio stations that have talk shows about real estate and they always need people who can speak intelligently about the subject. This is an excellent way to gain credibility, exposure and deals.

**Seminars:** This is a great way to find both notes for sale as well as investors. Hold a seminar in your area — teach concepts such as loan to value, partial purchases, and what good or bad notes look like. Advertise in newspapers or hook up with your local “Learning Annex” to reach potential attendees. I recommend that you charge for this seminar. You can charge \$12.00 to \$29.00 and have a short two-to three-hour class. There will be anywhere from ten to 20 people attending your class. The money you make from it will cover all your costs. In other words, you are getting the word out about what you do for free.

**Telemarketing:** Telemarketing to Note Holders is one of the most overlooked ways to market your note business. I started telemarketing back in 1993, and on my first day, about four hours into it, I found a deal that paid me a commission of \$10,000.00. Telemarketing is a gold mine! Many people are afraid of the telephone (boy, I know I was), but the telephone is going to become your best friend. Every time you pick up the phone or make a call you will make money. What I found is that the average note broker just starting out can earn \$65.00 per hour on the phone.

Telemarketing is a numbers game — for every thousand calls you make you will get one deal. When you get good at telemarketing you will get one deal out of 500 calls. Now remember just because you dial the phone a thousand times doesn’t mean that you’ve talked with a thousand people. Most likely, you will only talk to about 250 people.

Now, what if you don’t make the telephone calls yourself? Hire a local college student at \$8.00 - \$10.00 per hour to call for you. When s/he finds someone who is interested, you will give that person a call to close the deal. If the deal closes, you give \$25.00 bonus to your college helper. Don’t overlook the power of telemarketing! Additionally, there are several valuable articles and sample telephone scripts on the web site. Go to [www.notenetwork.com](http://www.notenetwork.com) and click on “How-To Reports”. Lastly, we have an excellent book on telemarketing. If you’d like more information go to [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips).

**Word of Mouth:** Remember, tell everyone you meet, everywhere you go, that you buy notes and cash flows. You can go so far as joining your local Chamber of Commerce and attend their meetings. There, pass out business cards, brochures and newsletters. Becoming known as an expert on real estate notes in your area is important to your success. Before long, many people will refer notes to you.

**Write Articles:** We’ve talked a little about writing articles to gain exposure, let’s go into a little more detail. Write articles for your local newspaper dealing with investments and finance. You can go to America’s Note Network’s website at [www.notentwork.com](http://www.notentwork.com) and read some of the over 450 articles to get some ideas. (Of course — Don’t take our articles and use them as this would be a violation of copyright laws and we take copyright violations very seriously!). But, do go there to get ideas of what

you would like to write about. Remember, end each of your articles with something like, “To receive my free newsletter on real estate investing, a \$29.00 value, for free, call XXX-XXX-XXXX.” Have a voice mail message attached to that phone number stating that the person should leave their name, address, email address and phone number and that you are happy to send your newsletter. This will save you a lot of time and, we all know — time is money. You want to capture all this information to continually market to this group of people. They will refer notes to you in the future.

**Voice Mail:** An extremely helpful sales tool is using voicemail to state a specific message. In our business, we use the voicemail system a lot. Set up a voicemail-box message that states what you do, how you do it and why they should leave their contact information. This is an exceptional time saver and tool for selling your services. Your job is to get your phone to ring, as mentioned above.

**America’s Note Network:** Don’t forget one of the most cost effective ways for you to buy and sell cash flows is to become participate on America’s Note Network’s. We have articles, discussion board and much more. And once you get to the place where you are excelling in this business. You can apply for membership and become one of the dealmakers on our site. For more information, and to be considered for membership, go to [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips)

**Summary:** To summarize, I have shared 40 of the very best ways for you to market your note business. It’s true that there are 100s of different ways you can do this business but I’ve pulled together the best of the best. The reason I’ve done this is to help you be efficient and successful — as quickly as possible.

Allow these ideas to percolate in your mind and I’m sure you will come up with some additional ones. You don’t have to reinvent the wheel. The wheel has been created for you. Just follow my simple step-by-step plan and you will be successful.



And I would like to share with you my **10 Favorite Marketing Techniques** as promised:

I'm frequently asked, "Russ, what's the best, most effective way for me to market?" These are the ways I like to market for notes, from best to worst is:

1. Newsletter Marketing
2. Telemarketing To Note Holders
3. Referrals From Professionals, Around Town
  - a. Attorneys
  - b. CPAs
  - c. Mortgage Brokers
- d. Realtors
  - Escrow Officers
  - Loan Servicing
4. Internet Marketing – Go to [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips)
5. Niche Marketing
  - a. Mobile Home Paper –Go to [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips) - click on Tin Can Alley.
  - b. Business Notes - Go to [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips) - click on Business Notes

I like the above methods more personally because they are a little more proactive, but all methods are good and each one works. Pick the techniques that best suit your personality.

6. Court House Records
7. Newspaper
8. Postcards
9. Voice Mail
10. Letters

It's important to know that some of these marketing approaches are expensive and require very little time, while others require a bit more time and are less expensive. So, which way are you most inclined to go?

Please remember — we are here to support you 100%. There are many ways in which you can get answers to any questions you may have immediately:

Utilize our **Website Search** option. From any page on our site, enter a keyword or phrase and you will automatically get a list of related material that you can study on the chosen topic.

**FAQ Section** – We have created an extensive list of the most commonly asked questions. Go to [www.notenetwork.com/FAQ.php3](http://www.notenetwork.com/FAQ.php3) and you will find the answers to the questions we hear the most.

Post your questions on our **Message Board** at [www.notenetwork.com/messageboard](http://www.notenetwork.com/messageboard) — we have a network of professionals who monitor the board specifically to answer your questions immediately.

This is the best way for you to get quick support from the experts. You can also utilize a search mechanism on the Message Board. Notice the link that states “Search” – click on this to access previous posts and their responses.

Send an **email** to [support@notenetwork.com](mailto:support@notenetwork.com) where you will receive a quick response, usually within approximately 60-minutes.

**Call** us at 303-499-7064. There you will be transferred to voicemail and someone will call you back within 24-hours.

### **Wrap up**

I have spent much of my life researching the most effective ways to market products and services and I have put them into an easy-to-follow format that will surely help get your phone ringing off the hook. Follow these suggestions and you too will find that they work – and work incredibly well. You can earn as much as you wish to earn, buying and selling cash flows. \$2000 to \$5000 per transaction is common and 20% or more on your investments if you are purchasing them for yourself.

The note business is one of the greatest businesses in the world. It allows you the flexibility and freedom to work when you want, with whom you want, earn as much as you want, and the best part is, you can do it *all* from home. In fact, I just returned from being with 12 of my students in California and I was *truly* amazed at what they had to say. One woman shared how she made \$51,000 in just one transaction. One man told me about an \$80,000 deal, another guy described how he became a millionaire in the note business and several others explained how they work part-time and earn \$2000 to \$5000 a month. .

Another exciting aspect to this business is that there is very little competition as a cash flow broker. For example, there are more than 700,000 real estate brokers in California alone and approximately 140,000 in Florida. Many of these real estate brokers do well earning an above average living. Whereas with cash flow brokers there are less than 25,000 in the *entire* country!

I see the next 5 to 10 years being extremely profitable for the average cash flow broker because we are in a growing market, I.e. more cash flows are created each year than sold, little competition, and more awareness brought to everyone about the possibility of selling cash flows. These cash flows will be sold. Who will the cash flows be sold to? You! And you will make a superb living because you were in the right place at the right time with the right company.

### **My Hidden Motivation Revealed!**

I know that if I can help you find and broker notes many of those notes will get listed on my website, [www.notenetwork.com](http://www.notenetwork.com) - You see — having hundreds and hundreds of notes listed each month on my

website for my members is my hidden motivation, and why I'll do everything in my power to help you find deals! It's a win / win in it's truest form!

You now have the tools to truly make as much money as you wish. You can earn a few extra thousand dollars each month or 10's of thousands of dollars each month – working only a few hours a week – starting today.

We've included two additional bonuses in this manual for you – **“Money Math & Magic - Learn the Inside Secret To Making Even Higher Commissions On Every Deals!”** The second bonus is about how to purchase real estate notes for yourself and earn 20% and more on your investments. It's entitled **“Creative Deal Structuring For Big Profits - How to earn 20% And More On Your Own Investments!”** Both of these valuable bonuses are specifically geared towards purchasing notes for yourself, for free! These advanced techniques will be excellent resources for you to reference for years to come!

It's time to move on to the last, the most important and the most fun part of this course - the video on marketing magic and how to get your phone ringing off the hook with money making deals.

You will also find in the Appendix following this section telephone scripts, more moneymaking tips, forms and an extensive Glossary of additional terms that will provide you with everything you need to **Win In The Cash Flow Business.**

Again, please let us know if there's anything we can do to help you grow your business. My staff and I truly care about your success and we'll do everything we can to help you. We look forward to working with you and hearing about your successes!

# **Bonus #1**

**Money, Math & Magic**

**Learn The Inside Secret To Making**

**Even Higher Commissions**

**On**

**Every Deal**

## Money, Math & Magic

I am going to show you how to use the Hewlett Packard 12C calculator to make the financing work for you *every* time in private party financing and discounted paper. You will want to have a calculator to follow along.

As I have mentioned before, many modern investors leave the property behind and invest directly in existing financing or real estate paper. Notes or IOUs carried back by Sellers are valuable forms of money secured by mortgages, deeds of trust, or land contract on good real estate. Why? Because this money can often be purchased at a discount producing quick cash profits of \$2,000 per transaction or annual returns of 20% or more with monthly cash flow. This can be done with no cash of your own in a good or bad economy, which makes the note business, the best business in the world.

In order to be proficient at arranging your own private party financing and dealing profitably in discounted paper, one cannot afford to make decisions blindly by rules of thumb or guesstimates – you must operate based on facts.

Knowing how to use the calculator will help you earn large cash profits in discounted cash flows. And, you'll discover some astonishing facts about money and financing. You'll see that what you don't know about financing could cost you a bundle. You'll learn how to avoid the mistakes others make and how to be sure that the financing will always work for you rather than against you. When you know what to do, and then do it, you'll win every time. You'll never again be intimidated by fancy sales tactics used by lenders, real estate agents or financial calculations. Whole new areas of profit will open up to you when you can do the calculations yourself with confidence.

There are two purposes for this portion of the course. The first is to show you how to use a very simple pocket calculator (the Hewlett Packard 12C) to compute loan terms, loan balances, paper discounts, and rates of return. These financial analyses will make it possible to maximize your profits. You will learn how to do it easily, quickly, and accurately. You might even find out that it's fun.

We are also going to cover creative deal structuring – an extremely important part of this business. You will soon learn many ways to structure a deal to make a profit.

When working out loan questions almost any loan has five different factors that we are going to talk about. They are: number of payments, interest rate, the principle amount now, the monthly payments, and the balloon payment at the end. When you enter any four of those into the HP12C it will give you the fifth one in just a few seconds. The HP is easy to learn and fast because most questions can be worked out in one step. It is very simple to do.

At this point I am going to presume that you've got your HP12C sitting in front of you. If you don't have one, you will need to do one of three things. First, you can go out and purchase this calculator for about \$75. Second, you can go to our web site at [www.notenetwork.com/calc](http://www.notenetwork.com/calc). Please note the downside with the web site is that it will not be able to calculate balloon payments for you, which I will talk more about shortly. The third option (if you are not mathematically inclined) is to use one of the software

packages that I will name at the end of this section.

Regardless of your choice of method I want you to still go through this part of the course, because you will learn valuable real life examples of how to apply this information for maximum deal structuring and profit.

Now we are ready to go on and do some financial applications. There are five very important keys considering financing. N is the number of payments or compounding periods. I is the interest rate per period. It must agree with N and PMT, which we will talk about soon. PV is the present value and that means principle now or at the beginning of the loan, it's also the value of a series of payments discounted to a single price today. PMT stands for payment. It must agree with N and I. FV stands for future value or balloon payment.

**N** Number Of Payments Or Compounding Periods

**I** Interest Rate Per Period. Must Agree With N And PMT

**PV** Present Value. Principal Now Or At The Beginning. Value Of A Series Of Payments Discounted To A Single Price Today

**PMT** Payment. Must Agree With N and I

**FV** Future Value. Balloon Payment

Let's talk about cash flow just a little bit, because that's what financing is all about. You know there are two ways to count money. You can count money coming in - that's where you get to count all the money, put it in your pocket and spend it yourself. The other way to count money is outgo. That's where you count it, put it in an envelope, and send it to somebody else. Then they enjoy the benefit of it. The first way of counting money is income or positive cash flow. That's obviously the most enjoyable way to have it. The other way is called outgo or negative cash flow.

One party has a negative cash flow and the other has a positive cash flow. So from your point of view you could be either one of those parties. And when you know what you are doing, you can win either as a borrower or a creditor.

## Cash Flows

Two Ways To Count Money

Income/Positive Cash Flow

Outgo/Negative Cash Flow

Let's talk about finding the monthly payments on an amortized loan. You give the calculator any four-loan variables and it finds the fifth.

Let's take this example, the principle amount \$20,000 the period of the loan 30 years, interest rate 12% per year and the payments are to be fully amortized over 30 years, that means the loan will pay itself off over 30 years. What is the monthly payment?

Clear the calculator gold registers. Now let's plug in the four variables into the calculator. So, we push 20000 and then PV, that's the principle amount of the loan. Now we are going to push 30 and then blue N. You see pushing the blue key multiplies by 12 and that tells us 30 years is actually 360 monthly payments. The interest rate is 12% per year so we push 12 blue I, which gives us 1% per month. By clearing the calculator we actually stored zero in future value, but, just to let you know what we are doing here, let's take zero and push FV for future value of zero. That means the loan is totally paid off by the end.

Now we have input four factors of this loan. Watch how easy it is to find the payments — just push PMT and then watch your calculator while it says “running, running...” and then it shows minus 205.72. This means that your payment is \$205.72 per month and after 360 payments the loan will be completely paid off.

### **Finding The Monthly Payments On An Amortized Loan**

You give the calculator any 4 loan variables and it finds the 5<sup>th</sup>:

Example: Principal amount \$20,000 - Period 30 years - 12% annual interest - Payments fully amortized 30 years - What is the monthly payment?

Gold	REG		
20000	PV		
30	Blue	N	
12	Blue	I	
0	FV		
PMT	(Display -205 .72)	Monthly payment	

Let's do a sample problem: The principle amount \$60,000, period 30 years, 10% annual interest, payment amortized 30 years. What is the monthly payment? Let's go ahead and work that out, see if you can get it. I'm going to work it with you but I won't tell you what I'm doing this time.

### Sample Problem

Did you get \$526.54? Good. If you didn't get that, go back and work it out again. Principle amount \$60,000 under PV, 30 blue N, 10 blue I, zero FV, and push payment. You should get \$526.54, and it would have a minus sign in front of it because payments are negative cash flow.

**Sample Problem:** Principal amount \$60,000 - Period 30-years - 10% Annual interest - Payments fully amortized 30 years. What is the monthly payment?

Answer: \$526.54

### Finding How Many Payments It Will Take To Amortize A Loan

We want to find out how many payments it will take to amortize a loan or to pay a loan off. This will only work if the payments are greater than the interest. You can't amortize the loan if the payments are equal to the interest or less than the interest. In other words, to work this problem, the payments in your example must be greater than the interest rate and the interest per month.

Here is the example: Principle amount \$20,000, 12% annual interest and payments of \$250.00 per month. Let's clear the calculator, gold registers, and punch \$20,000, 20000 PV. 12 blue I. \$250 CHS, PMTs zero, FV and let's ask the calculator how many payments that will take: push N. It says, "running, running...", 162 months. Now if we want to know approximately how many years it is: recall blue N and that tell us 13.5 years. That converts years into months and months into years.

### Payments Must Be Greater Than The Interest

Example: Principal amount \$20,000. 12% annual Interest. Payments of \$250/Month

Gold	REG		
20000	PV		
12	Blue	I	
250	CHS	PMT	
0	FV		
N	(Display 162 Months)		
RCL	Blue	N	(Display. 13.5 Years)



One thing that you have to keep in mind is this: If you are working a problem and you put in I, PV, PMT and FV, and you ask it to find N, it rounds N off to the next higher number. In our case it told us 162, but we might suspect that it's 161 rounded up to 162.

You would have 161 payments of \$250, or a total of \$40,250.00 plus one last payment of \$187.03 for a total payment of \$40,437.03

“N” is rounded off to the next highest number. Let's check it out...

162      N  
FV      (Display 62.97)

So let's do this. Let's push 162 N (Now it's not rounded off), and ask it what the balloon payment would be at the end. Push FV. It tells us plus 62.97. We know that balloon payments ought to be negative, so that indicates that if we make 162 payments of \$250 per month we would have paid \$62.97 too much.

Okay, let's try this: 250 CHS, enter, that's the normal payment 62.97, plus. That gives us 187.03 as the correct last payment that we would make. So you could make 161 payments of \$250 that would be a total of 40,250 dollars plus one last payment of \$187.03, for total payments on that loan of \$40,437.03.

Since the future value is positive for 162 payments, we have over paid. This means that the last payment is smaller than the normal -\$250 by \$62.97.

250      CHS      ENTER  
62.97    +      (Display -187.03)

### **How To Determine The Price To Pay For A Note**

Now we are going to get into some of the fun things about discounting paper. How do you determine the price of a discounted note to get a certain rate of return on your money? When buying a note at discount you buy the remaining payments. It doesn't matter what portion of the payment is principle or interest. You are just concerned with the amount of money that is coming in to you. Let's take a look at how discounting actually works.

Let's presume that you have a bank account just like the one here in your workbook with a balance of \$1,000. Each year it earns \$100 interest, now work this out in your head, what interest rate are you getting? That's right, you are getting 10% per year. If you had a way of getting \$100 a year in earnings, but only had to put \$500 in the bank that year, what rate of return or interest rate would you get? You would get 20% because you invested half as much. This is exactly how discounting works.

When buying a note at discount you are buying the remaining payments. It doesn't matter what parts of the payments are principal or interest.

**Bank Account Example**

Bank Balance	Yearly Earnings	Interest Rate
\$1,000	\$100	10%
	\$100	

You are offered a note with 36 payments of \$200 per month remaining plus a balloon of \$20,000 at the end. What is the highest price you could pay (your upper negotiating limit), and still get a yearly return of 30%? Let's do the calculator: Gold registers, 20,000 CHS, FV, 200 CHS, PMT, 36 N, and what rate of return did you want? 30%. So we push 30 blue I and watch this. You push PV and it says, "running, running, running", and the price that you would pay to get 30% per year return is \$12,933.12. Wasn't that quick?

```

Gold   REG
20000  CHS   PV
200    CHS   PMT
36     N
30     Blue  I
PV     (Display 12,933.12)
    
```

Here's another sample problem. You are offered a note with 26 payments remaining of \$157 per month and no balloon, what is the price you pay to get a 30% annual return? I'll work it with you but you go ahead and work it out by yourself and see if you get the right answer.

Did you get \$2,975.25? I hope so, because that's the right answer. Here is what you do. We put in 26 N, 30 blue I, PV is what we're looking for, 157 is the monthly payment CHS, PMT, zero FV, and push PV, you'll get the answer of \$2,975.25.

Gold	REG		
157	CHS	PMT	
26	N		
30	Blue	I	
0	FV		
PV	(Display 2,975.25)		

### How To Determine Your Annual Return

Another question that we might want to work out here is how do you determine your annual return on a note that's discounted to a certain price?

Example, you have an opportunity to buy a note with the following payments remaining: 36 monthly payments of \$200 a month and then a balloon of \$20,000. The discount price you are offered is \$14,000, so let's clear the calculator, gold registers, 20000, CHS FV for the balloon, 200 CHS PMT, 36 N for the remaining number of payments and the price we are going to pay is 14000 PV,

Gold	REG		
20000	CHS	FV	
200	CHS	PMT	
36	N		
14000	PV		

Push I. It says "running, running, running..." (this is the hardest question that we will ask it, so it takes a while to compute). The answer is 2.22. That means 2.22% per month return. If we want to figure out what that is per year, we do recall blue I, and that gives is 26.62% return per year.

I	(Display 2.22)	Percent Per Month	
RCL	Blue	I	(Display 26.62) Percent Per Year

## **Pop Quiz**

You can buy the following 22 payments of \$157 per month plus a balloon of \$17,000. The discount price you are offered is \$11,500. What rate of return would that provide? Remember to clear the calculator.

You should get 2.94 percent per month or recall, blue, I - 35.30% per year. The way we worked that out was we put 22 N, 157 CHS PMT, 17000 CHS FV, 11500 PV, and then we push I to get the interest rate or rate of return or yield. When we get that answer and the calculator gets done working that out, we push recall, blue, I – and that gives us 35.30% per year. Not too bad.

## **Finding The Remaining Payments**

Let's take a look at how to find the remaining payments on a seasoned note. What I mean by a seasoned note is one that has been in existence for a while, and some of the payments have been made on it. In the real world you usually don't buy a brand new note — usually some payments have already been made. And, perhaps the principle balance has changed. In our previous examples we presume that we knew what the remaining payments were. Now you will learn how to figure them out by yourself.

Example, a note had an original balance of \$20,000 with interest at 12% per annum, the payments are \$322.44 per month and the original term of the note was 5 years. The note was created on June 1, 1998. Let's presume all payments have been made as agreed so far. Today's date is September 15, 2000. What is the current principle balance of the note?

First we clear the calculator gold registers, then input the data about the original loan as it existed when it first started out. 20000 PV, 12 blue I for the interest rate, 5 blue N for the number of payments. We had 60 original payments. Then we put the monthly payment in of 322.44 CHS PMT, now we push FV and find out what the balloon payment is, if any.

Gold	REG		
20000	PV		
12	Blue	I	
5	Blue	N	
322.44	CHS	PMT	
FV	(Display	-10,000.37)	

The calculator tells us that it is minus \$10,000.37, indicating a balloon payment. If it were positive it wouldn't make any sense because payments and balloon payments are negative in the way the calculator thinks.

Next we need to determine how many payments are gone and how many remain. The first payment was July 1, 1998. Remember, interest is paid in arrears, so although the note started on June 1, the first payment wasn't until July 1st.

How many payments are gone? The first payment was 7/1/98.

1998:	6	Payments
1999:	12	Payments
2000:	9	Payments
Total:	27	Payments Gone
Total:	33	Payments Remaining

Since we started with 60 payments, 60 minus 27 leaves 33 payments remaining.

Now we want to find out what the current principle balance is. Let's think about this a little bit. Consider payment number 1 made July 1, 1998. Part of that payment went to interest and what was left over went to principle. Now let's work the calculator. Now the N key, number of payment or compounding periods also works as a counter. It will count the number of times the calculator does a transaction. Put zero in N, because we are going to use N as a counter at this point. The way to find out how much of a payment went to interest, how much went to principle, and then how much of the remaining principle balance is works like this:

Push 1 gold Amortize to ask the calculator to amortize one payment, to show us what happened when one payment was made.

Now it displays minus 200, which is how much interest was paid out of the very first payment. Now we punch the XY key and it says minus 122.44. That's how much money went towards principle.

Now we want to find out what the remaining principle balance was after that first payment, so we push recall PV and that tells us 19,877.56 is the remaining principle balance after the first payment has been made.

O	N	(To Act As A Counter, Counting Number Of Payments Amortized)
1	Gold	Amort (Display-200) Interest
X	Y	(Display-122.44) Principal

RCL PV (Display 19,877.56) Remaining Principal Balance

Now back to the present question. We want to find out how much is remaining after 27 payments have been made. Now we did this one time for the first payment, but to do that 26 more times certainly would be a chore, so here is the easy way to do it:

Recall N and it says “1” that’s what we put in there. We want to amortize 27 payments. We’ve already amortized 1 payment, so we need to do 26 more. So we are going to push 26 gold Amortize and the calculator starts running.

Now the first thing that it flashes is minus \$4,732.18, and that’s how much more interest was paid with the next 26 payments. Now we push XY and get minus 3651.26, which is how much principle we’ve paid. Now let’s push recall PV to give us the remaining principle balance of \$16,226.30, the current principle balance of that loan.

Now let’s recall N just to make sure that we amortized 27 payments and sure enough that’s what it says. 27 is the N so we have the remaining principle balance after 27 payments have been made.

RCL N (Display 1)

26 Gold Amort (Display- 4,732.18) Interest

X Y (Display-\$3,651.26) Principal

RCL PV (Display 16,226.30) Current Balance

RCL N (Display 27) Payments Amortized

Here’s a very important point when discounting paper — always start with the current principle balance, not the original face amount of the note. Often, the owner of the note has received payments that went to interest and principle, thereby reducing the principle. Or, maybe they had a large payment that came in and was applied completely to principle, reducing that principle balance. So when we say “Buy a note at a discount”, we mean at a discount from the remaining principle balance, and **not** the original balance.

### **Getting 30% Return On Your Investments**

Now you are ready to do any kind of discount calculation with your calculator. Let’s use the above example. Keep everything in the calculator as it is but reset N to the number of payments remaining. We put in 33 N, and now the calculator is all set to work on our discounting question.

What would be the maximum price to pay in order to get a 30% yearly return on this note?

30 Blue I

PV (Display 11,614.99) Price To Pay

What percentage discount is this?

11614.99 ENTER

16226.30 DIVIDE (Display .72)

1 Minus (Display -0.284) Or 28.4% Percent Discount

Remember again, the discount is from the current principle balance not the face amount. Also remember when you figure out the discount after you have amortized a loan from its original balance down to the current principle balance, always reset N so it equals the remaining number of payments.

### **Pop Quiz**

We have a note with an original face amount of \$10,000, the interest is at 14% per annum, the payments are \$273.27 per month and the original term was 4 years. The beginning date was June 17, 1998 and, let's presume, today's date is January 7, 2000. What is the current principle balance? Also what is the highest price you can pay and still get a 30% annual return on that note?

Here's a clue: The beginning number of payments was 48, 4 years times 12 payments a year and in 1998, 6 payments are gone, in 1999, 12 payments were gone and in 2000 one payment is gone. Now consider one payment gone due to the transaction processing time that it will take in January to close this transaction.

1998: 6 Payments Gone

1999: 12 Payments Gone

2000: 1 Payment Gone

Total: 19 Payments Gone

Beginning There Were 48 Payments

Payments Remaining 29

Answer: Principal Balance As Of January 7, 2000 Payment Was \$6,690.46

Maximum Price For 30% Annual Return: \$5,589.18 - Did you reset the number of payments?

So we have a total of 19 payments gone and 29 payments remaining. Lets see if you got the right answer.

Okay, here's what we did.

Gold	REG		
10000	PV		
14	Blue	I	
4	Blue	N	
273.27	CHS	PMT	
FV	(Display .33)		

Working from there we want to amortize 19 payments. We simply push 19 gold amortize. It says, "running, running, running..." and then it says minus 1882.59. We don't really care how much interest was paid, but let's go recall present value, 6,690.46, which is the principle balance as of January 17, 2000.

Now, what maximum price are you willing to pay to get a 30% return on your money?

30	Blue	I	
----	------	---	--

Remember we need change the number of payments to 29. So, push 29 N, then let's solve or press PV.



29        N

Press    PV (Display 6690.46)

It says, “running, running...”, and the answer we get is 5,889.18 — the price you would need to pay to get a 30% annual return on that note. This isn’t too hard at all, is it?

### **Negative Amortization**

What negative amortization means is that the interest on the loan is bigger than the loan payments. The loan payments don’t even cover the interest so the unpaid interest adds on the principle and the loan itself grows larger rather than smaller. A banker might allow this condition to last for a couple of years or so if you needed to keep your payments down while awaiting some form of expected windfall (for instance, you have a trust fund that will start paying you at a future date). Here is an example of negative amortization.

You have a 60,000 loan at 14% annual interest and the loan is to run for 30 years. However, payments are based on 11% interest. So we clear the calculator gold registers 60000 PV 30 blue N - 11 blue I and get 571.39 per month payment. But, since the real interest rate is 14 blue I, what would be the balloon payment at the end of that loan?

Push FV and we find out that the balloon payment on a 60,000 loan would be 766,428.82 but we couldn’t do that. Let’s take a look and find out just how much of our first payment goes to principle and how much goes to interest. Push 1 gold Amortize and we see that out of our first payment of 571.39 we would have 700 going to interest.

Push XY 128.61 to add on to the principle. Recall PV and we find out 60,128.61 is the remaining balance, which is larger than when we started on our loan. Obviously, one would not want to do that except in some extraordinary situation, and only for a limited time.

I want to mention one other aspect regarding negative amortization since we are looking at it right now, and that is that your HP calculator handles it with no unusual adjustments at all. You’ll notice that when we found out that the interest was 700 and payment was only 571.39, it just added on to the principle.

Negative Amortization Means That The Interest Is Larger Than The Loan Payments; The Unpaid Interest Adds On To The Principal And The Loan Grows Larger Rather Than Smaller.

**Example:** \$60,000 Principal Amount - 14% Annual Interest - Loan Term 30 Years  
Payments Are Based On 11% Interest.

Gold	REG		
60000	PV		
30	Blue	N	
11	B	I	
PMT	(Display-571.39)		
14	Blue	I	
FV	(Display-766,428.82)!		
1	Gold	Amort	(Display-700) Interest.
X	Y		(Display 128.61) Added On To Principal.
REC	PV		(Display 60,128.61) Larger Than When We Started!

### Quick Resale Of Discounted Notes

Now let's talk about more techniques to **Win With Cash Flows** – to make quick cash profits. You should know that one of the highest rates of profit returns you can earn investing in discounted paper is with the quick resale of discounted notes that you find. Another advantage is that you can do it without any cash of your own.

This works using the Buyers on **America's Note Network**. Working with them will make your life simple and you can earn more profits because you will not spend your time searching high and low for someone who'd like your note. The time you save using **America's Note Network** will allow you to find more deals and earn more money.

Here's an example:

You find notes that have yields of 25% and 30% and resell them to an investor to yield 18% and keep the spread of 7 to 12%.

- a. You List The Notes You Find On **America's Note Network**
- b. One Of The Highest Profit Returns
- c. No Money Of Your Own

Here's an example of what you might do: Find a \$20,000 note at 12% interest with payments of \$200 per month and a balloon payment of \$20,000 due in 30 months at the end. Let's enter that into the

calculator. Gold registers 20000 PV 12 blue I, 200 change sign payment 30 N –what is the future value? Press FV — it displays \$20,000. We now have the note entered in the calculator and want to price it to be attractive to an investor who wants 16 percent on their money.

Let’s try it at 16%, 19 blue I and then push PV. The calculator tells us that the price to yield 16% per annum is 18,360.47. Round that off to make it an even \$18,300 and put that in PV. That’s good enough for our investor who is happy with 16 percent on his money.

We know how to make our investor smile, don’t we? When they get 16 percent they are happy, which means they would be happy paying a price of 18,300 for this particular note that we are talking about. So much for the happy investor – now how do we get happy? It’s simple! With our newfound wisdom we will calculate what price we would need to pay to buy this note so it has a built in profit for us.

Gold	REG		
20000	PV		
12	Blue	I	
200	CHS	PMT	
30	N		
FV	(Display -20,000)		
16	Blue	I	Investor’s Desired Yield
PV	(Display 18,360.47)		Price To Yield 16% Per Year

We have a policy that we want to get at least 20% to 30% on our money. That makes a deep enough discount that we can resell the note at a 16 to 18 percent yield and still make a good profit.

## How To Make Yourself Smile Also

30      Blue      I  
PV      (Display 13,720.91)      Price To Yield 30% Per Year

## The Easiest Math There Is:

18,300    ENTER      Investor Pays  
13720.91 -              (Display 4,579.09)      Cash Profit!

One more thing I want to mention about this transaction is that until you are familiar with your note Buyer from **America's Note Network**, you'll want to have a "Non-disclosure – Non-circumvent" agreement signed. This will protect you and tell the escrow company, those doing the closing, to pay you the amount you expect. 99.9% of the time you will not have any problems with the members of **America's Note Network** because they are honest and forthright. It is, however, good practice to know how to protect yourself in every aspect of buying and selling notes.

You can find this agreement on the web site. Go to [www.notenetwork.com](http://www.notenetwork.com), click on the "**How to Reports**", and locate the "**Note Brokers Resource Kit.**" I have also enclosed the contract for you in this course. All you need to do to earn quick cash profits is...

- a. List The Note On **America's Note Network** For A Quick Sale
- b. Gather The Necessary Paper Work From The Seller
- c. Forward The Paper Work To The Buyer
- d. Buyer Handles Escrow And Closings
- e. Receive A Check In The Mail In About Three Weeks
- f. Find More Notes Just Like This One
- g. Find 'em - List 'em - And Cash Your Check!

## Receiving Monthly Income On A Note Using No Money

Let's look at another example of selling a note. This time you are going to sell the note and receive part of the payment without any of your own money. Here's how it works.

Assume that you locate a 3,000 second at 15% interest 5 years with monthly payments of \$60.00 per month it has a balloon payment of \$1,007.07 at the end of five years, and that you can buy it for \$1,000. Let's enter this note into the calculator.

Gold	REG		
3000	PV		
15	Blue	I	
60	CHS	PMT	
5	Blue	N	
FV	(Display -1,007.07)	Verifying The Balloon Payment	
1000	PV		
I	(Display 6.00)	Percentage Return Monthly	
RCL	Blue	I (Display 72.02)	Percentage Return Yearly

This is going to be better than we expect — it's going to be a lot better than our normal 30%. The answer we come up with is 6.00. That's the monthly percentage return. It certainly is a good buy! Recall blue I tells us that we will make 72.02 percent return yearly! We wish we could do this one more often!

The strategy is this – sell 1/2 interest in the note to an investor at what price? Why not pluck it from the air – say \$1,000? Let's see what he or she will get for their investment.

**Why Not \$1,000?**

Gold	REG		
5	Blue	N	
503.54	CHS	FV	
30	CHS	PMT	
1000	PV		

I (Display 2.65) Percentage Return Monthly

RCL Blue I (Display 31.86) Percentage Return Yearly

Our investor will get 2.65 percent percentage return monthly or recall blue I, 31.86 percent yearly return. They are certainly happy with that! That's good enough for our investor and that's even what we like. As a matter of fact we could have charged our investor a little bit more, but we are not too greedy.

So, what's our rate of return on this real estate note transaction? You paid zero PV for payments of \$60 a month and your half of the balloon payment of 503.54. Let's push I and see what it is. It says, "running, running, running, error 5". You know what that means? You divided by zero. You had nothing invested, and you got a rate of return of **infinity**.

0 PV (Your Cost)

I (Display ERROR 5) Infinite Yield!

Error 5 means infinite yield, three cheers for error 5

### **Buying A Series Of Payments / A Partial**

When we buy a series of payments on a note it is call a partial. For example, let's say that you have the following note: A 75,000 property with a 43,750 first loan. The note you are considering buying is a 20,000 second note. That leaves 11,250 worth of equity securing that second. You notice the total loans on the property are 63,750 which equates to an 85% loan to value ratio (divide 63,750 by 75,000 to get 85%). That immediately causes a bit of concern, but let's continue and take a look at the note terms. The terms are 20,000 current principle balance with 12% annual interest fully amortized over 15 years, with monthly payments of 240.33. Let's enter this information into the calculator:

\$75,000 Property

\$43,000 First Loan

Total Loans: \$63,750 (85% LTV or Loan To Value)

\$20,000 Second Loan

\$11,250 Equity

The Note Terms Are - \$20,000 Current Principal Balance - With 12% Annual Interest - Amortized 15 Years - With Monthly Payments Of \$240.03

Gold	REG		
20000	PV		
12	Blue	I	
15	Blue	N	
PMT	(Display-240.03)	Verifying That The Quoted Terms Are Consistent With Each Other	
30	Blue	I	
PV	(Display 9,488.62)	The Price To Obtain A 30% Annual Yield	

We find that we only have two problems. Problem Number one is the loan to value ratio exceeds 80% — the safe rate that we and our investors might be happy with. Number two is that the Seller won't discount the note by \$10,511.38. How do we handle this dual problem?

First, in handling the loan to value ratio you will need to keep your cash involvement in the transaction to a level where the balance of Loan 1 plus your cash costs for Loan 2 at discount are *less* than 80% of the property value. This is call ITV or Investment To Value. That way you can maintain a 20% equity cushion in real equity beyond your investment.

Second, rather than offering to buy all the remaining payments and have the Seller of the note take such a horrendous discount (from his point of view), you offer to buy only the next 36 payments. And, this happens to be the 36 best payments on that entire loan because they are the closest to the present. Let's look at this further:

**The Answer:**

1) Loan To Value Ratio —

Keep Your Cash Involvement To Where Loan 1 Plus Your Cash Are Less Than 80% Of The Property Value. This Is Called ITV or Investment To Value

2) Rather Than Offering To Buy All The Remaining Payments, Offer To Buy Only The Next 36!

Gold	REG		
36	N		
240.33	CHS	PMT	
30	Blue	I	
PV	(Display 5,661.27)	The Price For The Next 36 Payments At A 30% Annu Return.	
ENTER			
43750	+	(Display 49,411.27)	Your Offer Plus Loan 1.
75000	+	(Display .66)	66% Loan To Value Ratio!

Offer The Note Seller \$5,600 For The Next 36 Payments.

Your Point Of View: Great!

His Point Of View: He Still Gets  $144 \times \$240.33 = \$34,607.52$ . Great!

You make the note Seller an offer of 5,600 for the next 36 payments. From your point of view this is very nice — you get a 30% rate of return on your investment. From his point of view, he still gets 144 payments after your 36 are gone, times 240.33 which equals 34,607.52. He doesn't feel like he had a very bad discount after all. The only thing that he doesn't recognize is the time value of money. You just bought the best payments. Now you are both happy and everybody **wins**. Isn't that great? You'll find that partial purchases will open up many, many opportunities for you in terms of buying notes that you otherwise couldn't buy.

### **Protecting Yourself**

You must protect yourself when buying paper. If you refer this cash flow note, then the eventual Buyer will worry about this. But if you are the Buyer, you will want a full assignment of the note to ensure that you collect those next 36 payments. After the 36 payments the note will be assigned back to the Seller (we'll discuss this in great detail in the next section of this manual).

What happens if the person that owes the money on the note for which you just bought the next 36 payments defaults? You give the note Seller the right to buy his note back for what you still have coming, and then he can foreclose on it himself. However, in the event that such right is not exercised



within a reasonable time (like maybe 30 or 60 days), you get to foreclose on the note and the note Seller's rights are forfeited. Do you remember the \$31,250 equity that was remaining after the first loan? If you foreclosed and got the property you would get all that equity, or at the foreclosure auction you would at least get the full 20,000 remaining principle balance, or whatever the principle balance was at that time. Be sure and work this out by having your attorney write up the details and make sure that you are doing it right in the beginning. Or, you can find some sample contracts to use on our web site.

And remember, if referring this type of a deal to someone on our web site, you don't have to worry about a partial contract because the end Buyer will have one for you.

### **Summary Of Bonus #1 - Money Math & Magic**

Let's summarize what we've done so far. You have now learned how to use the HP12C pocket financial calculator to quickly and accurately get answers to financial questions. That opens the doors to getting the facts on moneymaking opportunities. Next, you have taken the important step beyond the math. You have learned how to apply the math to practical financial situations that will make you money. Such as – Find the monthly payment on a loan – How many payments it takes to amortize a loan – How to figure your yield on a note – About Negative amortization – How to own part of a note without any money of your own - How you can calculate and offer to purchase a specific number of payments to overcome the Seller's concern about the discount, or a partial sale.

Now you can make the best decisions – that will make you thousands of dollars and save you thousands of dollars in the real world. With this knowledge and newly acquired abilities you are now ahead of the rest of the investors. When you operate your business and calculations based on this knowledge, you will **win** every time. That's **Winning In the Cash Flow Business**.

## **Bonus #2**

**Creative Deal Structuring For**

**Big Profits!**

**How To Earn 20% And**

**More On**

**Your Own Investments!**

## Creative Deal Structuring

This section will give you what you need to know about creative deal structuring and the paper work that you need for discounted paper transactions to earn 20% on your own real estate note investments.

You are going to use the same paper work that you received when referring notes for quick cash profits of \$2-\$5000. Remember the Information Request Form? The paper work is always the same. However, to purchase notes, you will need to understand what this paper work means.

On the next page you will find a copy of the Information Request Form. Take a look at this form and we will go over it together. This is the form you will send to the note Seller. It very clearly indicates what is needed to proceed with the sale of their note.

We will need:

- Copy of the note
- Copy of the deed of trust, mortgage or land contract
- Payment history
- Copy of the escrow instructions from the real estate sale in which the contract was created
- Copy of the closing statement from the real estate sale
- Copy of the title insurance policy
- Copy of the fire or hazard insurance policy
- Loan payment record or copies of bank deposits

The next three items are not as important, but if they have them they will be nice to have:

- Two pictures of the property
- Copy of city map showing the property location (nowadays you can get this easily on the Internet)
- Plans, surveys or other documents in their possession

At the bottom of the request form you will notice there is a place for the Seller to sign. Also you want the name of the Title or Escrow Company and the policy number. You will want this information because if the Seller doesn't have any, or all, of the paper work, you may simply call this company to request what you need. They will get you the information, at no charge — why? Because they want to sell you a title policy, and they want to help you close the note transaction — which you ought to have them do so it will be easiest.

## Information Request Form

The Information Request Form indicates the documents and information that you will want the note Seller to send to you. You may want to send this form to the Seller along with the Commitment Letter and the Commitment Cover Letter.

### INFORMATION FOR YOUR CONTRACT SALE

The sale of your real estate contract CAN ONLY be processed when you follow these requirements. The information you provide on the front and back of this sheet is necessary to process your contract sale.

We will need a copy of the documents listed below:

- Copy of Note
- Copy of Trust Deed, Mortgage or Land Contract
- Payment History – Payment Book or Bank Deposits
- Escrow instructions from real estate sale in which the “Contract” was created
- Escrow closing statement from real estate sale in which the “Contract” was created
- Title insurance policy which insures the “Contract”
- Fire insurance information on the property which secures the “Contract” (Insurance Company, Policy Number, Agent’s Name and Address)
- Loan Payment Record
- Please provide two (2) pictures of subject property
- Copy of street or city map showing property location
- Plans, surveys or other documents in your possession

Your signature is required for us to confirm balances, payment history and to obtain copies from your title or escrow company in the event we need further information. Thank you.

\_\_\_\_\_  
Seller’s Signature

\_\_\_\_\_  
Title / Escrow Company

\_\_\_\_\_  
Policy Number

## **My First Transaction From Start To Finish**

Using my very first transaction I will show you the paper work that was involved. This is a real life transaction, not something that is made up, and is a complete transaction from start to finish.

On the next page you will notice a copy of the note titled, “Note Secured By Deed Of Trust”. Under this says, “straight note” — you will find this interesting, in a moment. Next, notice that the dollar amount in the upper left hand corner is \$28,000.00; the date in which it was created December 21, 1989; the date that it is to be paid by: December 28, 1993, four years later. “Place designated by beneficiary” is where the payments are to be sent.

The dollar amount of the note is written out and is followed by the date in which the interest will begin on — December 28. The interest rate on this note is 9% and is paid monthly, in the amount of \$210.00, from January 28, 1990 until December 28, 1993. At this time the full principal balance and accrued interest will be due and payable in full.

That the note is interest only means that the monthly payment is only enough to cover the monthly interest. In other words, this \$28,000 note will have a balance of \$28,000.00 at the end of four years. What will the balance be at the end of three years? It would still be \$28,000.00, right? Yes! An interest only note will always have a balloon payment and that balloon payment will be the very same amount of the original note amount.

“Trustor has an option to extend the final due date for an additional year.” This is a little unusual. When calculating the purchase of this note using my optimal yield, I had to expect that this clause would be exercised and that I would have to wait an additional year to receive the balloon payment of \$28,000.00.

Another clause is a late payment fee, which means if the Payor or Trustor was more than fifteen days late a 5% late charge would apply to their monthly payment amount.

An additional clause is a “due on sale clause” — if the Payor was to sell the property he would have to pay off this note completely even if it was prior to the due date.

In the next paragraph is some boilerplate information stating that if the Payor does not pay the Trustee, a neutral third party, can file foreclosure (in this case is the title company).

The note is signed by the Payors as their promise to make these payments.

Another interesting part of this note — you will notice that on the 29th of December the principal balance of the note was adjusted from \$28,000.00 to \$27,000 and that the monthly payment decreased from \$210.00 per month to \$202.50 per month.

# NOTE SECURED BY DEED OF TRUST

## STRAIGHT NOTE

\$ 28,000.00, California December 21, 19 89

On OR BEFORE: December 28, 1993 and for value received I promise to pay

to LONG KIM AND TUONG VAN THI, Husband and Wife

or order at Place designated by beneficiary the sum of

TWENTY EIGHT THOUSAND AND NO/00 Dollars

with interest from December 28, 1989 until paid, at the rate of 9% percent per annum,

payable INTEREST ONLY MONTHLY, OR MORE, in the amount of \$210.00, beginning

January 28, 1990, and continuing until December 28, 1993 at which time the remaining principal balance and accrued interest will be due and payable in full.

Trustor herein has the option to extend the final due date for an additional year (1 year), and in consideration for same Trustor agrees to reduce the principal balance of the Note by a 10% reduction.

In the event that any installment shall be overdue in excess of 15 days a late charge of 5% of the payment due shall be charged by the holder of the note.

In the event of sale, transfer, conveyance, or alienation of the property described in the deed of trust securing this note, or any part thereof, or any interest therein, whether voluntary or involuntary, beneficiary shall have the right of acceleration, at its option to declare this note, irrespective of any maturity date expressed herein,\*\* Should the interest not be so paid it shall thereafter bear like interest as the principal. Should default be made in payment of any installment of interest when due, the whole sum of principal and interest shall, at the option of the holder of this Note, become immediately due. If action be instituted to enforce payment of this Note, I promise to pay a reasonable sum as attorney's fees. Principal and interest payable in lawful money of the United States. Notwithstanding anything contained herein to the contrary, the amount of interest payable under the terms of this Note shall in no event exceed the maximum amount of interest permitted to be charged by law date hereof. This Note is secured by a deed of trust to South Coast Title Company, Trustee.

\*\*and without demand or notice immediately due and payable, including any prepayment charge provided for herein.

*David J.*

David J.

*Denise R.*

Denise R.

December 29, 1989, The principal balance on the within note is adjusted to be \$27,000.00, through escrow number 2-5769 WM, the payment monthly is adjusted to be \$202.50, or more.

*Wanda Minini*

South Coast Title Escrow by Wanda Minini

When I purchased this note, what did I purchase? It was a \$27,000.00 note with a \$202.50 monthly payment. I bought in for \$14,720.50 — a pretty steep discount, right? I received an annual return of 33%. Not too bad, right? Well, you too will do this! It's not that hard, as you'll soon see!

One of the reasons I received this return is because I noticed there was an error in the paperwork. Did you notice the error? The note was written on the wrong document! It was written a straight note document. Remember, a straight note is one with no monthly payments.

We noticed on this document that there were monthly payments of \$202.50 each month. I brought this point up to the note Seller and he was willing to give me a good price. Would I have bought this note for more? Absolutely! As long as my investment is protected and my yield or return is 20% or more per year, I would have purchased this note. In other words, I would gladly have paid \$20,000 for this note, or a 20% return, but, because I mentioned this one little point (which by the way, you can find one in nearly every deal, and doesn't hurt the note one bit), I receive an additional \$5300 discount, or put \$5300 more in my pocket. Not bad for simply knowing the paperwork, wouldn't you say?

By the way, if I was to refer this note and not purchase it myself I could turn around and sell the note to an investor for a yield of 17% or approximately \$22,000.00. I would have had an agreement with the Seller for \$20,000.00 and an agreement with the Buyer for \$22,000.00 and made a quick cash profit of \$2,000.00. But, because I knew a little about the paper work, I got the note for \$5300, less! In other words, my quick cash profit would have been \$7,300 instead of \$2000! It's the same amount of work either way. Now that's powerful!

I am providing this information to you for three very important reasons. First, I want to provide you with information you can use the rest of your life. You may not buy real estate notes when you start, but eventually that is where you stand to make huge returns with very little work. You can build so much wealth in the next five to ten years and actually live off your investments.

The second reason is, as I said in the beginning, because you can turn any of your \$2000 transactions into \$4000 and \$5000 transactions, and more.

And, lastly, I'm teaching you this information because you may want to earn 20% and more on your investments right away. This is where the big profits are made.

### **The Security Instrument**

You may call the security instrument in your state a deed of trust, a mortgage, a land contract, a security deed, a mortgage deed or a real estate contract or some other name. This may sound a little complicated, but really it's not.

Remember, the property owner is called the Trustor – in a trust deed state – or the mortgagor in mortgage states — and gives his residence address or address to where any notice is to be mailed.

The security instrument has to be notarized before it is recorded. In this case, when the borrower signs

the note and security instrument in front of the notary, the notary puts his/her seal on that document to make it official. It can now be recorded at the county recorder to protect the Note Holder's interest.

If you buy a trust deed on a property believing that it is a second trust deed, and if someone else already has a second trust deed recorded on that same property, you lose! You didn't check the legal records. That's why it is very important to get a preliminary title search and get title insurance showing the liens — I will show you how to do this shortly.

Recording is very important. Let's say someone owes you on a note and you sell the property, carrying back a \$28,000 note secured by a mortgage. That mortgage is worth just about nothing until you take it down and record it. If you don't record it promptly, somebody else could record another one before you and they are going to be ahead of you in priority. You don't need to run down to the recorder's office, the register of deeds, or the courthouse; you can have the title insurance company or your attorney take care of the recording. But, it needs to be done as soon as possible.

Generally, we want the money to change hands after the recording takes place so you know you have a valid lien on the property that is properly recorded. This is what the escrow company will do to protect your interest.

Another aspect of recording is this: Recorded documents are open to the public for review. You can go to the recorder's office, register of deeds, or the courthouse to look them up yourself. This is also the main source of information for title insurance companies. They organize the data into a form that is much easier to understand and assure that the information is correct.

Title insurance insures that title to the property is clear. If you purchase title insurance and they make a mistake — they would have to pay you. In other words, title insurance protects you and takes away the risk of someone else making a claim. Later, I will show you how to save hundreds of dollars on title insurance. You will learn how to pay as little as \$.30 on the dollar.

Lets take a look at the copy of the deed of trust, the security instrument. I will explain some of the features. If you use a mortgage, your security instrument is called a mortgage and you can get a copy from a title insurance company, attorney, real estate office, or your local stationary store.

Looking at the trust deed, look at the top left hand corner where it says when recorded mail to "the following address". This address is the address of the Note Holder for the mortgagee. At the top right, notice a stamp from the county recorder's office, stating the date and time that this document was recorded.

Notice the date when this document was prepared — it's different than the date it was recorded. This is normal. The date in which it is recorded is always later than the date in which the document was prepared.

Next, is mentioned the name of the Payors. Below that is the trustee, or the name of the title insurance company. The trustee is a neutral third party such as a title insurance company or an attorney. That's interesting — we have a third party in here. They are not the lender, they are not the borrower but they are named in the document anyway. That is because, in the event there is a foreclosure on this trust



deed, the Trustee is the one who conducts it. They are paid a fee for this. The trustee is named here and they have something called “bear legal title”. This means that they can sell the property in the event the borrower or Trustor defaults on the loan. The Trustor has the deed to the property as long as he makes the payments.

Below that the beneficiaries, or Note Holder, are the ones receiving the payments. And, below that is a legal description of the property address.

Again is mentioned the due on sale clause that is followed by the assignment, in the event that the Payor fails to make the payments, the beneficiary has the right to collect the rent during default because this is a deed of trust and assignment of rents. When foreclosing on one of these, you can collect rent from the tenants in the property during the foreclosure process or the foreclosure period.

You will notice that next is mentioned securing the \$27,000.00 note with this document. Remember, \$27,000 is the original amount and not necessarily the balance today.

There are several counties in which this document is considered valid. What they have done is created a fictitious deed of trust. Instead of writing all the terms of every trust deed, they have recorded this one master trust deed in all those different counties and then incorporated all those terms into this one, just by referring to it.

Below you will see notice of default being mailed to the Trustor or property owner at that address. If the owner, or person who owes the money, defaults on the loan — this is how he is notified that he is being foreclosed on. A notice will be mailed to that address.

Finally, in the lower left is the notary information. This document is going to be signed by the Trustor (the property owner) and the notary seal is going to be placed at the bottom right of the form. In order for this document to be recorded it must be notarized.

This is to familiarize you with security instruments, namely trust deeds. Mortgages and other documents are similar too.

Additionally, there is usually a clause stating that the property owner will not commit waste on the property. That means they are not going to destroy the property, tear it down, burn it down or any other damages. That would be a default on the agreement, similar to not making the payments. Also, there will be a clause stating that the property owner will keep hazard insurance on the property to protect it against fire, flood, or any other local hazards.

The Trustor, or the owner of the real estate, agrees to pay the taxes and any special assessments against the property levied by governmental agencies. That could be sewer bonds or street bonds for example. There is also a provision in the security instrument, on the back, explaining what happens when the obligation is paid off. In this case, it is called reconveyance.

You’ll see on the back of the security instrument down in the lower 1/3 it says, “request for full reconveyance”. When you pay off the note, the deed of trust is submitted to the trustee (remember the neutral third party) for full reconveyance to remove the lien from the property.

AND WHEN RECORDED MAIL TO
Name [
Address Long Kim
City W. Balboa Blvd
State & Zip Newport Beach, Ca. 92663

\$5.00
C16

1030 AM JAN 02 '90

Lee A. Branch RECORDER

Title Order No. \_\_\_\_\_ Escrow No. \_\_\_\_\_

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST AND ASSIGNMENT OF RENTS

(SHORT FORM) ADDITIONAL ADVANCE

This Deed of Trust, Made this 21 day of December, 19 89, between

DAVID J. AND DENISE R., herein called TRUSTOR,
Joint Tenants
whose address is N. Adlena Dr, Fullerton, Ca. 92633
(Number and Street) (City) (State) (Zip Code)

and SOUTH COAST TITLE COMPANY, a California Corporation, herein called TRUSTEE, and

LONG KIM AND TUONG VAN THI, Husband and Wife, herein called BENEFICIARY,
as Joint Tenants

WITNESSETH: That Trustor irrevocably grants, transfers and assigns to trustee in trust, with power of sale, that property in City of Fullerton, Orange County, California, described as:

Lot 16 of Tract No. 9599 as per map recorded in Book 402 pages 47 & 48 of miscellaneous maps in the office of the County recorder of said County.

(aka: N. Adlena dr, Fullerton, Ca. 92633)

4932

In the event of sale, transfer, conveyance, or alienation of the property described herein, securing the note, or any part thereof, or any interest therein, whether voluntary or involuntary, beneficiary shall have the right of acceleration, at its option to declare the note, irrespective of any maturity date expressed herein, and without demand or notice immediately due and payable, including any prepayment charge provided for herein.

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (5) of Section A of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

FOR THE PURPOSE OF SECURING: 1. Performance of each agreement of Trustor herein contained; 2. payment of the indebtedness evidenced by one promissory note of even date herewith in the principal sum of \$ 27,000.00 executed by Trustor in favor of Beneficiary or order; 3. payment of any money that may be advanced by the Beneficiary to the then record owner of said property with interest thereon evidenced by additional notes (indicating they are so secured) or by endorsement on the original note, executed by the then record owner of said property.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES: By the execution and delivery of this Deed of Trust and the note secured hereby, that provisions (1) to (5), inclusive, of Section A and provisions (1) to (9), inclusive, of Section B of the fictitious deed of trust recorded in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, vis:

Table with 6 columns: County, Date, File Number, County, Date, File Number. Rows include Los Angeles, Orange, Riverside, San Bernardino, and San Diego.

(which provisions, identical in all counties, are printed on the reverse hereof) hereby are adopted and incorporated herein and made a part hereof as fully as though set forth herein at length; that he will observe and perform said provisions; and that the references to property, obligations, and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

THE UNDERSIGNED TRUSTOR requests that a copy of any notice to default and of any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

STATE OF CALIFORNIA
COUNTY OF Orange } SS.
On December 21, 1989 before me, the undersigned, a Notary Public in and for said County and State, personally appeared David J. and Denise R.

David J.
Denise R.

\_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) are subscribed to the within instrument, and acknowledged that they executed the same.

Signature Pat Whisnant
Pat Whisnant

This document filed for recording by South Coast Title Company Inc., as an accommodation only. It has not been examined as to its execution or as to its effect on the title.

OFFICIAL SEAL
PAT WHISNANT
NOTARY PUBLIC - CALIFORNIA
ORANGE COUNTY
My Comm. Exp. Sept. 21, 1990
(THIS AREA FOR OFFICIAL SEAL)



DO NOT RECORD—Provisions incorporated from Recorded Fictitious Deed of Trust.

**A. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:**

- 1. To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good workmanlike manner, any building which may be constructed, damaged or destroyed thereon, and to pay when due, all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and to do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.
2. To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary, the amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby, and in such order as Beneficiary may determine, or at option of Beneficiary, the entire amount so collected, or any part thereof, may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder, or invalidate any act done pursuant to such notice.
3. To appear in and defend any action or proceeding purporting to affect the security hereof, or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including costs of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.
4. To Pay: At least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

**B. IT IS MUTUALLY AGREED THAT:**

- 1. Should the property hereinbefore set forth ever become subject to any lien for the purpose of securing the payment of any taxes levied upon personal property of any kind or character other than household goods and furniture located in/or situated on said real property above described, then the Beneficiary shall have, and is hereby given the right, at his option, to declare all sums secured hereby immediately due and payable.
2. Any award of damages in connection with any condemnation for public use or injury to said property or any part thereof is hereby assigned, and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.
3. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.
4. At any time, or from time to time, without liability therefor, and without notice upon written request of Beneficiary and presentation of this Deed of Trust and the note or notes secured thereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may reconvey any part of said property, and upon written request of Beneficiary, stating that all sums secured thereby have been paid, and upon surrender of this Deed of Trust and the note or notes secured thereby to the Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey without covenant or warranty, the property then held hereunder. The recitals in any such partial or full reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any such reconveyance may be described as "the person or persons legally entitled thereto". Five years after-issuance of a full reconveyance, Trustee may destroy said note and this Deed of Trust, unless directed in such request to retain them.
5. Upon endorsement of this Deed of Trust and the note or notes secured thereby denoting any extension agreements, or any agreement subordinating the lien or charge of said Deed of Trust, or any agreement modifying the note or notes secured by said Deed of Trust; or the deed of any assessment on said property; or the making of any map or plot of said property; the consent and joinder of the Trustee in such subordination agreement, deed or map, shall not be required.
6. Upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause said property to be sold, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, said note and all documents evidencing expenditure secured hereby. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrances, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers pay necessary expenses, employ counsel and pay his reasonable fees.

5. That Beneficiary shall be entitled at any time, at its option, either by itself or by a receiver, to be appointed by a court therefore, to enter upon and take possession of said premises, or any part thereof, and to do and perform such acts of repair, cultivation or protection as may be necessary or proper to conserve the value thereof, to rent or lease the same or any part thereof for such rental, term and upon such condition as its judgment may dictate, and to collect and receive for rents, issues, and profits thereof, which said rents, issues and profits, present and future, are hereby assigned to the Beneficiary as further security, but which assignment Beneficiary agrees not to enforce so long as Trustor is not in default hereunder, and the Beneficiary shall apply such rents, issues and profits thereof, in the manner hereinafter specified in respect of proceeds of sale of said premises. In the event that the Beneficiary shall exercise the option hereby granted, Trustor agrees to surrender to the Beneficiary peaceable possession of said premises and not to interfere in any manner with the exercise of the rights hereby granted; and the expenses therein incurred, including compensation to said Beneficiary and receiver, and attorney's fees and costs and disbursements shall be deemed to be a portion of the expense of this Trust, and secured hereby and Trustor agrees to pay immediately and without demand, all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the legal rate of interest.

at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale.

Trustee may, from time to time, postpone the sale of all, or any portion of said property by the publication, prior to the date of sale so advertised, of one notice of postponement in the same newspaper or newspapers in which the original notice of sale was published, or by one public announcement thereof at the time and place of sale so advertised or postponed. If the sale is so postponed, or is postponed in any manner, or if the sale for any reason is not held within one year from the time set for the first sale, the Trustee, at his election shall have the right to again give notice of sale as then required by law for an original sale. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as herein defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including costs of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at seven percent per annum; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7. Beneficiary may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument when executed, acknowledged and recorded in the office of the Recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded, and the name and address of the new Trustee. If notice of default shall have been recorded, this power of substitution cannot be exercised until after the costs, fees and expenses of the then acting Trustee shall have been paid to such Trustee, who shall endorse receipt thereof upon such instrument of substitution. The procedure herein provided for substitution of Trustees shall be exclusive of all other provisions for substitution, statutory or otherwise.

8. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged is made a public record as provided by law. Trustee is not obligated to notify any party hereto of a pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

**REQUEST FOR FULL RECONVEYANCE**

To be used only when note has been paid.

To SOUTH COAST TITLE CO. Trustee:

Dated \_\_\_\_\_

The undersigned is the legal owner and holder of all indebtedness secured by the within Deed of Trust. All sums secured by said Deed of Trust have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith together with the said Deed of Trust, and to reconvey without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance To:

[Empty box for mailing reconveyance]

[Empty lines for signature]

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

I will also mention the foreclosure process as it relates to this deed of trust. There is a trustee named in this document but you don't have to use that trustee if you are foreclosing on the note. The person foreclosing obviously would be the holder of the note, right? So, if you are the holder, you can appoint somebody else. This option is called a substitution of trustee. If for any reason you don't like the trustee that's named in the document, it's quite simple to appoint another trustee instead, and is quite common. You can call a real estate attorney in your area to handle this for you.

By the way, recording has an additional feature of providing security in the event that you lose the original document. Suppose you had a trust deed and you lost it. Luckily, since it was recorded, you can go to the recorder's office to obtain a certified copy. A certified copy is just as good.

### **Escrow Instructions**

What we're looking for here, in the escrow instructions, is basically to ensure that there was a sale of real estate. We check to see that the information matches on both the note and trust deed. As you see at the bottom of the page when the note was created and all the details

The escrow closing statement is very important. It will give you a detailed analysis of how the money was spent on the real estate transaction. You are looking to prove that there was indeed a down payment made on the property and that money went through escrow (a neutral third party) when it was sold. If not, you will not want to purchase the note since nothing is verifiable and you will really have a hard time determining what you are purchasing



*Handwritten:* Seller Copy  
**ESCROW INSTRUCTIONS**

12752 Valley View Ste S

Garden Grove, Ca. 92645

Page One	Paid Outside of Escrow \$ _____
Date <u>September 26, 1989</u>	Cash Through Escrow <u>27,400.00</u>
Escrow Number <u>2-5402 WM</u>	Encumbrances of Record _____
Escrow Officer <u>Wanda</u>	New Encumbrances <u>221,600.00</u>
	" " <u>28,000.00</u>
	<b>TOTAL PURCHASE PRICE \$ <u>277,000.00</u></b>

1. PRIOR TO October 31, 1989 Buyer will hand you or cause to be handed you
2. \$ 249,000.00, of which a portion will be proceeds of a new loan more completely
3. described below and of which \$1,000.00 will be handed you representing Buyer's
4. deposit of earnest money. Balance of down payment and necessary closing costs
5. to be deposited herein by the Buyer prior to close of escrow.
- 6.
- 7.
- 8.
9. and any additional funds and instruments necessary on Buyer's part to enable you to comply with these instructions, which you will
10. deliver, provided on or before the date set forth above, you hold the money and documents, if any, deliverable to Buyer under these
11. instructions and instruments have been filed for record entitling you to procure CLTA STANDARD COVERAGE FORM policy of title
12. insurance issued by South Coast Title with title company
13. liability under terms of its policy, for the amount of total Purchase Price (or in the amount required by new Lender, whichever is
14. greater) on real property in the County of Orange State of California, viz:
15. Lot 16 of Tract No. 9599 as per map recorded in Book 402 pages 47 & 48 of
16. miscellaneous maps in the office of the County Recorder of said County.
- 17.
- 18.
19. (commonly known as 827 N. Adlena Dr. ca.
- 20.
- 21.
- 22.
- 23.
- 24.
- 25.
- 26.
27. Showing title vested in DAVID J. AND DENISE R. , Husband and Wife (More complete
28. vesting to be handed you prior to close of escrow which you are to insert on the
29. Deed of conveyance without further approval from the Seller)
30. SUBJECT TO:
31.  General and special taxes for all fiscal 19 89-19 90 and subsequent
32. years, including reassessments if any and including any special district levies or personal property taxes, payment for which
33. are included therein and collected therewith, and improvement bond assessments, when applicable.
34.  \_\_\_\_\_
35.  Covenants, conditions, rights of way, easements and reservations of record.
36. The consummation of this escrow is contingent upon the Buyer obtaining and qualifying
37. fro a new first trust deed loan in the amount of \$221,600.00, and subject to the
38. property appraising at the purchase price of \$277,000.00. New loan to have a FIXED
39. rate of interest NOT to exceed 10.5% per annum, payable approximately \$1,944.70 monthly,
40. including principal and interest, amortized over 30 years. Buyer to pay loan fee NOT
41. to exceed \$3,000.00. Buyer's signature on lender loan documents shall indicate Buyer
42. approval of all terms and conditions therein and your instructions to comply therewith.
- 43.
44. As a portion of the purchase price herein Buyer to execute a Note and Deed of Trust,
45. in favor of the Seller as title now stands and to be recorded as a Second Trust Deed
46. against the subject property. Note to be in the amount of \$28,000.00, with interest at
47. 9% per annum, all due 4 years from of escrow.
48. Escrow holder is authorized to insert the interest on the Note to accrue from close of
49. escrow, at 9% per annum, payable \$228.90 per month, or More. First payment shall be
50. 1 year from close of escrow.
51. Note to Contain: " All unpaid interest accruing for the first year shall be added to
52. the principal balance of the Note and the interest of 9% per annum, shall be charged
53. thereon". Escrow holder is authorized to insert the first payment date on the note
54. to be 1 year from close of escrow and insert the final payment date to be 4 years from
55. close of escrow.
56. Note to also contain the following: "In the event that any installment shall become
57. overdue in excess of 10 days a late charge of 6% of the payment amount shall be charged .
58. by the holder of the note thereof".
59. "Trustor on the Note reserves the privilege to pay in part or in whole the principal
60. balance plus any accrued interest, at any time prior to the maturity date without
- a prepayment penalty for so doing".

## **Preliminary Title Policy**

On the next few pages you will notice that I ordered a preliminary title policy report. It's easy — all you do is call up the title company and request a preliminary title report. And guess what? It's free. Why you might ask? The title company wants to sell you one of their title policies. They are a great help in protecting you and giving you the information you need to make an informed decision as to whether or not you'd want to purchase the note. Use them to your advantage!

On the second page of the preliminary title report we see that there's some information that describes the property and the Payor. On the third page of this title report we see some general information endorsed. At the end, in Paragraph Number Five we see an indebtedness of \$221,000.00. That's the first loan on the property. Okay, so far so good.

On the following page in Paragraph Number Six, we see the \$27,000.00 trust deed that I purchased. If there were another trust deed before my \$27,000.00 trust deed then I would not have purchased the note because I would have been in third position. Third position can be OK if there is enough protective equity in the property, but in this case, third position would have killed the deal.

That's all there is to it to protect yourself and handles the title insurance policy. As you can see, I was protected. Remember, when purchasing a note, you want to ask for a 104.1 endorsement policy to the existing policy. This will save you hundreds of dollars.

S O U T H C O A S T T I T L E C O M P A N Y

888 West Santa Ana Boulevard, Suite 220  
Santa Ana, California 92701  
(714) 973-1441

Russell Dalbey

Issuing Policies Of  
NORTHERN COUNTIES TITLE INSURANCE COMPANY

\* \* \* PRELIMINARY REPORT \* \* \*

-----  
Your No.:  
Our No.: 80033-3

In response to the above referenced application for a policy of title insurance, South Coast Title Company hereby reports that it is prepared to issue, or cause to be issued, as the date hereof, a policy or policies of Northern Counties Title Insurance Company describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception below or not excluded from coverage pursuant to the printed schedules, conditions and stipulations of said policy forms.

The printed exceptions and exclusions from the coverage of said policy or policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a binder or commitment should be requested.

Dated: December 2, 1991 at 7:30 A.M.

*Marilyn Firman*

\_\_\_\_\_  
Marilyn Firman, Title Officer

SCHEDULE A

The estate or interest in the land described or referred to in this schedule covered by this report is:

A Fee

Title to said estate or interest at the date hereof is vested in:

DAVID J.                      and DENISE R.                      , husband and wife as joint tenants

The land referred to in this report is situated in the State of California, County of Orange, and is described as follows:

Lot 16, of Tract No. 9599, in the City of Fullerton, as per map recorded in book 402, page(s) 47 and 48 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all oil, gas, minerals and other hydrocarbons, below a depth of 500 feet, without the right of surface entry, as reserved in instruments of records.



## SCHEDULE B

At the date hereof Exceptions to coverage in addition to the printed exceptions and exclusions contained in said policy form would be as follows:

- A. General and special county and city taxes for the fiscal year 1991-92.
- |                    |   |                 |
|--------------------|---|-----------------|
| Total              | : | \$2,843.00      |
| First Installment  | : | \$1,421.50 open |
| Second Installment | : | \$1,421.50 open |
| Exemption          | : | \$7,000.00      |
- Code Area: 03003      Parcel No.: 281-141-01

- B. The lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, (commencing with Section 75) of the Revenue and Taxation code of the State of California.

1. The fact that the owners of said land have no rights of vehicular access to BASTANCHURY ROAD except the public right to travel on same. Said rights having been relinquished by the dedication provisions on the map of said Tract. Said land, however, abuts on a public street, other than the one referred to above, over which rights of vehicular access have not been relinquished.
2. An easement for purposes shown and incidental purposes  
Affects                   :   The Northeasterly and the Southwesterly 4 feet of said land  
Purpose                   :   Public Utilities  
Recorded                   :   In book 12280, page 525, Official Records
3. An easement for purposes shown and incidental purposes  
Affects                   :   The Southeasterly 6 feet of said land  
Purpose                   :   Public Utilities  
Recorded                   :   In book 12328, page 1872, Official Records

Said deed provides that no building or structure shall be placed or maintained on said easement.

4. An easement over that portion of said land as shown on the map of said tract,  
For                        :   Landscaping  
Affects                   :   The Northwesterly portion of said land
5. A Deed of Trust to secure an indebtedness of \$221,000.00, and any other amounts as therein provided, recorded December 28, 1989, as Instrument No. 89-700921, Official Records.  
Dated                     :   December 15, 1989  
Trustor                   :   David J.                    and Denise R.                   , husband and wife as joint tenants  
Trustee                   :   Citicorp Savings Service corporation, a California corporation  
Beneficiary               :   Citicorp Savings, a Federal Savings and Loan Association

6. A Deed of Trust to secure an indebtedness of \$27,000.00, and any other amounts as therein provided:
- Dated : December 21, 1989
- Trustor : David J. and Denise R. , husband and wife as joint tenants
- Trustee : South Coast Title Company, a California corporation
- Beneficiary : Long Kim and Tuong Van Thi , husband and wife as joint tenants
- Recorded : January 2, 1990, as Instrument No. 90-000511, of Official Records.

The amounts due, terms and conditions of the indebtedness should be determined by contacting the owner of the debt.

7. The effect of documents, proceedings, liens, decrees, or other matters which do not specifically describe said land, but which, if any do exist, may affect the title or impose liens or encumbrances thereon. The name search necessary to ascertain the existence of such matters has not been completed and requires a statement of identity from all parties in order to complete this report.

NOTE: Section 12413.1, California Insurance Code, commonly known as Assembly Bill 512, became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow of subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all fundings should be done through wire, transfer, certified check or checks drawn on California financial institutions.

#### WIRING INFORMATION

TO WIRE FUNDS TO SOUTH COAST TITLE COMPANY:

HARBOR BANK-11 Golden Shore, Long Beach, CA 90802 Fed Reserve #122234152 for further credit to HARBOR BANK-IRVINE BRANCH-9 Executive Circle, Irvine, CA for the Benefit of South Coast Title Company Trust Acct. #041-032-251

Said Seller does qualify for short term rate.

## **Hazard Insurance**

All right let's look at the next page to see the fire insurance information for hazard policy. You will notice my company, Southwest Funding, was added to the homeowner's policy as an additional payee. Once I purchased the note, the escrow company sent a letter to the Payor's insurance company adding me on to their hazard insurance policy. This policy will pay you off and the other lenders in the event that damage happens to the property to destroy its value. Whatever is left over will go to the owner of the property.

This protects me in the event of fire or other events that could destroy the property. I'd get paid before the homeowner gets paid in the event of a disaster. Why? Because we are acting as the bank, and the bank always gets paid first.

HO 717 25 81

\*\*\*\* MORTGAGEE 2 COPY \*\*\*\*

012192-3AS-019-1



20th Century Insurance Company

1 Owensmouth Avenue / Woodland Hills, California 91367

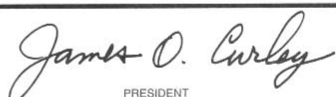
DECLARATION PAGE

AMENDED DECLARATION  
EFFECTIVE DATE 01/21/92

HOMEOWNERS POLICY

WHEN ATTACHED TO THE HOMEOWNERS POLICY, THESE DECLARATIONS COMPLETE THE POLICY AND REPRESENT THE CURRENT STATUS OF YOUR COVERAGES AND LIMITS OF LIABILITY ACCORDING TO OUR RECORDS.

REASON FOR AMENDMENT -  
ADD MORTGAGEE

POLICY NUMBER	POLICY PERIOD		TERM		
HO 7172581	FROM 12/22/91	TO 12/22/92	12 MO		
NAMED INSURED AND ADDRESS		MORTGAGE SERVICE CO./MORTGAGEE (SEE REVERSE)			
DAVID J		SOUTHWEST FUNDING LN# 1933			
COVERAGE IS PROVIDED WHERE A LIMIT OF LIABILITY IS SHOWN, SUBJECT TO ALL CONDITIONS OF THIS POLICY					
COVERAGES AND LIMITS OF LIABILITY	SECTION I			SECTION II	
	A. DWELLING	OTHER STRUCTURES ON PREMISES	B. PERSONAL PROPERTY	C. LOSS OF USE	M. MEDICAL PAYMENTS TO OTHERS
	\$ 121,000	\$ 12,100	\$ 90,750	INCLUDED	\$ 300,000
					\$ 5,000 EACH PERSON
DEDUCTIBLES	SECTION I	EARTHQUAKE	IN CASE OF LOSS UNDER THIS POLICY, WE COVER ONLY THAT PART OF THE LOSS OVER THE DEDUCTIBLE STATED.		
	\$ 250	N/A			
PREMIUMS	BASIC POLICY PREMIUM		OPTIONAL COVERAGES	SCHEDULED PERSONAL PROPERTY	TOTAL PREMIUM
	\$ 289.45		\$ 20.00	\$ .00	\$ 309.45
---- FORMS, OPTIONS, AND ENDORSEMENTS ----			LOCATION OF PREMISES - SAME AS ABOVE		
*** GUARANTEED REPLACEMENT COST POLICY			*** NOTICE ***		
*** THIS POLICY DOES NOT INCLUDE EARTHQUAKE COVERAGE			THIS POLICY MEETS OR EXCEEDS THE COVERAGES PROVIDED BY STANDARD HOMEOWNERS FORM HO-3.		
OPTION H, COMPUTERS \$10000 \$ 20					
CALIFORNIA SURCHARGE (CIGA) \$ 1.45					
438BFU *05/42--TCPE7 *06/89--TCPE6 12/89				 PRESIDENT <span style="float: right;">01/21/92</span> DATE	

POLICY SERVICE PHONE: 818 704-3700  
 CLAIMS SERVICE PHONE: 714 836-8660

STATEMENT OF ACCOUNT 7172581 2  
 ADDITIONAL PREMIUM.... \$ .00  
 PRIOR BALANCE..... \$ 172.91  
 \* OUTSTANDING BALANCE 172.91


PAYMENTS ARE REVISED AS FOLLOWS-  
 \* PAYMENT DUE \$ .00  
 FUTURE INSTALLMENTS DUE  
 02/22/92 \$ 82.91 04/22/92 \$ 90.00

INCLUDES 3 PER PAYMENT SERV CHARGE

DETACH HERE

POLICY NUMBER	AMOUNT DUE
HO 7172581 2	

\*\*\* THIS IS NOT A BILL \*\*\*  
 ADDRESS INQUIRIES TO -  
 20TH CENTURY INS CO  
 P.O. BOX 4150  
 WOODLAND HILLS CA 91365

MAY 28 1992  


▲ RETURN THIS STUB WITH PAYMENT ▲

FORM HOO-1 (5/91)

There are three more things to get on the information request form: pictures, copy of a street map, and plans or surveys that are available. These are not deal breakers. If purchasing a real estate note, I recommend that you do so in your local proximity when starting out. This way you can drive by the property to ensure that it's something you wouldn't mind owning. Remember — never buy a real estate note on a property you wouldn't mind owning because you just might get it back through foreclosure.

### **Escrow Instructions**

Write up your escrow instructions (a sample is on the next page), and send them to the escrow or title company. To simplify further, have the escrow company or title company or attorney who prepared the papers on the property sale handle the paper work for your note sale as well! This will save you time, money and hassle.

Remember, the escrow company or title company or attorney who did the original escrow on the property sale will do all of the following paper work for us. Additionally, they help protect you and the Seller of the note to insure that everyone receives what's coming to them.

On the next two pages I will show you the escrow instructions, stating what the escrow company will fill out for you.

## Escrow Instructions

**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

**Purchase Date**

**Escrow Company**

Street Address

City, State & Zip Code

Telephone #

Attn:

Regarding Your Escrow Number: \_\_\_\_\_

Property: **Property Street, City, State & Zip Code**

**SALE OF \$Face Value of Note PURCHASE MONEY SECOND TRUST DEED**

**Your Name Here** is to be the Buyer of the following purchase money second trust deed secured by the above property:

- \$Face Value of Note**
- \_\_\_\_\_% interest
- Payable \$\_\_\_\_\_ or more per month
- For \_\_\_\_\_ payments (**# of remaining payments**)

With a DUE ON SALE CLAUSE and

With a late charge of \$\_\_\_\_\_ for any payment not received within 10 days of the due date.

For the following price: **\$Purchase Price.**

### DETAILS TO HANDLE RIGHT AWAY

- Prepare an Assignment from the note Sellers to **Your Name Here**.
- Prepare a Request For Special Notice Of Default in favor of **Your Name Here** regarding the first loan.
- Order Title Insurance (104.1 endorsement) to cover **Your Name Here** as being the assignee in second position and mail a copy of the Title Insurance to **Your Name Here**
- Have the Hazard Insurance cover **Your Name Here**
- Mail copies of the Second Note, Trust Deed, Assignment, Request For Special Notice, Property Sale Escrow Instructions and any Amendments to **Your Name Here** for review and approval.
- Mail property Owner's / Debtor's Offset Statement confirming unpaid balance, interest rate, payment amount, next payment due, maturity date, taxes & insurance has been paid and that any senior liens are current.
- Mail Note Holder's Offset Statement confirming unpaid balance, interest rate, payment amount, next payment due, maturity date, taxes & insurance has been paid and that any senior liens are current.

### DETAILS TO HANDLE AT CLOSING

- Mail Original Note, Copy Of Trust Deed and Assignment, Request For Special Notice Of Default, and copy of Escrow Closing Statement to **Your Name Here**
- Mail a copy of the First Note and First Trust Deed to **Your Name Here**
- Original Trust Deed, Original Assignment, Request For Special Notice Of Default, Hazard Insurance, and Title Policy to follow.
- Mail notice to Debtor of transfer of loan and new payee **Your Name Here at Your Address**

If you have any questions, please call **Your Name Here** at **Your Telephone #**.

Thank you,

**Your Name Here**, Loan Supervisor

By the way, what are your closing costs or the costs associated with the sale of the note? The 104.1 title endorsement policy will cost about \$50.00 to \$100.00. To close the transaction is another \$150-\$200 to pay the escrow company, title company or attorney.

Total costs to close on a note purchase are approximately \$200-\$300. Of course, this does not include a drive-by appraisal, which will run another \$150.00. Figure about \$500.00 total for out-of-pocket expenses when purchasing a note. When you make your offer to the Seller of the note be sure to add in these costs. I usually discount the note \$500 more to give the Seller one final price. And, what are your closing costs if brokering a note? That's right, nothing!

### **The Assignment**

The Assignment transfers ownership from the Seller of the note to you.

At the top you'll notice, "When recorded mail to" – this is where you'd put your address or the address of the person purchasing the note. Below is stated, "For value received the undersigned." This refers to the Seller of the note and grants a transfer to South West funding, my company.

Next is the information about the original trustee and the property address. Lastly, it must be signed by the note Seller, notarized, and recorded. Once recorded, it takes about 2 to 4 weeks before you receive it back in the mail. Some counties are faster than others.



AND WHEN RECORDED MAIL TO

#1933

Name

Southwest Funding

Street Address

City & State

SPACE ABOVE THIS LINE FOR RECORDER'S USE

### Assignment of Deed of Trust

CAT. NO. NN00610  
TO 1935 CA (2-83)

THIS FORM FURNISHED BY TICOR TITLE INSURERS

ALL PTN.	For Value Received, the undersigned hereby grants, assigns and transfers to <u>Southwest Funding</u>
	all beneficial interest under that certain Deed of Trust dated <u>December 21, 1989</u>
	executed by <u>DAVID J. AND DENISE R.</u>
	<u>Joint Tenants</u> , Trustor, to <u>SOUTH COAST TITLE COMPANY</u> , Trustee, and recorded as Instrument No. <u>9000051</u> on <u>Jan. 2, 1990</u> in Book/Reel _____, Page/Image _____, of Official Records in the County Recorder's office of <u>ORANGE</u> County, California, describing land therein as:
	More particularly described in said deed of trust. Commonly known as 827 N. Adlena Dr., CA Together with the note or notes therein described or referred to, the money due and to become due there- on with interest, and all rights accrued or to accrue under said Deed of Trust.
	Dated <u>December 10, 1991</u>
	<u>Long Kim</u> <u>Truong Van Thi</u> FOR CORPORATE ACKNOWLEDGEMENT

Through the Courtesy of  
**SOUTH COAST  
TITLE COMPANY**

STATE OF CALIFORNIA )  
County of Orange )

On December 11, 1991 before me, the undersigned, a Notary Public in and for said State,  
personally appeared LONG KIM  
personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their author-  
ized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of  
which the person(s) acted, executed the instrument.

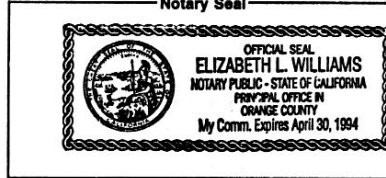
personally  
he within  
he person  
executed to its by-

WITNESS my hand and official seal.

Signature Elizabeth L. Williams

Notary Public in and for said County and State

Notary Seal



personally  
the basis  
nowledged

### FOR PARTNERSHIP ACKNOWLEDGEMENT

STATE OF CALIFORNIA )  
COUNTY OF \_\_\_\_\_ ) ss.

On \_\_\_\_\_ before me,  
the undersigned, a Notary Public in and for said State, personally  
appeared \_\_\_\_\_

personally known to me or proved to me on the basis of satis-  
factory evidence to be the person \_\_\_\_\_ who executed the within  
instrument as \_\_\_\_\_ of the partners of the partner-  
ship that executed the within instrument, and acknowledged to  
me that such partnership executed the same.  
WITNESS my hand and official seal.

Signature \_\_\_\_\_

(This area for official notarial seal)

Title Order No. \_\_\_\_\_ Escrow or Loan No. \_\_\_\_\_

Before a note purchase you will want to be sure that what the Seller of the note has told you is consistent. We therefore have them fill out an “Offset Statement”. This is a simple form stating the terms of the note and the balance. You can send this to the Seller and the Payor yourself, or you can have the escrow company do it for you.

### **Property Owners Offset Statement - The Payor**

This is a very important form. When you buy discounted paper there are several crucial points to include in an agreement. You want to be sure that the person selling the note and the person who owes the money agree as to what the latest status of payments on the note is, including the interest, how much the payments are, when the next payment is due, when the note matures, the balance due, and other important note features.

You can have them sign it or have your representative (closing agent, escrow company, title company, or attorney) contact the person who owes the money on the note and have them fill out and sign a Property Owners Offset Statement. This way there won't be any disputes later about the principle balance, etc..

You will want one of these statements signed by the property owner who owes the money and another by the person that is selling the note. What if the property owner or Payor, one and the same, do not agree with the offset statement and do not sign it? What can you do? You can buy that note based on what the Seller represented. If the Payor does not pay you for any reason, for example, he disputes the amount he owes, he would have to work that out with the note Seller. In the mean time, the note Seller would have to keep your note current, or you could foreclose. You are guaranteed to get paid.

In the middle of that form notice it says the note contains the following provisions. You may want to specify, if it applies, some of the custom cash clauses that we have in the back of the book. You will find that these to be quite useful.

Any given clause put in or left out could mean thousands of dollars to the Buyer or the Seller of a property and also to the holder of the note. Not only do you want to determine the numbers regarding a note you also want to check to see which special clauses it has and which clauses are missing.

Sometimes people ask, “Can I change the terms of the note”? The answer is no. When selling or buying an existing note, the terms are fixed. When you buy a note — you buy it as it existed, the day it was made.

Another question that comes up very often, in regards to the Property Owners Offset Statement is, “How can I get the person that owes the money to sign a statement like this?” Well, I've never had a problem getting someone to sign. Have your escrow agent, title company or attorney fill out the documentation and most people are willing and agreeable to sign it. If there are any objections to filling it out, simply point out, or have your agent point out, “This is for the property owners protection”. This way, the new holder of the note won't claim that more money is due, they won't claim that payments are behind, that the interest rate is higher or anything else like that. This actually protects all parties involved. The property owner should be more than happy to sign this offset statement. Here's an example of the Property Owner's Offset Statement:

## Property Owner's (Note Payors's) Offset Statement

We, the undersigned, are the owners of the property located at **Property Street, City, State & Zip Code**, which is the collateral for the **\$Face Value of Note** note and trust deed dated \_\_\_\_\_ and recorded with Serial Number \_\_\_\_\_ on \_\_\_\_\_ in the official records of \_\_\_\_\_ County, **State**.

The current unpaid balance on said note is \$\_\_\_\_\_ as of **Purchase Date**.

The rate of interest is \_\_\_\_\_% per annum.

Scheduled payments are \$\_\_\_\_\_ or more per month on the **Day Spelled Out** of each month, including interest and principal.

The next payment is due on the **Day Spelled Out** of **Month, Year**.

The interest on said note has been paid to the **Day Spelled Out** of **Month, Year**.

The note matures on End Date.

The payments are currently up to date and no extra payments have been made.

To the best of our knowledge there is neither default on senior loans, taxes or insurance.

The note contains the following provisions: \_\_\_\_\_

\_\_\_\_\_

Payments are currently being made to **Note Sellers' Name, Address, City, State & Zip Code**.

Copies of the note, security instrument, loan payment records, hazard insurance policies, title insurance policy, assignment or other information which I/we have in my/our possession are attached.

We understand that we are making this statement for the benefit and protection of myself and the parties to the sale of the above-referenced note and with the understanding that all parties are relying hereon regarding such note sale.

\_\_\_\_\_  
**Note Payor's First & Last Name**

Read and hereby accepted **Purchase Date**

\_\_\_\_\_  
**Your Name Here**

## **Note Seller's Offset Statement**

On the next page we have the notes Sellers offset statement. It's similar to the property owner's offsets statement. Again, you will have the Seller of the note sign this document so everything is clear up front and there is never anything that can come back to haunt you.

**Note Seller's Offset Statement**

We, the undersigned, are the owners of the \$ Face Value of Note note and trust deed executed by **Note Seller's First & Last Name** dated \_\_\_\_\_ and recorded with Serial Number \_\_\_\_\_ on Recorded Date in the official records of \_\_\_\_\_ County, **State**.

The current unpaid balance on said note is \$ \_\_\_\_\_ as of **Purchase Date**.

The rate of interest is \_\_\_\_\_% per annum.

Scheduled payments are \$ \_\_\_\_\_ or more per month on the **Day Spelled Out** of each month, including interest and principal.

The next payment is due on the **Day Spelled Out** of **Month, Year**.

The interest on said note has been paid to the **Day Spelled Out** of **Month, Year**.

The note matures on End Date.

The payments are currently up to date.

No extra payments have been made.

To the best of our knowledge there is no default on senior loans, taxes or insurance.

The note contains the following provisions: \_\_\_\_\_

\_\_\_\_\_

Payments are currently being made to **Note Seller's First & Last Name**.

Copies of the note, security instrument, loan payment records, hazard insurance policies, title insurance policy, assignment or other information which I/we have in my/our possession are attached.

We understand that we are making this statement for the benefit and protection of myself and the parties to the sale of the above-referenced note and with the understanding that all parties are relying hereon regarding such note sale.

\_\_\_\_\_  
**Note Seller's First & Last Name** **Purchase Date**

Read and hereby accepted **Purchase Date**

\_\_\_\_\_  
**Your Name Here**

## **Pay Me Now Letter**

This letter is one of my favorites! It's called the "The Pay Me Now" letter or The Notice of Transfer of Loan To New Payee. This let's the Payor know that from now on they will send the payments to you and where to make those payments. You want to send this letter, or have your escrow agent, send it to the Payor once the transaction has been completed.

Additionally, with the Pay Me Now letter that you send - you may also write a letter saying "Would you like to pay off this note early?" You buy it at a discount and have them pay you off the next day! Not bad, right? You can find this and many other documents on our web site at [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips) - On the following page you will find an example of the "Pay Me Now Letter.

**Note Seller's Name**  
Street Address  
City, State & Zip Code  
Telephone #

**and**

**Your Name Here**  
Street Address  
City, State & Zip Code  
**Purchase Date**

**Note Payor's Name**  
Street Address  
City, State & Zip Code  
Telephone #

**NOTICE OF TRANSFER OF LOAN AND NEW PAYEE**

Dear **Note Payor's First Name**:

This letter is to inform you that the \$ Face Value second trust deed loan on your property located at **Property Street Address, City, State & Zip Code** has been transferred to a new owner: **Your Name Here**.

A copy of the legal document confirming this transfer is attached herewith.

The only change that affects you is that you no longer send your payments to **Note Seller's First & Last Name**.

Starting on **Purchase Date**, mail your payments to:

**Your Name Here**

Street Address

City, State & Zip Code

Refer to our Loan Number: \_\_\_\_\_

If you have any questions or need to contact us, please call **Your Name Here**, Loan Supervisor, at **Your Telephone #**.

Yours, **Your Name Here**, Loan Supervisor

## Selecting The Best Real Estate Paper

Here are some ideas on how to select the very best real estate paper. You are going to learn how to determine whether you have a good secured note or not. If it's a good secured note and you were selling it then you can, of course, sell it for more money and make a larger referral fee, right?!

Perhaps you have heard about mortgage companies or trustee companies selling trust deeds or mortgages that are guaranteed. Have you ever heard of a guaranteed note? Sure, some of you have. I want to say that those guarantees are about as good as the company is. There have been too many of these companies to go out of business. The word "guaranteed" doesn't mean very much if buying it from a company!

The guarantee that I am going to show you here is the one that you want to consider. Let's figure out what is the best guarantee – a guarantee that you are going to get paid.

Number one, when analyzing a note, look at the security of the note. First let's look at the property value. We can determine the value of a property from an actual arm lengths transaction where that property really sold in the recent times or by an expert appraisal from an appraiser. Or, perhaps you have personal knowledge of property value in that neighborhood. We start out determining the value of the property that secures the note. Personally, I like to value the property using the prior sale price, this makes it easy and gives you the "real" price the property is worth.

You've got to remember sometimes people will jack up the sales price of a property just to have a phony price, or they'll put extra tax stamps on the deed indicating that they paid more tax and had a higher sales price for the property. Tax stamps and so forth may give you an indicator of value but you have to verify it with other documented knowledge. The best indicator of the value of the property is the price it sold for. It could appraise at \$230,000 but it sold at \$200,000. What price are you going to use? The price it sold for, \$200,000. The selling price is always the real value of the property. Also, if you have an appraiser you want to make sure it is one you choose!

Starting with the property value we then look at the loans of record on the property. Let's say you find out the values of loan 1, loan 2 and loan 3, that's the same old \$50,000 first, \$20,000 second and \$10,000 third. So we've got \$80,000 worth of loans on that property. We want to determine what the equity is. Price minus loans equals equity. Take \$100,000 minus \$80,000 worth of loans to learn that behind loan 3 there is \$20,000 equity in the property. Each of the loans has a different equity because they are all in different positions.

Let's talk about a factor called the loan to value ratio. The loan to value ratio is your lien plus any senior liens on the property divided by the total property value.

The protective equity on a property, or gross equity cushion, and the loan to value ratio are what you look at to see how secure a particular loan is. Protective equity is equal to the property value minus your loan plus any senior loans.

What about the protective equity, or a gross equity cushion, for all three loans on that property? Obviously each of these loans has a different range of security doesn't it?



If you were the owner of the first loan of \$50,000 and the property is worth \$100,000 how much equity cushion and/or protective equity would you have for that loan? \$50,000. You take \$100,000 minus the \$50,000 of your loan and that leave \$50,000. Now let's take a look at the loan to value ratio for loan 1. \$50,000 loan divided by \$100,000 value gives us 50% loan to value ratio.

Now on loan 2, which is \$20,000, we have the same \$100,000 property however, this time \$100,000 minus \$70,000 of total loans, yours and the senior loan, leaves a \$30,000 protected equity.

When we take \$70,000 total loan, that's your loan plus the senior, divided by \$100,000 property value you see the loan to value ratio went up to 70%. So loan 2 isn't quite as secure as loan 1.

Further, let's look at loan 3. Again starting with the \$100,000 property value we find that your loan, in this case loan 3 plus the two senior loans adds up to a total of \$80,000. \$100,000 minus \$80,000 means \$20,000 protective equity. \$80,000 total loan divided by the \$100,000 property gives an 80% loan to value ratio, which is even higher and not as safe.

Now when you go to a bank or other institutional lender, they consider 80% loan to value ratio as about as high as they want to go. Anything beyond that may be considered too risky. You are going to decide in your dealings what kind of a loan to value ratio you are happy with and what kind of a protective equity you feel comfortable with. I recommend in the beginning not to go above 80% Loan to Value or LTV. But here's another consideration – something called Investment To Value.

Investment to Value is simply all the loans on the property plus your investment divided by the value of the property. So, let's take the above example of \$100,000.00 property. You have a \$50,000.00 1st loan along with a \$20,000.00 second + your investment. Let's say you purchased the \$10,000.00 third for \$5000.00. Your investment to value is 75%. You have the 50,000 1<sup>st</sup>, the \$20,000.00 second and your investment at \$5000.00 which totals \$75,000.00. Divide \$75,000.00 into \$100,000.00 and you get an investment to value ratio of 75%.

Even though you have a high loan to value ratio, you can still reduce your risk when you look at your investment to value ratio. The higher the loan to value or investment to value the more risk you take on because you have less protective equity. The lower loan to value ratio the better for the person holding the note and the more money you will make to refer the note.

Now in our example, with all things being equal, all three of these loans are probably pretty well secured. Loan 1 is most secure, loan 2 a little less and loan 3 even a little less. But, they are all probably within the range of safety.

Remember, any of these liens can foreclose. The first to foreclose is in the driver's seat. They will have the edge, in terms of controlling the foreclosure. If the property owner is in default on the first, second or third, they are in default on all the loans, called "cross defaulting".

What kind of document do we record to protect our interest on the note? That's right a Request For Notice Of Default. You get the sample forms for the Request For Notice Of Default from you title

insurance company, your attorney or stationary store. Recording is your proof that you requested notice. Be sure that your mailing address is correct and file a new request for notice if your mailing address changes. They are only going to mail to the address that you put on the request. Also communicate directly with other lien holders to make sure that in the event that there is ever a default on their lien, they call you up, to catch them up, and you foreclose. In the back of the manual I have a letter you can send directly to the senior lien holders.

Also, many people are confused about whether a holder of a third note can foreclose if they don't get their payments? Most have heard, "If the holder of the first files foreclosure they get paid off in full and all the rest of the loans are wiped out".

Maybe you've heard that one also. That's not exactly true. You see you can foreclose whether you have a first, second, third or even maybe a seventh lien on the property. You have the right to foreclosure to protect your interest. It gets a little more complicated the further down the chain you happen to be, but you definitely have the right to foreclose. That's why you have the trust deed or mortgage in the first place. When you know what you are doing and do it as outlined in **Winning In The Cash Flow Business** you will foreclose and you either get paid off in full at the foreclosure auction or you'll get the property with a substantial equity in it. You'll always win

What about the due on sale clauses on the senior liens? Let's say that you hold the third and the first and second loans have due on sale clauses and then you end up foreclosing. First of all however, if the first were an FHA or VA loan or a private party loan there is a good chance that it might not have a due on sale clause so that's the very first thing that you do, check. That's one way that it could go, so there wouldn't be any problem in taking over the property in that case when you foreclose on your third.

Otherwise, let's say that the first is a federal lender and somebody who can enforce a "due on sale clause" and you think that you might have a problem there if you get the property back at the sale by foreclosing on your third. You feel that they might say, "Well, this was a sale of the property and you are going to have to renegotiate the loan with them." Well, you probably won't have to. Because foreclosing on a property is generally all right in terms of getting around the due on sale clause. This is a good way to get a property without having to qualify for it.

### Summary Of Key Points

Remember protective equity is the main factor in determining the security of a note. You can measure your protective equity by the Loan to Value ratio, which is your gross equity cushion. This is how much equity there is beyond your loan when it's added to all the senior loans. If there is a first and a second and you have a second, you add the first and second loan together then subtract that total from the value of the property. This number is your protective equity or gross equity cushion.

Another thing to keep in mind is that senior liens are generally more secure than junior liens. Also, a senior lien holder always has the same amount of protective equity regardless of how many junior liens are stacked below it.

This is something people have many questions about. They ask that if they own a property and it has a \$50,000 loan – can they put a \$20,000 second on it without asking the holder of the first? What do you think? Do you need to ask them for permission? No! And the reason you don't have to ask is because, you could put a second, third, fourth, fifth, anything behind that loan and the first lien holder would still have the same exact protective equity and same loan to value ratio. Does this make sense?

If you are a junior lien holder you will file a notice of default or have your escrow company do it for you. You will also send a letter to the senior lender telling them that you'd be happy to make up any late payments if they will inform you (that letter is in the Appendix).

Remember, any lien holder can foreclose. Most people don't know this information that you are learning. I am so excited for you because I know this information will change your life, just like it has done for me.

### **Note Selection Or Rejection Criteria**

Note selection or rejection criteria are very important points to remember. There is a \$20,000 property with a \$10,000 note against it, that you are considering buying. It is in first position, so how do you feel about that? Is it a good note? I forgot to tell you something: The property is barren land, it has no water and it's 100 miles from civilization. Now, it doesn't sound so interesting does it? The point of this story is, never take a note unless you wouldn't mind owning the security subject to any existing senior liens on the property. So, unless you want to take over the property and the loans on that property don't ever consider buying the note. Don't buy a note on a property unless you wouldn't mind owning it.

Always do your homework and check out all the notes that you are considering and you'll always win. Don't skip any steps, no matter how confident you get. Also, if you are going to refer the note for a quick cash profit of \$2000 to \$5,000 it's good to know this information. Why? Well let's say you didn't know any of this information, you'd probably only receive \$2000 for the same amount of work that you could have received \$5000 for. You could be spending your valuable time putting the deal together only to find out later that you've wasted your time! Knowing this information just saved you at least 5 hours of work and made you an extra \$3000.

### **The Order Of Business For Note Purchase**

As you will notice, I've enclosed "The Order of Business for a Note Purchase". This is the exact order in which you should process your note purchase. For your convenience, the Appendix contains a complete listing of all the documents mentioned on the following pages. It also contains other letters, forms and checklists, which will help you manage your business.

## **Order Of Business For Note Purchase**

The following is the order in which to facilitate a note purchase along with the Corresponding documents.

1. Receive Copies of Documents
2. Make Database (see document: Note Record – Everything You Need To Know About This Note)
3. Order 104.1 Endorsement and Get Verbal of Clear Title 4 (see document: Order For 104.1 Title Policy Endorsement)
4. Check To See Senior Loan is Current
5. Order Drive-By Appraisal
6. Photo of Property
7. Escrow Instructions Document
  7. a. Prepare documents:
    - Bill of Sale, 2 x copies (see document: Bill of Sale)
    - Seller Memo if not meeting Seller (see document: Trust Deed Sale Papers)
    - Note Seller's Offset Statement, 2 x copies (see document: Note Sellers Offset Statement)
    - Pay Me Now Letter, 2 x copies (see document: Transfer of Loan to New Payee)
    - Note Payor's Offset Statement, 2 x copies
    - Assignment, Deed Of Trust
    - Elonge attaches to Note which endorses it, (see document: Assignment of Note)
10. Express mail documents to Seller and include return express envelope
11. Receive back signed documents and originals
12. Express mail to Title Company: Assignment, Title Doc. (see document: Order For 104.1 Title Policy Endorsement), and fees

13. Express mail to Payor;

- Transfer of Loan to New Payee Letter
- Assignment of Note Document
- Request for Insurance Information Document
- Request for Social Security Number (see Document: Request for Tax Form 1098)
- Payment Labels and Letter (see Document: Loan Payment Mailing Labels)
- Return Envelope for Receiving Back The Above
- Certification to Receive Customer Information Letter

14. Letter to Senior Lender (see Document: Hello To Senior) and copy of Assignment

15. Hazard Insurance Policy Endorsement Document (see Document: Request for Insurance Information) and copy of Assignment to Payor.

16. Submission of Documents for Recording Letter to County Recorder Office

## Bill Of Sale

**Seller's First & Last Name** (Note Seller(s)) herein transfer(s), sell(s), assign(s) and convey(s) all monies due and to become due, with interest and all rights to accrue under the note and trust deed in the original amount of **\$Face Value of Note** secured by **Property Street, Property City, State & Zip Code** and dated \_\_\_\_\_ and recorded \_\_\_\_\_ to **Your Name Here**.

AS AN INVESTMENT

for the following consideration: **\$Amount Buying the Note For**

The current note balance as of **Purchase Date** is **\$Note Balance**.

The **Month & Spelled Out Date, 20\_\_** payment shall go to **Your Name Here**.

Executed **Purchase Date** at **City, State Where Executed**.

---

**Seller's First & Last Name**

**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

**Purchase Date**

**Note Seller's Name**

Street Address

City, State & Zip Code

Telephone #

TRUST DEED SALE PAPERS

Dear **Note Seller's First Name**:

I am enclosing the following items for you to sign and return regarding the sale of your trust deed:

- 1) Assignment of Deed of Trust and Request for Special Notice (Long beige form)  
This form must be signed by all note owners and signed by a notary.
- 2) Note Seller's Offset Statement
- 3) Bill of sale
- 4) Payment transfer letter

Please sign all of the above forms and return to me with the original note and the original trust deed. Sign the original note on the back.

Please include your check for \$\_\_\_\_\_ payable to **Title Company** for the title work.

As soon as these documents are received and the Title Company processes the transfer, I will mail your cashier's check by Federal Express.

Yours,

**Your Name Here**

Street Address  
City, State & Zip Code  
Telephone #

**and**

**Your Name Here**

Street Address  
City, State & Zip Code

**Purchase Date**

**Note Payor's Name**

Street Address  
City, State & Zip Code  
Telephone #

NOTICE OF TRANSFER OF LOAN AND NEW PAYEE

Dear **Note Payor's First Name**:

This letter is to inform you that the \$ Face Value second trust deed loan on your property located at **Property Street Address, City, State & Zip Code** has been transferred to a new owner: **Your Name Here**.

A copy of the legal document confirming this transfer is attached herewith.

The only change that affects you is that you no longer send your payments to **Note Seller's First & Last Name**.

Starting on **Purchase Date**, mail your payments to:

**Your Name Here**

Street Address

City, State & Zip Code

Refer to our Loan Number: \_\_\_\_\_

If you have any questions or need to contact us, please call **Your Name Here**, Loan Supervisor, at **Your Telephone #**.

Yours,

**Your Name Here**, Loan Supervisor



## Assignment Of Trust Deed

FOR VALUE RECEIVED, the undersigned grants, assigns and transfers to  (Your name) \_\_\_\_\_ all of its beneficial interest under that certain Deed of Trust dated  Date \_\_\_\_\_, executed by  (Buyers of the Property) \_\_\_\_\_, as Trustor to  (Title Company as Stated in Trust Deed) \_\_\_\_\_, as Trustee, and recorded as instrument No.  (see trust deed) \_\_\_\_\_ in Book  (see trust deed) \_\_\_\_\_, Page  (see trust deed) \_\_\_\_\_, of the official record in the County Recorder's Office of  (County of Property) \_\_\_\_\_ County,  (County of Property) \_\_\_\_\_, together with note or notes therein described or referred to therein, the moneys due or to become due thereon with interest provided, and all rights accrued or to accrue under such Deed of Trust.

In Witness Whereof, I have set my hand and seal hereto this \_\_\_\_\_, day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Seller

State of \_\_\_\_\_)

)ss

County of \_\_\_\_\_)

I, the undersigned, a Notary Public in and for the County and State aforesaid, do hereby certify that \_\_\_\_\_, whose name is signed to the foregoing, appeared before me this \_\_\_\_\_, day of \_\_\_\_\_, \_\_\_\_\_, and acknowledged that the foregoing is their true act and deed.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Commission Expiration

## Assignment

FOR VALUE RECEIVED, THE UNDERSIGNED HEREBY GRANTS, ASSIGNS AND TRANSFERS THIS NOTE AND ALL MONEY DUE AND TO BECOME DUE THEREON WITH INTEREST, AND ALL RIGHTS TO ACCRUE UNDER SAID NOTE AND DEED OF TRUST TO:

\_\_\_\_\_ Name

\_\_\_\_\_ Date

This is good to place on the back of the trust deed or mortgage and on the note. I had this made into a rubber stamp to easily accomplish this task.

**Your Name Here**  
Street Address  
City, State & Zip Code  
Telephone #  
**Purchase Date**

**Title Company Name**  
Street Address  
City, State & Zip Code  
Telephone #

ORDER FOR 104.1 TITLE POLICY ENDORSEMENT

Policy Number: \_\_\_\_\_

Order Number: \_\_\_\_\_

Subject Property: **Property Street, City, State & Zip Code**

Per our conversation **Purchase Date**, your company is prepared to issue a 104.1 endorsement to the above policy showing that **Your Name Here** is the new owner of the \$ Face Value second trust deed on the above referenced property and that no previous assignment nor reconveyance has been made.

We also understand that your records show no existing defaults or bankruptcies.

Please record the enclosed assignment immediately and mail the endorsement to:

**Your Name Here**  
Street Address  
City, State & Zip Code

A check for policy and recording fees is enclosed.

Yours,

**Your Name Here**, Loan Supervisor

**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

**Purchase Date**

**Note Payor's Name**

Street Address

City, State & Zip Code

Telephone #

Loan Number: \_\_\_\_\_

REQUEST FOR INSURANCE INFORMATION

Dear **Note Payor's First Name**:

As the holder of the second trust deed loan on your property located at **Property Address, City, State & Zip Code**, it is required that I/we be named as additional insured on the fire and any other insurance policies on your property.

This feature doesn't cost you anything extra. There is some paperwork to handle, however. I will do that for you as soon as you give me the following information:

Insurance Company: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

City

State

Zip

Phone Number: (    ) \_\_\_\_\_

Agent's Name: \_\_\_\_\_

Policy Number: \_\_\_\_\_

Please fill in the above details and mail to: **Your Name Here, Address, City, State & Zip Code.**

I will handle any necessary paperwork directly with your insurance company. If you have any questions, please call me at **Your Telephone #.**

Yours,

**Your Name Here**, Loan Supervisor

**Your Name Here**  
Street Address  
City, State & Zip Code  
Telephone #  
**Purchase Date**

**Note Payor's Name**  
Street Address  
City, State & Zip Code  
Telephone #

Regarding: **Your Name Here**

Loan # \_\_\_\_\_

REQUEST FOR INFORMATION

Dear **Note Payor's First Name**:

According to IRS Regulations, we may need to give you a **Form 1098: Mortgage Interest Statement** regarding the interest you have paid on our loan during each calendar year.

This statement will help you in preparing your income tax returns.

In order for us to prepare this interest statement, we must have your Taxpayer Identification Number (Social Security Number).

Please write your I.D. Number(s) below and forward to us right away or call and leave a message at **Your Telephone #**.

Name \_\_\_\_\_ I.D.# \_\_\_\_\_

Spouse/Partner Name \_\_\_\_\_ I.D.# \_\_\_\_\_

Also, please furnish the information for the items checked below:

\_\_\_\_ Daytime Phone #: (\_\_\_\_) \_\_\_\_\_

\_\_\_\_ Home Phone #: (\_\_\_\_) \_\_\_\_\_

\_\_\_\_ Your loan number for your loan with **Holder of First Note** \_\_\_\_\_

Thank you,

**Your Name Here**, Loan Supervisor

**Your Name Here**  
Street Address  
City, State & Zip Code  
Telephone #  
**Purchase Date**

**I have found it helpful to send labels to the Payor to insure payment. You may want to consider doing this technique as well.**

**Note Payor's Name**  
Street Address  
City, State & Zip Code

Loan # \_\_\_\_\_

Secured By: **Property Address, City, State & Zip Code**

LOAN PAYMENT MAILING LABELS

Dear **Note Payor's First Name**:

I am enclosing two sets of mailing labels for your use in mailing your loan payments:

- 1) Your Return Address Label, and
- 2) Our Mailing Address Label.

Please use both a return label with your name plus a mailing label with my name and address on your mailing envelope each month.

This should make it easier to keep track of your payments. You might even wish to label 12 envelopes at once and mark one for each month, January through December.

Then simply write a check for \$ \_\_\_\_\_ (or more if you wish to save on interest and total payments) payable to **Your Name Here** and mail on or before the **Day Spelled Out** of each month.

For payments mailed after the **Late Payment Date**, add a late charge of \$ \_\_\_\_\_.

Let me know when you run out of labels and I will send you a new supply.

If you have any questions, please call me at **Your Telephone #**.

Yours,

**Your Name Here**, Loan Supervisor

P.S. Please note that it is mandatory that you also pay on the first loan on your property in favor of **Holder of First Note**. Failure to do so is a default on our loan as well.

## Certificate Of Authority To Receive Customer Information

Loan Number: \_\_\_\_\_ Borrower Name: \_\_\_\_\_

PLEASE CHECK EITHER PART A OR PART B, WHICHEVER IS APPLICABLE AND COMPLETE PART C. ATTACH A COPY OF THE DOCUMENTS IDENTIFIED IN PART A OR PART B.

Part A. Duly Authorized Agent

I am a duly authorized agent of the Borrower. My status as an agent is confirmed by either the signature of the Borrower appearing below, or by a copy of the documents attached to this Certification.

\_\_\_\_\_  
Borrower's Signature/Date (only one signature required)

Part B. Persons as to Whom the Customer has Affirmatively Authorized Disclosure of the Information.

I have been authorized by the Borrower to receive the requested information. I am attaching a copy of the Borrower's written authorization for disclosure of this information to me.

Part C. Confidentiality Agreement

I agree that I will keep the information received confidential, and that I will limit my use of the information to:

\_\_\_\_\_ (payoff) \_\_\_\_\_ other (explain) \_\_\_\_\_

I further agree to refrain from disclosing the information to third parties, except as required by law or as permitted by the rules of the OTS.

\_\_\_\_\_ Name of Company/Person

\_\_\_\_\_ Signature of Authorized Person

\_\_\_\_\_ Date

**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

**Purchase Date**

**Lender Name**

Street Address

City, State & Zip Code

Attn: Loan Servicing and Collections Department

Telephone #

Re: Your Loan # \_\_\_\_\_

Payor: **Note Payor's First & Last Name**

Property Address: **Property Street, City, State & Zip Code**

REQUEST FOR NOTICE OF OVERDUE PAYMENTS

Please be advised that **Your Name Here** is the new owner of the second trust deed and note behind your first loan on the above-referenced property.

Therefore, I/we have a common interest with you in seeing that all payments on this property are made in a timely manner. We feel that our second loan actually enhances the safety and security of your first loan, since now two parties want to protect their equity (the property owner and our company).

We believe in a policy of cooperation amongst fellow lenders and we're sure that your company doesn't want any more foreclosures on its books than are absolutely necessary.

Therefore, we request that you notify us immediately in the event of any overdue payments on your loan. With that information, we can take prompt action to remedy the situation before it gets out of hand. WE USUALLY SEND YOU THE DELINQUENT PAYMENTS AND LATE CHARGES TO IMMEDIATELY CURE THE DELINQUENCY. This can be better for the public relations of your company as well as saving you time and money.

Please file this letter where it will be sure to be found in the event the property owner misses any payments on your loan. Please call me immediately at **Your Telephone #** in the event of any problems or questions.

Yours,

**Your Name Here**, Loan Supervisor

Enclosure: Copy of assignment document or title policy showing our interest in said trust deed

P.S. Please notify me in the event you sell this loan to another lender.



**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

**Purchase Date**

**Insurance Company Name**

Address

City, State & Zip Code

Attn:

Telephone #

Regarding Your Policy Number: \_\_\_\_\_

Insured: **Note Payor's First & Last Name**

Property Address: **Street, City, State & Zip Code**

REQUEST FOR INSURANCE POLICY ENDORSEMENT

Please change the coverage for additional loss payee (second lien holder) from **Note Seller's First & Last Name** to:

**Your Name Here**

Street

City, State & Zip Code

Loan # \_\_\_\_\_

That is the new owner of the second trust deed on the property located at **Property Street, City, State & Zip Code**.

You may refer any questions regarding this transfer to **Your Name Here** at **Telephone #**.

Thank you,

Your Name, Loan Supervisor

**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

Date

**County (Where Property is Located) Recorder's Office**

Street Address

City, State & Zip Code

Telephone #

SUBMISSION OF DOCUMENT(S) FOR RECORDING

To Whom It May Concern:

I am enclosing the following documents for recording: SUBSTITUTION OF TRUSTEE AND FULL RECONVEYANCE.

Enclosed is my check for \$ \_\_\_\_\_, representing \$ \_\_\_\_ per page.

Yours,

**Your Name Here**, Loan Supervisor

## Note Purchase Checklist

1. Be sure the senior loans & taxes are current before closing!
2. What To Take To Title Company At Closing:
  - Original Assignment And Request For:
    - Notice
    - Cashier's Check
    - Bill Of Sale
    - Hazard Insurance Letter
    - Note Seller's Offset Statement
  - Pay Me Now Letter (see document: Transfer of Loan to New Payee)
  - Request For 104.1 Endorsement
3. What Note Seller Brings
  - Original Note
  - Original Trust Deed
  - Original Title Policy
  - Escrow Papers Note Created In
  - Hazard Insurance Papers
  - Loan Payment Book (If Available)
  - Checkbook For 104.1 Fee
4. What You Get
  - Original Note
  - Original Trust Deed
  - Loan Payment Book
  - Hazard Insurance Papers
  - Original Title Policy
  - Escrow Instructions/
  - Escrow Closing Statement
  - 10 Copies Of Assignment
  - Seller's Offset Statement
  - Bill Of Sale
5. Title Company Gets
  - Original Assignment
  - Request For 104.1
  - Check For 104.1
6. Note Seller Gets
  - Copies Of Everything
  - Cashier's Check

7. Items To Follow:

- Next Payment From Property Owner
- 104.1 Endorsement Or New Title Policy
- Hazard Insurance Endorsement
- Original Assignment From Recorder's Office
- Major Headings (Clips In Note Folder)

8. Property

- Photos
- Escrow Papers Note Created In
- Termite Report (Optional)
- Confirmation Of Property Value (Appraisal)

9. Title

- Title Policy
- 104.1 Endorsement
- Profile Optional

10. Note Seller

- Bill Of Sale
- Copy Of Cashier's Check
- Note Seller's Offset Statement

11. Note Facts

- Copy Of Note
- Copy Of Trust Deed
- Copy Of Assignment
- Copy Of Request For Notice Of Default

12. Senior Loans

- Information On Senior Notes
- Senior Hello Letter

13. Property Owner

- Pay Me Now Letter
- Property Owner's Offset Statement (Technically Correct, Can Cause Bypass)
- W-9

14. Hazard Insurance

- Request For Endorsement
- Endorsement

15. Tax Service

- Request For Tax Service
- Return Acknowledgment

16. Collections

- Loan Amortization Schedule
- Old Loan Payment Book
- Collection Letters
- Refi Letter
- Pay More Letters

17. Items To Follow After Purchase

- Acquisition Date:     **Purchase Date**
- Transfer of Loan to New Payee Return Receipt Received: \_\_\_\_\_
- First Loan Payment Due:     **Day Spelled Out**
- Received: \_\_\_\_\_
- 104.1 Title Endorsement: \_\_\_\_\_
- Fire Insurance Endorsement: \_\_\_\_\_
- Original Assignment From Recorder's Office: \_\_\_\_\_
- Refinance Suggestion Letter: \_\_\_\_\_
- Pay More To Reduce Interest Payments Letter: \_\_\_\_\_
- W-9 TIN Received: \_\_\_\_\_
- Other: \_\_\_\_\_

Here are some additional documents for your convenience. There are all the documents necessary to purchase a note. However, if you would like a more complete set to manage your real estate note go to our webs site at: [www.notenetwork.com/helptips](http://www.notenetwork.com/helptips).

**Your Name Here**

Street Address

City, State & Zip Code

Telephone #

Date

**Note Payor's Name**

Street Address

City, State & Zip Code

Telephone #

Regarding: **Your Name Here**

Loan #: \_\_\_\_\_

LOAN REDUCTION OFFER

Dear **Note Payor's First Name**:

Under the terms of the \$ Face Value loan on your property, and according to **Your State** law, you may:

- 1) Pay more than the scheduled monthly payment of \$ \_\_\_\_\_ any months you choose, and;
- 2) Pay off the entire remaining balance without prepayment penalty, anytime you choose.

All such additional payments will go entirely to principal reduction and may greatly reduce the total amount you will pay overall.

Example

A \$10,000 loan at 10% interest for 5 years, with monthly interest payments of \$83.33 would have a balloon payment at the end of 5 years of \$10,083 and total payments of \$15,000. In the event the debtor couldn't come up with the \$10,083 balloon at the end, s/he could lose their home.

Here's what they could do to save money and lessen the balloon:

<u>Monthly Payment</u>	<u>Time Period</u>	<u>Total Payment</u>	<u>Balloon Payment</u>
\$100	5 years	\$14,709	\$8,809
\$125	5 years	\$14,290	\$6,923
\$150	5 years	\$13,838	\$4,988
\$175	5 years	\$13,402	\$3,077
\$200	5 years	\$12,966	\$1,166

(cont'd)

<u>Monthly Payment</u>	<u>Time Period</u>	<u>Total Payment</u>	<u>Balloon Payment</u>
\$212	5 years	\$12,720	None
\$253	4 years	\$12,144	None
\$322	3 years	\$11,592	None
\$461	2 years	\$11,064	None
\$879	1 year	\$10,548	None

These figures show you the kind of savings you may obtain on your loan by increasing your payments by whatever amount makes sense to you. You need no approval to do so. Any time you wish, you may send any additional amount you wish. The lender must reduce your principal balance by that amount and cease to charge interest on the principal so paid.

You may pay extra one month, pay the normal amount another month, and vary by any additional amount any month you wish. Some people look on this additional payment as putting money in savings at the loan interest rate. In the above example, it's like saving at 10%.

#### WHAT TO DO

In order to take advantage of this MORTGAGE REDUCTION OFFER simply decide what extra amount you can afford and send it in with your normal payment next month.

You will receive a receipt showing how much of your payment went to interest and how much went to principal. The following month, interest will only be charged on the new lower principal balance.

Yours,

**Your Name Here**, Loan Supervisor

**Your Name Here**

Street

City, State & Zip Code

Telephone Number

Date

**Prospect's Name**

Prospect's Street

City, State & Zip Code

Telephone Number

TRUST DEED SALES

Dear **Prospect's First Name**:

I'm writing to say hello and to remind you that I purchase trust deeds for cash.

In the event that you have a trust deed for sale, or one of your friends or clients needs to sell a trust deed they own, please give me a call at **Your Telephone Number**.

I buy both existing Seller carry back trust deeds and new trust deeds being created in the sale of property straight out of escrow.

Since I am a private party acting as principal, I can give your transaction personal attention.

Feel free to give my name and phone number to any of your associates that need to sell a trust deed also.

Yours,

Your Name Here



## **Foreclosure Policy**

### **Default On *Our Loan Only* (Senior is O.K.):**

1. Late Payment Notice: 1 Day Late
2. Phone Call: 10 days late “grace period”
3. Foreclosure Warning Letter: 15 days late
4. File Notice Of Default (NOD): 30 days late

### **Default On Senior Only Or Default On Senior *And* Our Loan**

1. Phone Call To Senior Loan Holder immediately upon discovery (What’s going on?, What it takes to cure?, When they plan to foreclose?)
2. Reinstate Senior Loan if necessary
3. a) Phone Call To Payor (What’s going on? Demand for immediate payment with cashier’s check by Express Mail in my P.O. Box my noon on third business day)  
  
b) Prepare Foreclosure Papers, Forward To Trustee  
  
c) Federal Express Foreclosure Warning Letter to Payor with noon third business day deadline for cashier’s check in my post office box.
4. Call Trustee With Instructions To Proceed/Cancel Foreclosure after noon of third business day

### **Cardinal Rules For Handling Delinquencies**

- Don’t let senior lenders start foreclosure before you do
- Don’t delay starting your foreclosure for excuses or broken promises. The foreclosure period gives the Payor the legal time period to handle their problems.
- Don’t give concessions without getting something in return.

## Foreclosure Possibilities

- Owner Gives Deed In Lieu
  - We Receive Property Subject To First Loan
  - We Dispose Of Note
  - We Foreclose On Note
  - Owner Reinstates Loan, Continues Paying
  - Owner Refinances Property, Pays Off Loan
  - Property Goes To Sale
  - We Get Paid Off
  - We Get Property & Live In Property
  - Rent Property For \$\_\_\_\_\_
  - Resell Property — Price: \$\_\_\_\_\_
- Sale Costs: \$\_\_\_\_\_
- Net Sale Proceeds: \$\_\_\_\_\_

## Foreclosure Plan

Borrower: **Note Payor's First & Last Name**

Property Address: **Property Street, City, State & Zip Code**

Phone: **Note Payor's Phone #**

Loan # \_\_\_\_\_

### Facts

Delinquency Discovered: \_\_\_\_\_

Our Basis in Note: \$ \_\_\_\_\_

Minus Payments Received: \$ \_\_\_\_\_

Plus Advances to Senior: \$ \_\_\_\_\_

Plus Current Delinquencies on Senior: \$ \_\_\_\_\_

Net Investment in Note: \$ \_\_\_\_\_

Equity In Property: \$ \_\_\_\_\_

Foreclosure Warning Letter To Payor: \_\_\_\_\_

Foreclosure Papers Mailed To Trustee: \_\_\_\_\_

Notice Of Default Date: \_\_\_\_\_

File #: \_\_\_\_\_ Computer Ref #: \_\_\_\_\_

Three Month Date: \_\_\_\_\_ Trustee's Sale Date: \_\_\_\_\_

Our Loan Status: \_\_\_\_\_ Balance prior to advances: \_\_\_\_\_

Interest Paid To: \_\_\_\_\_ Interest Rate: \_\_\_\_\_%

Late Charge: \$ \_\_\_\_\_ Refused Payments: \_\_\_\_\_

**Senior Loan Information:**

Senior Loan Status: \_\_\_\_\_

Senior Loan Face: \$ \_\_\_\_\_

Senior Lender Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, State & Zip Code: \_\_\_\_\_

Attn: \_\_\_\_\_

Phone: \_\_\_\_\_

Senior Loan #: \_\_\_\_\_

Payment Due Date: \_\_\_\_\_ Payment Amount: \$ \_\_\_\_\_

Late Charges: \$ \_\_\_\_\_ Payment Late Date: \_\_\_\_\_

Total Payment (With Late Charge): \$ \_\_\_\_\_

**Delinquent Payments**

Amount	For	Amount Advanced	Date
\$ _____			
\$ _____			
\$ _____			

**Results**

Reinstated Date: \_\_\_\_\_ Proceeds: \_\_\_\_\_

Payoff Date: \_\_\_\_\_ Proceeds: \_\_\_\_\_

Deed Received Date: \_\_\_\_\_

Other: \_\_\_\_\_

## Foreclosure Forms

- Reminder Of Payment Due
- Reminder Of Balloon Due (#1 & #2)
- Bounced Check — Demand For Replacement Of Bad Check
- Foreclosure Warning — Our Loan
- Foreclosure Warning — Senior Loan
- Foreclosure Warning — Our Balloon
- Foreclosure Warning — Hazard Insurance
- Notice To Pay Hazard Insurance Bill
- Hazard Insurance — Advance
- Request For Reimbursement of Hazard Insurance Advance
- Advance To Senior Lender #1
- Advance To Senior Lender #2
- Loan Plus Amortization Schedule For All Payments To Date Including Our Advances
- Default Preparation Request (to Trustee To Start Foreclosure)Foreclosure Notice And   
How To Get Out (To Property Owner)
- Foreclosure — Notice of Refused Payment (From Property Owner After Foreclosure  
Has Begun)

Your Name Here  
Street Address  
City State Zip

Phone Number

Date  
Note Payor's Name  
City, State & Zip Code  
Telephone #

Re: \$Face Value of Note Second Trust Deed Loan secured by Payor's Address, Payor's City, Payor's State, Payor's Zip Code. Our Loan #: \_\_\_\_\_.

### NOTICE OF BALLOON PAYMENT DUE

Dear Payor's First Name:

You are being notified that on date balloon payment due, the final payment for the remaining principal balance on your loan will be due. Payment in full must be received by that date and there is no grace period.

In the event payment is not received by that date, foreclosure will be initiated immediately. Provided that all normal payments have been made as of date balloon payment due, the amount of the final payment will be approximately: \$\_\_\_\_\_.

This payment should be made in the form of a Cashier's Check payable to: **Your Name Here**. The payment should be sent by U.S. Postal Service Express Mail to:

Your Address Here

Please contact me prior to sending your Cashier's Check so that we may verify the exact amount due.

If you have any further questions, please call me at Your Phone Number Here.

Yours,

Your Name Here, Loan Supervisor

# Appendix

**Court House Leads**

Today's Date: \_\_\_\_\_

Document number: \_\_\_\_\_

**You Want The Person Receiving The Payments – The Mortgagee's  
Information**

(This is the person you will mail or call.)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

**The Person Making The Payments – The Payor's Information**

(In the event you'd like to refer to this information when talking to the note Seller.)

Name: \_\_\_\_\_

Address: \_\_\_\_\_



## **Telephone Scripts**

In this section of the course, I have provided you with several highly effective scripts that will be applicable to any situation you encounter. Please read through them and get familiar and comfortable with them. Also, feel free to mix and match the scripts to whatever feels comfortable for you. In addition, you will find many more telephone tips and tricks on our web site. Go to the web site [www.notenetwork.com](http://www.notenetwork.com) - and then click on the “how to reports” link.

## **SCRIPT: Getting Information on a Note for Sale**

Hello, I'm calling about the Trust Deed (Mortgage, Land Contract) for sale.

Have you sold it yet?

In order for me to decide whether I might be interested in your note, I'll need to get some information. May I ask you a few questions?

What is the property address?

What is the note secured by? (Type of Property)

What is the property worth?

How was that value established? By sale or by appraisal?

Do the Buyers live there?

What was the date of the sale (appraisal)?

Is your note a first or second (what position is it in)?

What is the principal balance on the first loan?

Who is the lender on the first?

What is the interest rate on the first?

What are the monthly payments on the first?

What is the due date on the first?

Is the first a FHA or VA loan?

Repeat questions for all senior loans.

What was the original face amount of your note?

What was the date of your note (when it started)?

What is the interest rate?

What are the monthly payments?

What is the due date (when the note ends)?

Is there a balloon payment at the end?

How much is the balloon payment?

SCRIPT: Getting Information on a Note for Sale (Continued)

Are all the payments paid up to date?

What is the loan balance right now?

What is the last payment that has been made (month)?

What is the person who owes the money like?

What does he do for a living?

Why are you selling the note?

When do you need to sell by?

How much are you asking for the note?

**Be sure to ask other questions that came up from the above questioning,**

Such as: What clauses does the note have? Have you had any offers? Why didn't you take that offer?, etc.

If they don't have certain items of information, ask them to get them for you. Also, ask when they can have that information ready for you.

Mr. Note Seller, I'll need a little time to digest this information to determine whether I'd be interested in this note or not. I have to be sure I'm not taking too many chances. I'll call you back in a little while to discuss it further.

(At your leisure, fill out the rest of the paper analysis worksheet and list it on America's Note Network).

Issues to consider: Total loans/protective equity/Loan To Value Ratio (80% Or Less)? Is it a property you wouldn't mind owning? Could you handle the underlying loans if you foreclosed? How do the plus and minus features balance out?

Plus features: Single family residence, owner occupied, low loan to value ratio, desirable first loan (assumable, low interest, low payments), property owner has good payment record and good likelihood of continuing that way, size of note is \$20,000 or less (easier to resell at profit), high interest, high

payments, short-term due date, motivated note Seller, possibility of renegotiating note terms for higher monthly payments by property owner, possibility of foreclosing and making even more money, large discount from note Seller.

**SCRIPT: Getting Information on a Note for Sale (Continued)**

Minus features: Secured by a property you wouldn't want to own, high Loan To Value Ratio, high interest, high payment first loan, delinquent with a large amount of money owed on back payments on first and second, size of note would make it hard to resell, bad personality of property owner or note Seller, note has low or no interest, no or low payments, long-term due date, note Seller not motivated or wants unrealistically small discount.

**(Decide whether you'd care to pursue this note or not)**

**Points To Remember:**

The note Seller doesn't know that you are new.

Whether you have money or not – it doesn't matter at this time.

Don't be overly enthusiastic – be a don't wanter

## **SCRIPT: Calls on Postcards You Sent to Note Holders**

Always send yourself a postcard whenever you do a mailing. By doing this, you can experience receiving one of your postcards.

Strategy:

You mail out about 100 postcards at a time.

Then the calls start coming in, often out of curiosity.

At first, let your answering machine take the calls and ask the callers to leave their names and telephone numbers.

You return the calls when you are ready and organized (have your paper analysis worksheets handy).

As you return the calls, run through the questions provided in Script #2.

### **Remember:**

Some people are calling out of curiosity.

Out of town or even out of state owners can be the most fun.

Front:

Your Name	First
Street	Class
City, State, Zip	Stamp
<b>Note Holder's Name</b>	

I have been trying to contact you about the trust deed you own.

Please call me at 1-303-499-7064

Thank you, Russ Dalbey

Note: A computer-generated mailing label is okay, but the more personalized you can make it the better.

I have been trying to contact you about trust Deeds & Mortgages –

I have a free report on getting the most on your note – It's a \$29, value Free!

Call 1-303-499-7064

and we'll rush it right out to you!

Thank you, Russ Dalbey

The above example is something you can send professionals and Note Holders to get deals. You can use your own variation on the concept and I deal above. I always like a “direct response”, which means to get the person that you are sending the post card to – to actually do something. Give a way a free report or a newsletter or some article that you create. This example is to get you thinking!

## **SCRIPT: Handling Calls on Postcards You Sent to Note Owners**

You: Mr. (Note Holder Name), this is (Your Name) returning your call. I'm the one who sent you the postcard in the mail. Do you still own your trust deed (mortgage, land contract)?

Note Holder: How did you know about my trust deed?

You: Oh, that! I was just browsing around the county recorder's office (courthouse, registry of deeds, etc.) the other day and I saw it in the public records. They are all public information, you know. No big deal.

Note Holder: Oh, I see. What do you want with my trust deed?

You: I am a private party trust deed investor, and I sometimes buy trust deeds like yours. So far, I don't even have enough information to know whether I'd be interested in buying your trust deeds or not, but I thought at least we could chat and see whether we might work out something that suits is both well.

Did you originally plan to get a trust deed when you sold your house or was that sort of an accident? Did the Buyer make you an offer you couldn't refuse?

Note Holder: I guess you could say, they made us an offer we couldn't refuse.

You: Are the people who bought your old home making the payments as agreed every month?

Note Holder: Yes, but that's not enough to suit me.

You: I understand. Let me explain what we might do. First I'll need to get the facts about your trust deed to find out whether I'd care to by it.

Then, in the event it meets my requirements of safety and so forth, we can discuss a cash offer.

Should we agree on that? You could have quite a large sum of cash in about 3 weeks and I'll hold on to the trust deed and collect the remaining payments as they trickle in.

You: Do you have your note and trust deed handy so you can give me some rough information about them?

Note Holder: No, but I can remember most of it now and get the rest later if you need it.

You: (Ask the questions on the paper analysis worksheet, see SCRIPT #1)

Mr. Note Holder, I'll need a little time to digest this information to determine whether I'd be interested in this note or not. I need to be sure that I'm not taking too many chances. I'll call you back in a little while, probably tomorrow to discuss this further.

Note Holder: O.K., I'll talk to you tomorrow.

You: Mr. Note Holder, based on what you've told me, here is my analysis of your note: 1) It doesn't necessarily have the terms I would have wanted, but it did help you to sell your house, 2) I'm not really sure the property securing the note is worth as much today as when you sold it, so the security for the note could be less than we think, 3) I'm not sure the property owner can come up with that large balloon payment at the end, either.

However, I might be willing to take a chance and buy the note and take those risks off your hands if the price is right. You can imagine how I feel putting up hard cash now and having to wait to get it back over a period of (Term of Note).

Supposing I could give you cash in 3 weeks, that's how long the sale paperwork would take, would that help you (Note Holder's reason for selling from paper analysis worksheet)?

Note Holder: It sure would. How much do you think my note is worth?

You: Considering the risks and all, I could give you \$6,000 cash in 2 weeks. (Stop talking)

Note Holder: But my real estate agent said it would be worth \$8,000.

You: I can believe they said that, but will your real estate agent buy the note for \$8,000?

Note Holder: No, they won't buy it at all, I don't think they have the money and they are too busy trying to list and sell properties.

You: Well, I guess the answer is obvious. I could send you a letter stating my purchase price and the paperwork I'd need to purchase your note. Should I go ahead and send that to you?

Note Holder: Okay, what do you need from me.

You: (Tell him the information needed from the "Information Request Form" so he can have it ready for Federal Express the next day).

### **Miscellaneous Questions:**

Note Holder: Do you have the cash right now?

You: When do you need the cash?

Note Holder: 2 weeks would be nice.

You: O.K., I think that can be arranged provided we can work out the rest of the details.

Note Holder: What discount do you want (what price will you pay?)

You: That depends on the note, as a matter of fact, I need to carefully evaluate the note to see if I'd even consider buying it at all. Not all notes are good and I have to be careful of what I buy. You understand, don't you?

You: Are you the only owner? If not, who else owns the note with you? Are they agreeable to selling?

(Talk to all owners at one time or else risk double negotiations wherein the first negotiator whittles you down and then takes the offer to his partners who then proceed to whittle you down even further.)



## **SCRIPT: Establishing Contact With Real Estate Agents**

You: Hello, this is (**Your Name**). I am a potential client of yours. May I ask you a couple of questions?

Agent: Sure.

You: Do you ever sell a property where the Seller carries back part of the financing?

Agent: Yes.

You: Is it ever necessary to sell that paper in order to help close the deal?

Agent: Yes that happens.

You: Maybe I can help you make more sales. I buy trust deeds on 3-week notice. Next time you or anyone in your office knows of a good trust deed for sale, give me a call. I can help you make your property sale commission easier and faster.

Here's my name and phone number. Please put it in your personal telephone directory under "Trust Deeds."

By the way, what do you think is a fair discount for your Sellers to sell their trust deeds at?

## **SCRIPT: Establishing Contact with Escrow Agents**

You: Hello, this is (**Your Name**). I'm calling about the possibility of closing some escrows through you. I'll bet most of your escrows are for the sale of real estate?

Escrow Officer: Yes.

You: The escrows I may be bringing to you will be for the sale of trust deeds. Can you process this type of Transaction?

Escrow Officer: I'd have to study up on it.

You: That's O.K., I can show you a sample transaction, including the detailed requirements I need, and we can work it out together from there.

By the way, do you have many simultaneous closings (double escrows)?

Escrow Officer: Yes, we close loans and property sales concurrently, and real estate exchanges also involve simultaneous closing.

You: Good.

I'd like to stop by soon and meet you. Would tomorrow morning at 9:00 A.M. be O.K.?

Escrow Officer: I'll put on a fresh pot of coffee.

## **SCRIPT: Establishing Contact with Title Insurance Companies**

You: Hello, this is **(Your Name)**. May I have “Customer Service” please?

Customer Service, this is **(Your Name)** and I’d like to get a property profile (or listing package) on **(Your Residence Address)**.

Customer Service: Fine, we’ll mail that out today.

You: Thanks. I’d also be interested in a tour of your title plant.

Customer Service: Fine, you can come by any time and we’ll be glad to show you around.

You: Thanks. I’ll see you soon.

## **SCRIPT: Establishing Contact with Builders Who May Have Paper to Sell**

You: Hello, is **(Builder's Name)** in?

Mr. Builder, My name is **(Your Name)**. I've been able to help other builders get their hands on cash when they need it, without borrowing. I'd like to show you how this might help you, also.

When you build a project, sometimes you carry part of the financing when you sell it. That paper is nice to hold for the income, but sometimes you could accomplish more if you had a bigger chunk of cash right now, do you know what I mean?

Builder: Sure. I need to balance out my cash flow.

You: Of course. Sometimes I buy paper with hard cash. If that would ever help you, please give me a call. My name is **(Your Name)**. You can reach me at **(Your Number)**. Why don't you put my name and number in your personal telephone directory under "Trust Deeds", so you can find it when you need it.

By the way, do you have any trust deeds that you'd like to cash out right now?

Builder: I've got a couple.

You: Tell me about them (use the paper analysis worksheet and previous scripts).

Also, do you know anyone else that might want to sell some trust deeds at this time? I will keep our personal conversations and transactions confidential, of course.

## **SCRIPT: Following Up with Professionals Once You've Mailed Them**

I encourage you to follow up with the professionals that you sent your postcards, brochures or newsletters to. Just make a quick, simple phone call to them. This can be fun and exciting because you will be developing a relationship with them. That's it! You will not be selling them anything which they will greatly appreciate. This will help them to remember you and you will definitely get any notes that come across their desk in the future.

### **Your follow up call can be as simple as:**

"Hi this is (**Your Name**) and I'm just following up to see if you received my recent newsletter, Update on Real Estate, and to see if you have any questions that I might be able to answer. Do you have any clients I might be able to help at this time?"

Wait for their answer and at the end of the conversation just close with:

"Well, feel free to give me a call if any questions come up, I'd love to be of service, and I'll follow up next quarter to see if any questions may have come up."

Isn't that simple?

This closing will let them know that you're interested in establishing a relationship with them, this will peak their interest and create a desire in them to keep their ears and eyes open for opportunities for both of you.

It's very important to understand that as you do this, you are building your pipeline and you will be guaranteed, in the future, to have professionals calling you with their clients' notes that need liquidating. You will be setting yourself up with a business in which all you'll need to do is be available to answer your phone calls. This is the real key to building your business. Just implement these simple steps and you will be changing your life forever.

This is your chance to author your own life! It makes me very happy to support you all the way through this process; to watch you realize your dreams of being your own boss, being able to pay your bills and have time to yourself. You should be able to take those vacations whenever you want and still set yourself up for a comfortable retirement. This is what brings me satisfaction. My staff and I will be here to support you all the way!

### **End of Scripts**

I have given you many ways in which you can contact people to make deals. I've also shown you how you can use your answering machine to get the names and phone numbers of Note Holders who will be calling you. You will see just how easy it is to have a consistent supply of real estate notes coming across your desk. It will take some work and it will take some time, but after 60 to 90 days you will have a pipeline filled with deals.

## A Blueprint for Your Note Business

I find that people often get so excited about the incredible opportunities available to them through the discounted note business, that they often neglect to first sit down and define their marketing plan which will shape their business. In fact only 5% of business owners in the U.S. actually sit down and closely analyze their business philosophy and style. Isn't that remarkable? That's probably the reason so many businesses fail.

As a small business owner, you need to assess how you will work the business, how you will find customers and how you will interact with these customers to help meet their needs as well as your own. Remember, gaining referrals through your target market is your number one goal!

Every business could use a careful evaluation from time to time. In order to help facilitate this evaluation process, I have included "Steps to Success: A Blueprint for Your Note Business". It provides the tools to help you refine your marketing plan. Think of this report as a building block, which you can use to create a fully functioning, highly successful business that is both rewarding and fulfilling.

The set of questions are designed specifically to give you an outline for thinking more critically about how you'll begin your new real estate note business. Take the time to fill it out completely, you will find the insights you gain will be worth their weight in gold!

Think carefully and deeply about your answers, honestly assessing the realities of your business practices. If you've listened to the course, you will know the answers and will have an excellent quick start for your new business

One of my goals is to help you become the best real estate note professional that you can be - one who is successful and full of integrity. By spending the necessary time to complete this report, you'll be giving yourself the best opportunity for a quick start and on going success!

### Steps to Success

1. Describe the goals for your business for the next:  
6 months \_\_\_\_\_  
1 year \_\_\_\_\_  
3-5 years \_\_\_\_\_  
10 years \_\_\_\_\_
2. What is your target market?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Describe how you will find notes and how to quickly sell them.

---

---

---

---

4. Describe how much prospecting mail you will send out each month and to whom you will send it. Why will you send it to this particular group?

---

---

---

---

5. What will your rate of return be on your mailing investment?

---

---

6. Will you use telemarketing as a way to follow up with your prospects?

---

---

7. What do your customers really want from you?

---

---

---

---

8. Will you solicit referral business from your customers?

---

---

---

---

9. Once you have a customer, will you solicit the customer's testimonials? How will you use these testimonials to expand your marketing efforts?

---

---

---

---

10. Describe your customers' needs and how you will address those needs.

---

---

11. What specific aspects of this business would you like more help with?

---

---

---

---

12. What additional aspects of this business are you interested in learning about, I.e. mobile home notes, business notes or other cash flows?

---

---

---

---

**Congratulations!**

You are one of the few business professionals who have taken the time to thoroughly evaluate their business. You are now in position to use this information to rev up your business!



## Private Note Grading & Pricing Guidelines

The discounted private real estate mortgage marketplace operates very much like the traditional, institutional lending industry. There are many different kinds of players, many different kinds of buying programs, new programs come and go and pricing and credit underwriting change almost daily.

Most borrowers do not understand this, nor do most note Sellers or inexperienced Creative Real Estate practitioners understand this. Obviously, it is difficult for both loan brokers and note brokers to keep up with every single possible program/rate/credit guideline at any given time.

As in the lending industry, it is possible to work from a matrix of benchmark guidelines, for safely evaluating an individual note package, and carefully setting a reasonable window for grading and pricing options. Keep in mind, whenever quoting a note price, the price is determined by yield requirements, not on any preset "discount" as a percentage of the remaining balance on a given note.

Also, bear in mind that while Loan To Value is an important element in discounted note pricing; unlike lending, the equity factor is given more weight in relation to Investment to Value, I.e. the Note Buyer's total dollars at risk as a percentage of the market value of the underlying collateral real estate.

## NOTE RATING

### Equity Factor (30% of final grade)

<b>Equity Range*</b>		<b>Score</b>
<u>Lower</u>	<u>Upper</u>	
0.0%	5.0%	5
5.1%	12.0%	4
12.1%	20.0%	3
20.1%	30.0%	2
30.0%	50.0%	1
50.0%	100.0%	0

**Weighted Equity Score:** \_\_\_\_\_

\*Equity is calculated using note balance due as percentage of lower of sales price or appraisal. If note has one year of seasoning and property value is rising, equity is calculated as average of sales price and new appraisal.

For partial purchases, use note’s equivalent balance, calculated by using present value of payments purchased as percentage of actual note balance.

**Credit Rating Factor (40%)**

<b>Primary Repository Score*</b>		<b>Score</b>
<u>Lower</u>	<u>Upper</u>	
0	500	6
501	550	5
no history	no history	4
551	600	3
601	650	2
651	700	1
700	1,000	0

**Weighted Credit Score:** \_\_\_\_\_

\*Fico/Empirica/Beacon depending on primary repository for Payor’s zip code.

Credit profile ratings dependent on different investors weighting preferences for account aging, collections/charge offs, proportion of debt to available credit, late payment history, bankruptcy, repossessions, foreclosures, liens or judgments appearing on Payor’s credit report.

Generally, as many as 4 additional points could be assessed against the credit score for problems in a Payor’s credit profile. For example, Payor scores 644 on Fico. But we see that in the past 18 months, he has had two different minor accounts go to collection, and he was late on a car payment 6 months ago. On investigation, we discover that the collection accounts are now resolved, but they were paid off on a modified payment plan. If we determine that these problems were due to a temporary cash crunch from job change or illness, we might add only 1 point to score. However, if it appears Payor is stretched too tightly, and the problems indicate long term debt load pressure, we may add 2 to 4 points, if it appears likely that we may see future lates on this Payor.

### **Note Payment Factor (10%)**

<b>Late Payment Record</b>	<b>Score</b>
90 days and up (12 mos.)	15
90 days and up (24 mos.)	14
60 days (2 in 12 mos.)	14
60 days (3 in 24 mos.)	12
No Verifiable History	11
60 days (1 in 12 mos.)	10
30 days (3 in 12 mos.)	10
30 days (2 in 12 mos.)	8
30 days (1 in last 90 days)	6
30 days (1 in 12 mos.)	3
Notes less than 6 months old	3
Current 12 months	2
Current 12 to 30 months	1
Current 30 months or longer	0

**Weighted Note History Score:**\_\_\_\_\_

### **Seasoning Factor (20%)**

<b>Months of Seasoning</b>		<b>Score</b>
<u>Lower</u>	<u>Upper</u>	
0	3	5
4	6	4
7	12	3
13	24	2
25	36	1
36	or more	0

**Weighted Seasoning Score:**\_\_\_\_\_

To calculate the Final Note Rating, we add up the weighted scores from each of the four factors. The sum is then matched to the Grade in the Final Note Rating Chart below. For example, we are looking at a 4 month old note, Payor has 15% equity, 650 Credit Score, and less than six months seasoning. Referring to the appropriate charts above, we would calculate the weighted score for each factor as follows:

Equity Factor	3 points x .30 weight	=	.90
Credit Rating Factor	2 points x .40 weight	=	.80
Note Payment Factor	3 points x .10 weight	=	.30
Seasoning Factor	4 points x .20 weight	=	.80
<b>Total Weighted Score:</b>			<b>2.80</b>

We then compare this score to the Final Note Rating Chart below to assign the Grade for this particular note. As we can see, with a weighted score of 2.80, this note is assigned a Grade of A.

**Final Note Rating**

<b>Weighted Note Score</b>		<b>Grade</b>
<u>Lower</u>	<u>Upper</u>	
0.0	1.4	AAA
1.5	2.4	AA
2.5	3.4	A
3.5	4.4	AB
4.5	5.0	B
5.1	5.5	C
5.6	6.0	D

Once the Final Note Rating has been established and the Paper Grade is determined, take the Paper Grade and apply it to the Property Type and Category charts below to establish maximum Investment to Value and Wholesale Yield Pricing for specific Note Grade/Property Categories. This will give you the approximate market yield demanded by institutional investors. (private investors' yield requirements vary widely, but generally they run approx. 1.5% to 2% above institutional investor yield requirements). The yield will change according to changes in the financial markets, and be adjusted from time to time to reflect such changes in yield requirements.

### Residential Property/Category

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
O/O SFR's on fewer than 10 acres; O/O townhomes	O/O SFR's on 10+ acres O/O modulars, DW mobiles on 1-15 acres, or in MH subdivisions NOO townhomes, O/O 2-4 units 2nd homes	O/O condos, modulars, DW mobiles on less than 1 ac. or 15+ acres; NOO SFR's & NOO 2-4 units	NOO condos: NOO modulars & DW mobiles; SW mobiles, all 2nd liens (3) x

### Maximum Investment to Property Value

<b>Note Rating</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Wholesale Yields (4)</b>
AAA	90% (1)	85% (1)	80% (2)	75% (2)	9.00% - 12.00%
AA	85% (1)	80% (1)	75% (2)	70% (2)	9.50% - 12.50%
A	80% (1) 7	5%	70% (2)	67% (2) 1	0.00% - 13.00%
AB	75%	70%	67% (2)	65% (2)	11.00% - 14.00%
B	70%	65%	65% (2)	63% (2)	12.00% - 15.00%
C	65%	65% (2)	60% (2)	60% (2)	14.00% - 17.00%
D	60%	60% (2)	60% (2)	55% (2)	16.00% - 20.00%

1. Min.10% Payor equity required
2. Max ITV reduced 1% for 1% if less than 10% Payor equity
3. Add 1.5% - 2.0% on 2nds; lower ITV on Grade by 5% (ITV includes balance due on underlying financing)
4. For approximate private investor yields, add 1.5% to 3%

## Residential Mobile homes In Parks(5)

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
O/O DW in 5 star or 4 star park, less than 5 years old, 1,150 sq ft or more	O/O DW in 5 star or 4 star park, 5.1 - 10.0 years old, 1,150 sq ft or more; or less than 5 years old in 3 star park	O/O DW in 5 star or 4 star park, 10.1 - 15.0 years old; or 5.1-10.0 years old in 3 star park; or less than 1,150 sq ft	O/O DW in 5 star or 4 star park, 15.1 - 20.0 years old; or 10.1 - 15 years old in 3 star park; or less than 1,150 sq ft	O/O DW in 5 star or 4 star park, 20 + years old; or 15.1 - 20.0 years old in 3 star park; or less than 1,150 sq. ft

## Maximum Investment to Wholesale Property Value (7)

Note Rating (3)	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Wholesale Yields (4)(5)(6)</b>
AAA	80%(1)	78%(2)	75%(2)	72%(2)	70%(2)	14% - 17%
AA	75%(1)	75%(2)	72%(2)	70%(2)	67%(2)	15% - 18%
A	75%(2)	72%(2)	70%(2)	67%(2)	63%(2)	16% - 20%
AB	70%(2)	68%(2)	65%(2)	63%(2)	60%(2)	18% - 23%
B	68%(2)	65%(2)	63%(2)	60%(2)	57%(2)	20% - 26%
C	65%(2)	63%(2)	60%(2)	58%(2)	54%(2)	23% - 30%
D	62%(2)	60%(2)	58%(2)	55%(2)	50%(2)	30% - 37%

1. Min.10% Payor equity required

2. Max ITV reduced 1% for 1% if less than 10% Payor equity

3. Add 3% < 24mos, 1% < 36 mos. for seasoning discount

4. Singlewide mobiles start Category 3, 2.0% to wholesale yield requirements

5. For NOO add 2.0% to wholesale yield requirements

**6. For approximate private investor yields, add 2.0% to 3.0%**

7. Refer to current NADA Mobile home Appraisal Guide for approximate valuation

\*Note that the wholesale pricing indicates approximately what an investor would expect to earn on the investment. If you are brokering the note, you will need to calculate a higher yield spread in order to make your profit. And you will need to stay up on your markets as well. The rates used in this sheet are what were effective during the time this manual was published.

## **The Note Broker Resource Kit**

Enclosed you will find 6 valuable resources that you may print and use over and over. Please note, that neither America's Note Network nor its employees are giving legal advice or recommending you use these documents. These sample documents are provided to you for educational purposes only. Please have all forms reviewed by your attorney before using.

1. Telephone Script
2. Paper Analysis Worksheet
3. Commitment letter – Contract with the Note Seller
4. Cover Letter to the Commitment Letter
5. Information Needed From Note Seller – Information Request Form
6. Non-Circumvent Agreement – Contract With Your Buyer

The telephone Script is designed to give you an idea of what to say to your prospective note Seller. Remember that you want to be comfortable with what you are saying and not come across as someone reading a script. Once you have obtained the information required, you can then post that information on the America's Note Network web site for an immediate sale. The web address is: [www.notenetwork.com](http://www.notenetwork.com) - or you may fax or mail us the information

## Telephone Script

Note Seller's Name \_\_\_\_\_ Date \_\_\_\_\_

Address \_\_\_\_\_ Your Name \_\_\_\_\_

Phone # \_\_\_\_\_

### SCRIPT FOR CALLING

Their (**their name**), this is (**your name**) (speak with excitement). I'm calling because I have an interest in the property you sold in (**state**). Do you remember? The Buyers weren't able to pay you off in full so you had to carry back a promissory note, right?

I would like to cash you out of what you're owed.

Did you know that you have a right to sell your contract and get cash now? YES NO

Would you be interested in finding out today's value of your note?

YES go on / NO stop.

(Paper Analysis Worksheet Questions)

1. What is the property address? \_\_\_\_\_

2. What kind of property is it? \_\_\_\_\_

3. Do the Buyers live there? \_\_\_\_\_

4. What is the property worth? \_\_\_\_\_

5. How much did you sell it for? \_\_\_\_\_

5. a. What are the loans on the property?

a. 1st Loan \$ \_\_\_\_\_ Mo PMT \$ \_\_\_\_\_ NEW or ASSUMABLE LOAN

Lender? \_\_\_\_\_

b. 2nd Loan \$ \_\_\_\_\_ Mo PMT \$ \_\_\_\_\_ NEW or ASSM



Lender? \_\_\_\_\_

d. What was the Down PMT\$ \_\_\_\_\_

6. What is the original amount of your note? \_\_\_\_\_

7. What is the interest rate on your note? \_\_\_\_\_

8. What is the monthly payment amount you receive? \_\_\_\_\_

9. What is the original length of time on the note? \_\_\_\_\_

10. When did you receive your first payment? (Mo & YR) \_\_\_\_\_

11. What day of the month is your payment due? \_\_\_\_\_

12. How many payments have you received? \_\_\_\_\_

13. Have all of your payments been received on time? YES / NO

(if no) number of months late? \_\_\_\_\_

14. What does the Payor do for a living? \_\_\_\_\_

15. If we were to agree upon a price, how soon would you need the cash? \_\_\_\_\_

Ok, let me analyze your information and I'll call you back in a few minutes with an exact price.

(Now post this information on America's Note Network's web site at [www.notenetwork.com](http://www.notenetwork.com) - By posting this information you will gain an immediate idea of what the note is worth to the end Buyer. Once you know what a Buyer will pay for the note simply deduct \$2000 to \$5000 from that price and offer it to the Seller. The amount you deduct will be the amount you earn for your efforts. Be sure to check with the Buyer to be sure that the price offered is total price you will receive. Some Buyer will make you pay from \$500 to \$800 in closing costs, which will come out of your check, so be sure to ask the Buyer what your "net price" is. One more point is to ask for two different prices – a price for the full sale of the note and a price for a partial sale or some of the payments from the notes.

Also, if you don't have Internet access, you can fill out the "Paper Analysis Worksheet", which you will find in the next section. Transfer information from script to Paper Analysis Work sheet. Once the Paper Analysis Worksheet and then you can either mail or fax us the information.

## What to Say When You Call Back the Note Seller

Hi, Bob this is \_\_\_\_\_. I have a purchase price for your note. Do you have a piece of paper and a pencil handy? You never know when I might say something important.

Have you ever sold a note before? Let me just briefly explain to you how this process works and how we determine the cash value of your note.

We are analyzing each monthly payment you receive and calculating its value into the future. In other words, dollars today will buy more than dollars in the future. If it is okay with you, I would like to give you a couple examples of what I'm talking about.

Looking back 15 to 20 years ago, we could go to the movies for what? About \$.50, right! And gasoline was about \$.65 a gallon? Now look at what we pay. This is what I mean when I say dollars today are worth more than dollars in the future. So we have to factor that into the price.

I have another example: Suppose I have \$10 in my left hand and \$5 in my right. Which bill would you like? The \$10 in my left hand, right? But now, let's add this to the equation: you have to wait (the remaining number of monthly payments on their note, lets say 96) 8 years to get the \$10 or you can have the \$5 now. Which one would you rather have? Of course the \$5 now, right?

So, let me give you some numbers, now that you understand how we determine the cash value of your note.

There are two ways you can sell a note. The first way is through a partial sale of your note, which is the most profitable way for you. You can sell a portion of the remaining payments. For example, you sell me the next 60 of your 96 remaining monthly payments you are owed. At the end of the 60 months, the note payments revert back to you, and you would receive the remaining 36 payments. At that time, the balance will still be \$\_\_\_\_\_.

So, you are getting a lump sum of cash now and you still have \$\_\_\_\_\_ coming to you in 5 years. With this option you are still in the deal. If the Payor doesn't pay, I'm going to come back to you and say, "Bob, I gave you all that money, so you need to keep me whole by keeping those payments current. They sound as if they are good Payors from what you described, so I'm sure there shouldn't be any problem.

The Second option is to cash you out in full. So, if the Payor's don't pay or if the property burns down or blows away, you don't care because you are out of the deal. I will give you \$\_\_\_\_\_ for the full sale of your note.

Which one of these options sounds the best to you? (Be quiet and listen in order to solve their problem).

If they say, "I need to think about it". You can say, ok, I can understand that. Bob, let me

explain just one other thing to you. I want you to understand how the papers are actually transferred and how you are guaranteed to get paid.

When you decide to go ahead with this sale, I will send you out a Commitment Letter, which states my obligation to you, along with a list of copied documents I will need back from you.

Then I'll deposit a check in the amount of \$\_\_\_\_\_ (purchase price) into an escrow account at a title or escrow company of your choice. They'll close the transaction and make sure you get the right amount of money and that I get the right paper work. This way you are guaranteed to get paid - Sounds pretty good, doesn't it?

Would you like me to send you this information package today? If yes: Ok, you should receive it in the next \_\_\_\_\_ days. Would it be ok if I called you back on that day to go over it with you and answer any questions you may have. (Set an appointment or don't send it out).

If No: Ok, when should I call you back? Incidentally, I haven't said anything to offend you have I?

(Be quiet! They'll tell you their problem and what you need to do to solve it).

If the Seller says yes, you will send him a Commitment Letter, A Cover Letter and an Information Request Form all of which you will find in this section.

Additionally, to save you time you might log on to our web site, [www.notenetwork.com](http://www.notenetwork.com) - click on the "How-to Reports section and then go to "The Note Brokers Resource Kit". Once you are there, you'll be able to copy and paste this information into a word document and save time by not having to retype these documents. Please note: only copy the information on the site that has a statement indicating that it is okay to copy. Never copy anything that states our copyright, which is 99.9% of our web site. We take copyright violations very seriously and will prosecute to the fullest extent of the law.

## #2

### The Paper Analysis Worksheet

The Paper Analysis Worksheet must always be completed before anyone can make a determination of what the note is worth. Please make sure that you gather all the information on this worksheet. If you follow the script above you will have all the information necessary to list the paper on [www.notenetwork.com](http://www.notenetwork.com)

America's Note Network Paper Work Sheet

Name Of Note Seller: \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_

Phone #: \_\_\_\_\_

#### Property Information

Property Address: \_\_\_\_\_

Type Of Property: \_\_\_\_\_ Owner Occupied: \_\_\_\_\_

Property Value: \$ \_\_\_\_\_ Established By - Sale/Other: \_\_\_\_\_ Date: \_\_\_\_\_

1st loan Amount: \$ \_\_\_\_\_ Monthly Pmt: \$ \_\_\_\_\_ New / Assumed

2nd loan Amount: \$ \_\_\_\_\_ Monthly Pmt: \$ \_\_\_\_\_ New / Assumed

Down Pmt Amount: \$ \_\_\_\_\_ LTV: \_\_\_\_\_ % ITV: \_\_\_\_\_ % (internal use)

#### Note Information

Original Amount \$ \_\_\_\_\_ Balance \$ \_\_\_\_\_ As of -Date: \_\_\_\_\_

Interest Rate: \_\_\_\_\_ % Payment Amount: \$ \_\_\_\_\_ Date of 1st Pmt: \_\_\_\_\_  
(internal use)

Original Length: \_\_\_\_\_ mos. Type: Amortized, Interest Only, Other \_\_\_\_\_

Number of Payments Made: \_\_\_\_\_ Number Remaining: \_\_\_\_\_

Are the payments on time: \_\_\_\_\_ What day of the month are they due: \_\_\_\_\_

Balloon Payment if any: \$ \_\_\_\_\_ Balloon Payment Date: \_\_\_\_\_

Are there any Clauses: \_\_\_\_\_

#### Seller Information

Note Seller's Motivation: \_\_\_\_\_

When Does H/She Need To Close: \_\_\_\_\_ Received other Offers: \$ \_\_\_\_\_

What does the Payor do for a living: \_\_\_\_\_

Is there anything else I should know about this note: \_\_\_\_\_

### **#3**

## **Commitment letter**

The Commitment letter is a letter that you will send to the Seller of the note as soon you have an agreed upon price. This letter will tie up the note and take it off the market. If the Seller cancels the agreement, then you will receive \$125 minimum for your efforts (if you choose, you could even replace the \$125 with a flat rate percentage of the note, I.e. 10% of the note balance. If for any reason you or your Buyer cancel the agreement you may also cancel your agreement with the Seller without penalty.

### COMMITMENT LETTER

THIS COMMITMENT TO PURCHASE, is made \_\_\_\_\_ by and between you, (their name), the undersigned (Seller), and (your name) , (Purchaser), and/or its successors and assigns, whose address is your address.

This commitment is made in (your county), subject to and contingent upon (your name), and/or its investor's inspection and approval of the property and all documents including, but not limited to, credit, appraisal and title work.

Seller agrees to sell and convey to Purchaser, and Purchaser agrees to buy, upon the terms and conditions set herein, that certain (Trust deed / Mortgage / Land Contract - the name of the instrument), wherein the Payor owes a current principal balance of (\$balance amount) as of this month, carrying interest on the principal balance at the rate of ( interest rate % ) per annum, and requiring a monthly principal and interest payment of ( payment amount ).

The agreed purchase price is the sum of (\$purchase price) provided there are no underlying problems. If the contract has to be renegotiated a verbal commitment from the Seller will be binding.

The subject property is located in (county) and is legally described as follows;

Property Address

---

ADDITIONAL LEGAL DESCRIPTION TO BE PROVIDED AND VERIFIED BEFORE CLOSING

Seller warrants that:

1. There are no prior liens or encumbrances on the property subject to the Instrument except as stated below:

**SUBJECT TO: NO OTHER LIENS OR ENCUMBRANCES**

2. It has full power, authority and legal right to execute, deliver, and perform, its obligation under this letter;
3. This Letter and the Instrument are legally valid and binding, and enforceable in accordance with their terms, and there are no claims or defenses, personal or otherwise, or offsets whatsoever to the enforceability or validity of the Instrument;
4. There are no lawsuits or legal proceedings pending, or to the best of Seller's knowledge, threaten regarding encumbrances on, or the ownership, use or possession of, the property or the Instrument;
5. No brokerage or other commission is due and unpaid in connection with the Instrument; and,
6. Seller has, as of the date of this Letter, and will have as of the date of the closing, good, marketable title to the Instrument.

During our processing period any additional payments made to Seller on the Instrument which cause a reduction in the principal balance below \$100 will also cause a minor adjustment in the purchase price at closing. Seller agrees to return any payments received after the closing of this Instrument.

Seller understands that (your name), is not acting as an advisor for Seller in connection with this transaction, nor as Seller's agent, but rather is dealing with Seller at arms length, at all times. Seller acknowledges that it has sought and received whatever independent legal, tax, accounting or other advice it desires concerning this transaction. Further, Seller is not relying on (your name), in entering into this transaction, but is acting on its own best judgment.

Seller agrees to execute all necessary documents to effect the assignment and conveyance to Purchaser of its interest in the Instrument. Seller agrees to furnish any and all documents in its possession necessary to consummate this transaction. If, after closing, it is discovered that errors, omissions, or loss of documents has occurred, Seller agrees to cooperate with the Purchaser to correct any and all errors, omissions, or losses with in ten (10) days of receipt of notice from Purchaser.

Upon our receipt of all the necessary closing documents related to this transaction, we should be able to close within 21 to 30 days.

All normal closing cost will be the responsibility of the Purchaser with the exception of any additional, or unexpected, legal cost necessary to clear or perfect title.

Should the Seller fail to close, after signing this agreement, Seller shall be obligated to reimburse Purchaser for all out-of-pocket expenses incurred related to this transaction, up to the time of cancellation. These expenses should normally be limited to title and/or appraisal fees, plus the processing fee of 10% of the remaining balance of the note as of today's date.

Purchaser hereby gives Seller a specific period of ten days to complete, and return, this Commitment Letter, and agrees to keep this offer open for that period of time. If Seller is unable to complete, and return this agreement within the allotted time, this agreement shall be canceled. Purchaser may extend the time period, upon conditions it deems acceptable.

By \_\_\_\_\_  
Your Name & Signature

ACCEPTED:

\_\_\_\_\_  
Sellers Signature

Social Security Number of Seller

SSN: \_\_\_\_\_ SSN: \_\_\_\_\_

DATE: \_\_\_\_\_

**#4**  
**Cover To The Commitment Letter**

Date

Seller's Name  
Seller's Street  
Seller's City, State, Zip

Dear First Name:

Thank you for the opportunity to be of service to you. We will do everything possible to expedite your closing once you return the enclosed "Information Request Form" and copies of the requested documents.

The cash you will receive is (dollar amount) for the full sale of your interest, or (dollar amount for partial sale) for the next \_\_\_\_\_ number of payments.

A typical transaction takes 21 to 30 days to process provided there are no unusual circumstances, which may arise. The normal closing process includes a credit evaluation on the Buyer, a drive-by appraisal and a title insurance review. We pay for the normal closing costs.

Occasionally, purchases have to be renegotiated or canceled if the review process reveals underlying problems that cannot be corrected. Thankfully, this situation doesn't happen very often! If it does, you retain the right to cancel the transaction without any obligation on your part.

Also find enclosed a formal "Commitment Letter" which begins the closing process and states our obligation to you. Please sign it and return it with the above requested documents. If you have any questions please call me at (1-XXX-XXX-XXXX). Thank you.

Warmly,

Your Name

## #5

### Information Request Form

The Information Request Form indicates the documents and information that you will want the note Seller to send to you. You may want to send this form to the Seller along with the Commitment Letter and the Commitment Cover Letter.

#### INFORMATION FOR YOUR CONTRACT SALE

The sale of your real estate contract CAN ONLY be processed when you follow these requirements. The information you provide on the front and back of this sheet is necessary to process your contract sale.

We will need a copy of the documents listed below:

- \_\_\_\_ Copy of Note
- \_\_\_\_ Copy of Trust Deed, Mortgage or Land Contract
- \_\_\_\_ Payment History – Payment Book or Bank Deposits
- \_\_\_\_ Escrow instructions from real estate sale in which the “Contract” was created
- \_\_\_\_ Escrow closing statement from real estate sale in which the “Contract” was created
- \_\_\_\_ Title insurance policy which insures the “Contract”
- \_\_\_\_ Fire insurance information on the property which secures the “Contract” (Insurance Company, Policy Number, Agent’s Name and Address)
- \_\_\_\_ Loan Payment Record
- \_\_\_\_ Please provide two (2) pictures of subject property
- \_\_\_\_ Copy of street or city map showing property location
- \_\_\_\_ Plans, surveys or other documents in your possession

Your signature is required for us to confirm balances, payment history and to obtain copies from your title or escrow company in the event we need further information. Thank you.

\_\_\_\_\_  
Sellers’ Signature

\_\_\_\_\_  
Title / Escrow Company

\_\_\_\_\_  
Police Number



## #6

### Non-Circumvent Agreement

The Non-Circumvent Agreement is designed to protect your interest when you are brokering a note to an investor or the end Buyer. You will have a commission due you for referring the note to the end Buyer. This document will protect you. Please have your attorney review this sample agreement that is used as an example and for educational purposes only.

#### NON-CIRCUMVENTION, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS AGREEMENT entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_ is for the Professional Association and arrangement of Non-Circumvention, Non-Disclosure and Confidentiality between \_\_\_\_\_ whose office is at \_\_\_\_\_ and \_\_\_\_\_ whose principal place of business is at \_\_\_\_\_ hereinafter, called the "The Parties."

The Parties with this agree to respect the integrity and tangible value of this agreement between them.

THIS AGREEMENT is a perpetuating guarantee for five (5) years from the date of execution and is to be applied to any and all transactions present and future, of the introducing party, including subsequent follow-up, repeat, extended, renegotiated, and new transactions regardless of the success of the project.

Because of THIS AGREEMENT, the Parties involved in this transaction may learn from one another, or from principals, the names and telephone numbers of investors, borrowers, lenders, agents, brokers, banks, lending corporations, individuals and/or trusts, or Buyers and Sellers hereinafter called contacts. The Parties with this acknowledge, accept and agree that the identities of the contacts will be recognized by the other Party as exclusive and valuable contacts of the introducing Party and will remain so for the duration of this agreement.

The Parties agree to keep confidential the names of any contacts introduced or revealed to the other party and that their firm, company, associates, corporations, joint ventures, partnerships, divisions, subsidiaries, employees, agents, heirs, assigns, designees, or consultants will not contact, deal with, negotiate or participate in any transactions with any of the contacts without first entering a written agreement with the Party who provided such contact unless that Party gives prior written permission. Such confidentiality will include any names, addresses, telephone, telex, facsimile numbers, and/or other pertinent information disclosed or revealed to either Party.

The Parties agree not to disclose, reveal or make use of any information during discussion or observation regarding methods, concepts, ideas, product/services, or proposed new products or services, nor to do business with any of the revealed contacts without the written consent of the introducing party or parties.

The Parties agree that due to the many variables surrounding each Business Financial Transaction that will occur because of this agreement, the commission to be paid and/or the fee structure between the Parties can vary. A separate fee/commission agreement will outline compensation for each Business/Financial Transaction. The fee or commission agreement must be drafted and acknowledged by signature before all Business/Financial Transactions.

In case of circumvention, the Parties agree and guarantee that they will pay a legal monetary penalty that is equal to the commission or fee the circumvented Party should have realized in such transactions, by the person(s) engaged on the circumvention for each occurrence. If either party commences legal proceedings to interpret or enforce the terms of THIS AGREEMENT, the prevailing Party will be entitled to recover court costs and reasonable attorney fees.

The parties will construe THIS AGREEMENT in accordance with the laws of the State of Oklahoma, County of Oklahoma. If any provision of this agreement is found to be void by any court of competent jurisdiction, the remaining provisions will remain in force and effect.

THIS AGREEMENT contains the entire understanding between the Parties and any waiver, amendment or modification to THIS AGREEMENT will be subject to the above conditions and must be attached hereto.

Upon execution of THIS AGREEMENT by signature below, the Parties agree that any individual, firm company, associates, corporations, joint ventures, partnerships, divisions, subsidiaries, employees, agents, heirs, assigns, designees or consultants of which the signee is an agent, officer, heir, successor, assign or designee is bound by the terms of THIS AGREEMENT.

A facsimile copy of this Non-Circumvention, Non-Disclosure and Confidentiality Agreement shall constitute a legal and binding instrument. By setting forth my hand below I warrant that I have complete authority to enter into THIS AGREEMENT.

For: Company Name Here

\_\_\_\_\_

Buyer's Signature

\_\_\_\_\_

Date

Although it is not necessary, if you would like a more complete list of documents for closing and managing your own personal transactions, I recommend that you go to the link below for more information: [www.notenetwork.com/help tips](http://www.notenetwork.com/help tips) - The documents enclosed in this section of the course are all you need.

## **Ten Special Custom Cash Clauses That Can Make You Thousands Of Dollars**

### **Add Or Delete These Clauses Depending On What You Want To Accomplish When Creating A Note**

1. **Special Protection Clause In Offers, Contracts, Escrow Instructions** — This is an arm's length transaction and both parties have entered this agreement of their own free will. Both parties fully understand this contract and have obtained the review and approval of their attorneys and tax advisors. Seller is aware that Buyer intends to make a profit on this transaction.
2. **Additional Special Clause For Real Estate Agents** — Seller is aware that Buyer is a Real Estate Licensee (Broker Or Salesperson) and any listings, oral, written, or implied, are hereby cancelled. there is no commission involved. Buyer is acting solely as a Principal and has no fiduciary duty to Seller. Seller has not relied on any representations of Buyer in making this transaction.
3. **Seller's Contingency Clause** — This offer is accepted subject to the written disapproval of Seller's (Attorney — for legal reasons; Accountant — for tax reasons) no later than (Time, Date). Such written disapproval shall be deemed waived if not delivered to (Closing Agent) by the time stated.
4. **Right Of First Refusal** — The maker of this note reserves the right of first refusal to purchase this note back at a discount at the price a third party would pay, in the event holder decides to sell at a discount. Factors to include: Holder shall deliver written notice of such proposed sale to maker by certified mail at (address). Maker shall have (number) working days from delivery of said notice to buy the note at the discount offered to the third party. Holder shall pay maker's legal fees in the event maker has to sue because of violation of this provision.
5. **Exculpatory Clause** — The Real Property collateral shall be the sole security for this note and the beneficiary and future holders shall have no recourse other than the property. This clause eliminates any personal liability against you on any notes you sign.
6. **Assumption Of Liability Clause** — The Property Buyer takes title subject to and agrees to pay the existing Second Loan in the amount of \$\_\_\_\_ in favor of (beneficiary). (This clause binds the Buyer to pay the \$\_\_\_\_ note instead of you.)
7. **Bursting Balloons Forever (or How To Make Time Fly)** — People with short-term balloons payable are surprised how time flies. The Solution: Use the following Balloon Payment Rollover Clause — In the event that acceptable financing is not available to refinance this note when due, Maker at his/her option reserves the right to make a (amount) payment on the principal amount owed and extend the due date for an additional (number) years.
8. **Due On Sale Clauses** — When you sell a property, notes that have Due On Sale Clauses can be called by the Lenders. Enforceable: Recent court decisions have ruled that due on sale clauses are

enforceable, even in notes carried by private parties. The Solution: Use the following Right Of Assumption Clause in notes you sign. This note is fully assumable without further qualification by subsequent owners of the security property. Another Idea: In the event the property owner demands a Due On Sale Clause, ask for the right to a discount on payoff proportionate to the shortening of the original term of the loan.

9. Locked-In Discount — You do this when negotiating a note you are borrowing on. How To Have No Interest For 3 Years. Example: A \$10,000 note with no payments for 7 years, 10% simple interest, 30% discount for payoff within 3 years. Accumulated interest, 3 years = \$3,000, discount = \$3,000! Unless you ask, you'll never find out whether you can get this one. Even if you lose, you still precondition the holder to a possible discount later on. Use the following Prepayment Discount Clause: In the event this note is paid off (within the first 3 years of its term), Maker is entitled to a (percentage) discount from the (original Face) (remaining principal) amount.

10. The Tantalizing Discount — The New Twist On The Check Is In The Mail — You use this to tantalize the holder into giving you a deep discount on a note you owe on. Two Checks! You send two checks when your monthly payment is due on a note. One check is for the regular monthly payment, the other payment in full at discount. Example: \$20,000 Note, Due In 4 More Years, Payable \$200/Month. You mail one check for \$200 and one for \$10,000. On the \$10,000 check you write: By cashing or depositing this check, the note-holder agrees to discharge the entire amount of the obligation dated (date), secured by (property) in the amount of (amount).

## 62 Different Ways You Can Earn Money Referring & Purchasing Cash Flows

More Than \$4,000,000,000.00 In Cash Flows & Growing Annually

Accounts Receivable	Land Contacts
Aircraft	Lawsuit Insurance Settlements
Annuities	Lawyer's Fee Notes
Automobile Notes	Lease Purchase Agreement
Business Invoices / Receivables	Letters of Credit
Cash Prizes and Awards	Lottery Winnings
Casino Winnings	Marine
Charitable Remainder Trusts	Mechanic's Liens
Church Bonds	Medical Receivables
Class Action Awards	Military Pensions
Collection Accounts	Mobile Home Notes
Commercial Deficiency Portfolios	Partnership Agreements
Commercial Leases	Pensions
Commission Notes	Property Lease
Consumer Installment Paper	Purchase Orders
Consumer Receivables	Real Estate Joint Ventures / Exchanges
Court Judgments	Real Estate Notes
Credit Card Accounts	Royalty Payments
Defaulted & Sub-Performing	RV Paper
Deferred Settlements	Sports Contracts
Disability Payments	Standard Full Purchase
Divorce Settlements	Structured Settlements
Equipment, Gas, Oil & Mineral Leases	Sweepstakes
Farm Subsidies	Tax Certificates
Funeral Purchase Agreements	Tax Shelters
Government Contract	Time Share Notes
Home Improvement Notes	VA Compensation
Inheritances & Probates	Viaticals Settlements - Life Insurance
International Opportunities	Vocational School Paper
Investment Opportunities	Voluntary Separation Incentives
Invoices	Worker's Compensation

## GLOSSARY

**Accrued Interest:** The amount of interest earned on a note, but not yet received in payment. An example would be a straight note (no payments). At the end of the first year the balance owed would be the original principal plus one year's accrued interest.

**Add-On Interest:** The interest rate is applied to the loan amount to get yearly interest. This is multiplied by the number of years. This total interest is added on to the loan balance. The monthly payment is calculated by dividing this number (principal plus add-on interest) by the number of payments. This method contrasts with charging interest on the remaining principal balance.

**Adjustable Rate Mortgage (ARM):** A mortgage or other real estate loan wherein the interest rate and payments that correspond to the interest are adjustable from year to year according to some index such as the rate paid by the government on Treasury Bills.

**Algebraic Logic:** The calculator logic of putting the operation sign (plus, minus, times or divided by) before the number is entered.

**All-Inclusive Deed of Trust:** A note secured by deed of trust that "Wraps Around" a smaller senior loan. The debtor pays the holder of the wrap who in turn pays the included senior lien. See also "Wraparound Mortgage".

**Amendment Of A Note:** Changing the interest, payment schedule, or due date on an existing note without writing a new note.

**Amortization:** The payments on an amortized loan are established to contain both principal and interest so that the loan will be paid off in full by the end of the amortization period.

**Annual Percentage Rate (APR):** The true cost of a loan to a borrower as required by the Truth in Lending Laws.

**Arrears:** 1) Behind in making payments, as in "The payments were 3 months in arrears." 2) Later than earned, as in "Loan interest is paid in arrears. The interest for May is paid in the June payment."

**Assignee:** The person acquiring a note from a previous holder. Assignment: Transfer of the rights of a note from one holder to another. Assignor: The person giving up ownership of a note to a new holder. Balloon Payment: A large payment on a note, usually due at the end of the payment schedule. There can also be partial balloon payments during the note term.

**Beneficiary:** The person entitled to receive the payments on a note.

**Blended Rate:** The overall interest rate when two or more loans are on a property. It is higher than the rate on the lowest rate loan and lower than the rate on the highest interest loan. Also called Overall Rate(OAR).

**Buy Down:** In order to reduce the interest and payments on a loan for the Buyer, the property Seller may pay the lender some money up front to “buy down” the interest and payments for a certain period of time. Example: The Seller buys down a 30-year loan at 14% interest so that the Buyer of the property only pays 11% interest for the first 2 years.

**Calculator:** An electronic machine, programmed to perform specific computations. It has a “mind of its own” which was developed by the programmer and manufacturer. Different calculators are designed for performing different jobs.

**“Carry Paper”:** For a property Seller to take part or all of the sale price of the property in the form of a secured note. Example: The Seller carried \$20,000 in paper to facilitate the sale of his property.

**Cash Flow Diagram:** A graphic representation of a series of cash flows, in or out or both, showing how much and their timing.

**Clear:** Remove previous instructions and data from the calculator so they will not interfere with the next calculations. You can clear the program, the financial registers, the storage registers, and the display.

**Closing:** Completion of a transaction, including details like preparation and recording of legal documents, procurement of applicable insurance coverage, and transfer of funds.

**Closing Costs:** The various fees and charges involved in closing a transaction.

**Collateral:** Property pledged as security for performance of an obligation.

**Collection Service:** A neutral third party, other than the borrower or lender. The collection agency or collection service collects the payments due on a note and forwards the proceeds to the proper recipients.

**Compounding:** The situation where interest accrues and then gathers interest. Example: A 310,000 straight note (no payments) with 12% compound interest earns 12% interest the first year (91,200). Adding that to the original principal gives the next year starting balance of 811,200. This sum will earn 12% interest. The process repeats each year. Compound Interest: See Compounding.

**Constant (Loan Constant):** The yearly payment on a loan divided by the remaining principal balance. As amortized loans are paid down, the Loan Constant increases.

**Contract For Deed:** A form of security instrument and debt contract wherein the owner of the property gives the Buyer legal title only after the obligation has been paid in full. See Land Contract.

**Courthouse:** Place where deeds and real estate paper are recorded. See also Recorder’s Office and Registrar of Deeds.

**Credit Report:** The report on a person’s credit standing issued by a credit information bureau such as T.R.W. It shows what credit a person has been granted and what their payment record is.

**Creditor:** The person to whom money is owed.

**Current:** Payments are current when they are up to date.

**Current Principal Balance:** The balance currently owed on a note, which may be smaller or larger than the original principal balance.

**Dead Equity:** Equity in property, not earning interest, not being used to acquire more property.

**Debt:** An obligation owed by a borrower to a creditor.

**Debtor:** One who owes money to another.

**Debt Service:** The monthly payments required to keep the loans on a property current.

**Decimal:** The period between numbers designating the difference between whole numbers and parts thereof. Example: 1.1, wherein the first 1 is a whole number and the second 1 represents 1/10th. In this case there is one number to the right of the decimal.

**Deed Of Trust:** A security instrument, which utilizes a neutral third party, called a Trustee to foreclose in the event of default. This makes it generally faster and easier to foreclose on a Deed of Trust than on a Mortgage.

**Default:** Violation of the terms and/or conditions of a note and security instrument.

**Delinquent:** When payments are overdue, they are said to be delinquent.

**Delta:** A Greek symbol shaped like a triangle, which stands for change between two numbers. Example: Delta % from 100 to 125 is 25% increase.

**Discount:** A price less than the remaining principal balance of a note.

**Discounted Paper:** Real Estate Paper bought or sold at a price less than the principal balance.

**Discounting:** The practice of adjusting the price of a note to compensate for other factors such as term, payments, interest rate, security, and needs of the Seller, The discount raises the yield to the Buyer.

**Discount Points:** A point is one percent of the principal amount.

**Double Escrow:** Two separate but related escrows or closings, each contingent or dependent on the other. Example: You are buying a note and reselling it immediately for profit. The buy and resale escrows are contingent on each other and close at the exact same time. See Simultaneous Closing.



**Effective Interest Rate:** The overall yield earned on an investment, taking into account the discount and all existing loan terms.

**Enter:** Putting a number or other information into the calculator. An entry starts in the display and then is entered into the calculator inner workings for use.

**Equity:** The amount left over after subtracting the loans from the value of the property.

**Equity Cushion:** The margin of safety over and above a specific loan on a property. A \$100,000 property with \$65,000 in loans would have a \$35,000 equity cushion to protect the loans.

**Escalation:** Rising loan payments as time goes on.

**Escrow:** A neutral third party stakeholder that receives the instruments, contracts, documents and funds in a transaction as needed from both parties. Escrow sees that the terms and conditions of the contract are fulfilled according to the escrow instructions.

**Escrow Instructions:** Written instructions to an escrow officer, signed by both parties to a transaction. This tells the escrow officer exactly what to do to complete the transaction.

**Escrow Officer:** The person responsible for administration of the transactions in an escrow office.

**Execution:** The legal signing of a document. In order to record an instrument, a Notary Public must witness its execution.

**Existing Financing:** The financing on a property before making any changes. Example: When looking for a property to buy you are first interested in the existing financing. See also Proposed Financing.

**Extension Agreement:** A written agreement giving a debtor more time to pay on an obligation.

**Face Amount:** The original principal balance appearing on the face of the note. Be sure to check the current principal balance of a seasoned note because it may be drastically different than the face amount.

**Financial Calculator:** A calculator designed for dealing in computations involving money, loans, payments, and time.

**First Loan:** (Note, Mortgage, Trust Deed): The first loan to be recorded as a lien against a specific property. (First in time and seniority).

**Foreclosure:** A judicial foreclosure is the means of enforcing one's right to payment under a Mortgage. The judge orders the property to be sold at auction and the proceeds used to pay the creditor. A Trust Deed can be foreclosed by having the Trustee auction the property via Trustee's Sale.

**Free And Clear:** Property that has no loans on it whatsoever is free and clear.

**Fully Amortized:** A loan whose payments include both interest and principal and will eventually be paid in full during its term with no balloon payment.

**FV:** Future Value. The balloon payment of a loan or the loan balance as of some future date.

**Green Note:** A note that is created in the sale of property for the specific purpose of immediate resale to a prearranged investor. In this case it might be construed to be a direct loan of money from the investor to the property Seller; and therefore subject to usury and truth in lending laws. See also Usury and Truth In Lending.

**Hard Money:** New money loaned against a property without a change in ownership. Example: A property owner puts a new second loan on the property to get cash. This is a hard money loan. Hard money loans generally involve personal liability in addition to the lien on the property. See also Purchase Money.

**Hard Paper:** Paper that has good strong terms and commands a good resale value in the paper marketplace. It would sell for a relatively small discount.

**Holder:** The current owner of a note.

**Hypothecation:** Pledging assets for a loan. In the case of a real estate loan, the property is pledged or hypothecated as security for the loan. When you borrow against a note you own, you assign the note to the lender as, security for the money you are borrowing. The income from the note you assigned pays the payments on the money you borrowed. When the lender is paid in full, the note is assigned back to you.

**I:** The interest rate or yield on a note.

**Imputed Interest:** In Seller Carry back Financing, when the interest is below a certain rate determined by the IRS, the IRS imputes or charges the property Seller tax on the higher rate of interest. (See your tax advisor on this).

**Imputed Principal:** In Seller Carry back Financing, when the Buyer of the property gets an interest rate below a certain rate specified by the IRS, the IRS may impute or declare that the actual property sales price was lower than stated in the purchase contract. (See your tax advisor on this).

**Installment:** One of a series of payments on a note.

**Installment Note:** A note that is payable in several individual payments called installments.

**Instrument:** The legal document used as evidence of debt, title, lien, etc.

**Interest:** “Rent” paid on a debt. See also Add-On Interest, Compound Interest, and Simple Interest.

**Interest Extra:** The loan payment terms wherein the payment goes to principal and not to interest.

**Interest Included:** The loan payment terms wherein the payment goes to interest first and any surplus goes to reducing the principal.

**Interest Only:** The loan payment terms wherein the payment is exactly equal to the monthly interest, not more and not less.

**Internal Rate Of Return (IRR):** The yield or rate of return, used when working with a series of uneven cash flows; as contrasted to regular uniform payments.

**Junior:** Recorded at a later date (than the senior loans). The security instrument recorded next after the first loan would be a second. It is junior to the first

**K Factor:** The Loan Constant. See Constant.

**Land Contract:** A security instrument wherein the Seller (Vendor) gives the Buyer (Vendee) possession of the property, but retains legal title (the deed) as security for a loan until specific payment has been made. The Buyer of the property gets “equitable title” and the right to use and enjoy the property and tax benefits prior to actually receiving the deed.

**Late Charges:** Fees or penalties owed to a lender when payments are late.

**Less Than Interest Only:** The loan payment terms wherein the payments are less than the monthly interest. This means the total debt grows with time.

**Level Payments:** The loan payment terms wherein payments stay the same each period, neither increasing nor decreasing with time.

**Leverage:** Buying property with Other People’s Money (OPM). This allows one to acquire much more property by putting as little down payment on each piece as possible. High leverage means low equity.

**Liabilities:** Debts and obligations owed on.

**Lien:** An encumbrance or charge recorded against a property. Recorded loans are liens.

**Line of Credit:** A prearranged loan from a lender wherein when you want the money, all you have to do is write a check. The check is deposited with the lender and becomes a loan at that time. Instant loan!

**Liquidate:** Go out of title, or turn into cash.

**Loan:** The granting of the use of money or equity in return for payment. The loan includes the right of one party to collect from another according to the loan agreement or note. There are existing loans (already there) and new loans (ones just being created).

**Loan Constant:** See Constant

**Loan To Value Ratio (LTV):** The measure of the security of a given loan. It is calculated by taking the amount of the loan and any senior loans and dividing that by the property value. The standard “safe” ratio is 80%.

**Loan Value:** The maximum of loans that most lenders would lend on a property. Assuming an 80% loan to value ratio, the Loan Value on a \$100,000 property would be \$80,000.

**Long Term:** In private party carry back notes, long-term depends on the viewpoint of the parties, but generally, long-term would be over 3 years for discount paper.

**Maker:** The person who signs a note, agreeing to pay it.

**Marketable:** A note is marketable when there are a large number of potential Buyers for it, based on note size, security, yield, and terms.

**Market Value:** What a normal Buyer would pay and a normal Seller would sell for in terms of price.

**Maturity:** The time when an obligation becomes due and payable in full.

**Moratorium:** A suspension of payments and possibly interest.

**Mortgage:** A security instrument, which pledges a property to insure payment of a note. In case of default, it is foreclosed in the courts.

**Mortgage Broker:** A party who joins borrowers and lenders for loans, earning a placement fee. Also, an intermediary who buys and sells secured notes.

**Mortgage Deed:** See Deed of Trust.

**Mortgagee:** The party who is the beneficiary of a mortgage.

**Mortgage Release:** A release of a mortgage by the lender when the loan has been paid in full.

**Mortgagor:** The party who has pledged the property as security for the mortgage and note.

**Negative Amortization:** A loan payment that is less than interest only. This means the obligation grows with time.

**Negative Cash Flow:** Cash going out, outflow of money.

**Negotiable Instrument:** A document such as a personal check or note. It must meet certain legal requirements that allow it to be transferred (negotiated) from one holder to another.

**Net Present Value (NPV):** The value of a series of uneven cash flows discounted to a present value figure.

**Nominal Interest Rate:** The interest rate stated in a note. This may be quite different from the yield to an investor who buys the note at discount.

**N:** The number of payments or compounding periods on a loan.

**Note:** A written promise to pay, with all the terms and conditions of the obligation, signed, and in the proper legal format. A note can be secured or unsecured.

**Note Holder:** The person currently in ownership and possession of a note and entitled to collect all its remaining payments. The holder might not be the original beneficiary.

**Note Owner:** See Note Holder.

**Note Payment Book (Record):** A simple record of all payments made on a note showing how much was paid each payment. It breaks each payment down to principal and interest, and shows the current principal balance.

**Nothing Down:** Acquiring property with no cash out of pocket by the Buyer. This does not mean that the Seller and/or real estate agent did not receive cash. Cash comes from more places than just the Buyer.

**Notice of Default:** A written legal notice to junior lien holders from a senior lien holder, notifying them that the senior lien is foreclosing.

**Notice of Trustee's Sale:** Notice published in the newspaper, stating that a property in foreclosure is to be sold at auction.

**Novation:** Rewriting an old document and replacing it with the new one.

**Obligee:** The person to whom payments are owed according to the terms of a note.

**Obligor:** The person obligated to make the payments on a note.

**Offset Statement:** A written statement by a lender or borrower concerning the current status of a loan. It includes the current principal balance, whether payments are current or not, and terms and conditions of the loan.

**Option:** The right to buy something for a stated price and terms within a certain time period. Something must be paid for this right. This is called option consideration. The option will either be exercised (used) or abandoned (not used).

**Optionee:** The person who has the right to buy under an option.

**Optionor:** The person who has agreed to sell property under an option.

**Original Principal Balance:** The principal owed on a note the day it started. This is contrasted to the current principal balance, which may be different.

**Origination:** The creation of something, in this case a note and security instrument.

**“Or More” Clause:** A clause in a note stating that the monthly payments are to be so many dollars “Or More.” This eliminates any kind of prepayment penalty.

**Or Order:** A clause in a note, such as “Pay to Joe Jones or order.” The “or order” would be an assignee or future owner of the note.

**Overall Rate (OAR):** See Blended Rates.

**Owner:** The person having title to something such as property or a note.

**Owner Financing:** When the Seller of a property takes a note secured by the property as part of the payment.

**Paper:** In our usage, a promissory note secured by real estate.

**Partial Amortization:** Loan payments that cover principal and interest for a certain period of time, but then the remaining balance is due in a balloon payment at the stop date.

**Pause:** In running a program, the calculator will pause at certain points so you can write down the answer before it resumes processing.

**Payee:** The person to whom payments are due on a note.

**payment:** The amount of money paid in each installment on a note.

**Payment Book:** See Note Payment Book.

**payment Schedule:** The specifics of how much each payment is and when each payment is due.

**Payor:** The person obligated ~to make the payments on a note.

**Percentage:** A fraction expressed in one-hundredths. This is used for interest rates. .09 is 9%. 9% interest on \$100,000 is \$9,000 per year.

**Personal Note:** An unsecured note. The maker has personal liability on a personal note.

**PITI:** Principal, Interest, Taxes and Insurance. On an amortized loan that has an impound or escrow account for taxes and insurance, the monthly payment consists of Principal, Interest, Taxes and Insurance (PITI).

**PMT:** The payment on a loan.

**Points:** A point is 1% of the principal. See also Discount Points.

**Positive Cash Flow:** Cash coming in, inflow of money.

**Prepayment:** Paying on a loan before the payment is due, especially paying the loan off in full before its due date.

**Prepayment Penalty (PPP):** A penalty in a certain amount of money charged by a lender in the event of early payoff of a loan. See also “Or More” Clause.

**Present Value (PV):** Money has a time value. Money now is worth more than money later. The worth of a future amount of money is less than having that same amount of money now. Example: You might only be willing to pay \$2,500 now in order to receive \$10,000 payable in 10 years. The Present Value of that \$10,000 is \$2,500 in your mind.

**Principal:** The amount of money loaned out or carried back on property sale. The principal amount of the note is at first equal to the face amount. It then may vary according to how payments are made.

**Principal Balance:** The remaining amount of principal due on a note as of a certain date. This may be more or less than the original face amount of the note. See also Amortization, Negative Amortization, and Interest Only.

**Private Party:** The normal “guy next door” that sold his property and carried back paper to make the sale. Not a loan broker or real estate agent dealing in notes for profit.

**Private Party Financing:** See Seller Carry back Financing.

**Program:** As a noun it means the detailed instructions given to a computer or calculator telling it what steps to do and in what order to do them. As a verb it means to tell the calculator what steps to do.

**Promissory Note:** A legal written promise to pay a certain amount according to its terms and conditions. See also Secured Loan, Unsecured Loan.

**Property Owner:** The person who owns the property that is the security for a note. The property owner is the one who owes and pays on the note.

**Proposed Financing:** How we intend to have the financing look after we are done with our current transaction. See also Existing Financing.

**Protective Equity:** The excess “equity cushion” left over after subtracting the loan we are considering and any senior loans from the property value. Example: A \$100,000 property with \$65,000 in loans against it would have a \$35,000 protective equity over and above the loans.

**Purchase Money:** Money that is loaned for the purchase of real property. This can be in the form of Seller carry back financing or a new bank loan. It is contrasted to Refinance Money or Hard Money. In certain cases it may carry no personal liability and may not be subject to deficiency judgments.

**PV:** Present Value or current principal balance on a loan. Present value can be the worth of a stream of future payments discounted to today's dollars or to an amount of money today.

**Rate of Return:** See Yield.

**Real Estate Paper:** Notes secured by real estate and held by private parties; not banks, professional loan brokers, or real estate agents in the business of dealing in notes for profit. Real Estate Paper can include: Mortgages, Deeds of Trust, Security Deeds, and Land Contracts.

**Recall:** Retrieving data stored in the calculator memory. Recast: To decide new terms for an existing loan. This may be associated with the situation wherein a debtor cannot pay according to the original terms, but can pay some other way

**Reconvey:** When a trust deed is paid off, the trustee reconveys his title back to the property owner and releases the lien from the property. It means to convey title back to the owner of the property.

**Reconveyance:** See Reconvey.

**Recordation:** The formal recording (filing) of a legal document such as a security instrument. Recordation with the County Recorder's Office or other appropriate governmental office serves constructive notice to the world that the document exists.

**Recorder's Office:** The local governmental agency responsible for maintaining official records of documents filed therein, such as deeds and security instruments (real estate paper). See Courthouse, Registrar of Deeds.

**Recourse:** When signing (endorsing) a note from one party to another, you do so either with or without recourse. With recourse means that you still have contingent liability to the Buyer of the note. In the event the maker doesn't pay as promised, you have to pay. See Without Recourse.

**Redemption:** In a foreclosure situation, redemption means the right to pay off the loan in full plus foreclosure fees and either stop the foreclosure while it is in progress or get the property back after it has been sold. See Redemption Period.

**Redemption Period:** The period of time during a foreclosure when the debtor has the right to make payment in full and stop the proceedings. Also a period after the property has been sold through foreclosure in which the foreclosed owner can pay the loan amount plus applicable charges and get the property back. This varies according to state law.

**Refinance:** Paying off an old loan on the property by putting a new, usually larger loan on it. Any remaining funds go to the property owner. See also Hard Money, Personal Liability.



**Registers:** Storage Pockets in the calculator memory. You can store information in the appropriate register and then recall it later.

**Registrar of Deeds:** See Recorder's Office, Courthouse.

**Reinstatement:** In the beginning of a foreclosure, the debtor has the right to catch up the payments plus foreclosure fees and reinstate the loan. This means to make it current and stop the foreclosure, just as it was before. During reinstatement it is not necessary to pay the loan in full unless the loan was due anyway.

**Reinstatement Period:** The period specified by local law, within which the debtor has the right to catch up the payments plus foreclosure fees and stop foreclosure.

**Release of Liability:** The appropriate documentation from a creditor to a debtor, releasing the debt and any liens associated with it.

**Release of Mortgage:** A written instrument releasing a mortgage lien from a property. Also called a Certificate of Discharge.

**Renegotiate:** To change the terms and conditions of an existing note by mutual agreement of Payor and payee. Either party can ask the other to renegotiate. Asking for a discount for early payoff is a form of renegotiation.

**Request for Reconveyance:** An instrument executed by a trust deed holder, directing the trustee to convey his title lien on the property back to the Trustor (Property owner). The Request for Reconveyance is usually printed on the back of the trust deed.

**Reverse Polish Notation:** Calculator logic or way of thinking in which the number is entered before the operation (plus, minus, times, divided by).

**Risk:** A determination of how safe or dangerous something is. An unsecured note generally involves more risk than a well-secured note.

**Rollover Note:** A relatively short-term (5 year) note that renews each time at some new interest rate pegged to the cost of money at that time.

**Rule of 72:** A banker's interest computation invention that allows for greater than normal interest in the early part of the loan. Also a rule of thumb for determining how long it takes to double your money at a certain interest rate. Divide 72 by the interest rate and this is close to the number of years it will take to double the money.

**Satisfaction of Mortgage:** Completion of the terms of repayment and release from liability on a mortgage.

**Seasoned Note:** A note that has been in existence for awhile and has a proven record of satisfactory payments being made.

**Second:** The lien immediately junior to the First. Recorded second in time.

**Secured Loan:** A loan (note), which has specific collateral, pledged to secure its payment. In the event payment is not made, the collateral will be sold to provide funds to pay the note.

**Security Deed:** See Deed of Trust

**Security Instrument:** The official legal document which, when properly recorded, places a lien on the property to secure the payment on a note. The most common security instruments are mortgages and trust deeds.

**Seller Carry back Financing:** When the Seller of a property takes a note secured by the property as part of the payment. See also Owner Financing.

**Seniority:** The order in time in which documents are recorded. The first lien recorded is the “First,” the next is the “Second,” etc. Recording, not when notes were created, is what counts. In the event of foreclosure, the lien foreclosing is paid first and the leftover funds, if any, go to the juniors. Senior liens are more secure than junior liens.

**Senior Lien:** A lien recorded before others. A lien can be senior to some and junior to others. Example: A second is a senior to a third but junior to a first.

**Short-Term:** In private financing, a note having 3 years or less remaining. Sign: The plus or minus sign before a number as used in mathematics of addition or subtraction. Also indicating whether a cash flow is positive (in) or negative (out).

**Signature Loan:** An unsecured personal loan from a bank or credit union.

**Simple Interest:** Interest based on the principal balance of the loan only. It doesn't add on to the principal. It does not compound. It is less than compound interest.

**Simultaneous Closing:** Two transactions or two parts of a transaction that are completed at the same time. Such transactions are often dependent and contingent upon each other. One cannot happen without the other. See Double Escrow.

**Soft Paper:** Paper with low interest, a long term, low or no payments, and perhaps questionable security. It has little or no marketability for cash and is used mainly in trade. One would like to borrow on soft paper and sell on hard paper.

**Stop Date:** The date of the last payment on a note. It may be fully amortized or there may be a balloon payment. Also referred to as Call Date.

**Storage:** Placing a number in a register or memory unit of the calculator for later recall and use.

**Straight Note:** A note having no payments during its term, with a balloon payment at the end. It may

have either simple or compound interest. **Term:** The length of time a loan runs. Example: A 5-year term. **Terms:** The main features of a loan: Principal Amount, Interest Rate, Payment Schedule, and Due Date.

**Trust Deed:** Or deed of trust. A deed given by the borrower to a trustee to be held tending fulfillment of an obligation. This is the security instrument, which pledges the property to insure payment on the note.

**Truth in Lending Laws:** Legislation that pertains to fair dealing and full disclosure in making new loans. It does not apply to the sale of existing notes.

**Uneven Payments:** The payments of a loan vary from time to time, they are said to be “uneven” payments. Example: \$100/month the first year, then \$200/month the second year, and then \$300/month thereafter. See IRR.

**Unmarketable Note:** A note which has such soft terms that it cannot be sold for cash. It might be used in trade as part of the down payment on real estate however.

**Unsecured Loan:** An unsecured note or personal note. It is secured only by the maker’s written promise to pay. No specific security has been pledged to back up the promise to pay.

**Unsecured Note:** See Unsecured Loan.

**Usury:** There are “Usury” laws, which specify the minimum rate private parties can charge each other on loans. Above that rate, it is “Usury” and the loan would be “Usurious.” This involves stiff legal penalties. There is absolutely no limit however as to how much yield a person can get when they buy a note at discount.

**Value:** What one party is willing to pay for something. There are as many values for something as there are parties considering owning it. When there is widespread agreement of value, we have a market value (generally agreed-upon price such as the price of gasoline). On the other hand, notes have a less well-defined market. Therefore, negotiation has a large part in determining value or price.

**WAC:** Weighted Average Coupon - this formula is used to weigh the average yield on a portfolio of two or more notes. To calculate WAC multiply each note’s coupon (interest) rate by its individual remaining balance; add the products; then divide the result by the total remaining balance. That gives you the approximate existing yield for a package of notes with varied interest rates.

**WAM:** Weighted Average Maturity - Allows you to calculate the overall maturity rate of a note portfolio, reflecting a truer measure of where the weight falls on a time line. More accurate than an average maturity calculation when dealing with many notes or where you have the bigger notes for longer terms and a couple of smaller notes on real short terms. A simple average would be extremely distorted in bias toward the low side in remaining months to maturity.

**Walking Backwards:** A note whose payments are less than Interest Only. This means the amount owed increases with time. See also Negative Amortization, Straight Note.

**Without Recourse:** The way of endorsing a note to an assignee. This protects the assignor from any further liability on the sale, even in the event the Maker fails to pay on the note. This is the way to sell a note to protect yourself. See also Recourse.

**Wraparound Contract:** A Land Contract that wraps around earlier existing financing. See Wraparound mortgage.

**Wraparound Mortgage:** A larger Mortgage that “Wraps Around” a smaller senior lien. The debtor pays to the holder of the “Wraparound” and the holder of the “Wrap” pays on the included senior lien.

**Yield:** The true rate of return on investment on a note bought at discount, taking into account the actual amount invested and the remaining payments and their timing. The yield is often far greater than the interest rate specified in the note itself when the note is bought at discount.

## State By State Guide To Real Estate Practices

<u>State</u>	<u>Main Security Instru.</u>	<u>Dominant Foreclosure Method</u>
Alabama	Mortgage	Power of Sale
Alaska	Trust Deed	Power of Sale
Arizona	Mortgage	Judicial
Arkansas	Mortgage	Power of Sale
California	Trust Deed	Power of Sale
Colorado	Trust Deed	Power of Sale
Connecticut	Mortgage	Strict Foreclosure
Delaware	Mortgage	Judicial
District of Columbia	Trust Deed	Power of Sale
Florida	Mortgage	Judicial
Georgia	Security Deed*	Power of Sale
Hawaii	Trust Deed	Power of Sale
Idaho	Trust Deed	Power of Sale
Illinois	Mortgage	Judicial
Indiana	Mortgage	Judicial
Iowa	Mortgage	Judicial
Kansas	Mortgage	Judicial
Kentucky	Mortgage	Judicial
Louisiana	Mortgage	Judicial
Maine	Mortgage	Entry & Possession
Maryland	Mortgage	Power of Sale
Massachusetts	Mortgage	Power of Sale
Michigan	Mortgage	Power of Sale
Minnesota	Mortgage	Power of Sale
Mississippi	Trust Deed	Power of Sale
Missouri	Trust Deed	Power of Sale
Montana	Mortgage	Judicial
Nebraska	Mortgage	Judicial
Nevada	Mortgage	Power of Sale
New Hampshire	Mortgage	Power of Sale
New Jersey	Mortgage	Judicial
New Mexico	Mortgage	Judicial
New York	Mortgage	Judicial
North Carolina	Trust Deed	Power of Sale
North Dakota	Mortgage	Judicial
Ohio	Mortgage	Judicial
Oklahoma	Mortgage	Judicial
Oregon	Trust Deed	Power of Sale
Pennsylvania	Mortgage	Judicial
Rhode Island	Mortgage	Power of Sale
South Carolina	Mortgage	Judicial
South Dakota	Mortgage	Power of Sale
Tennessee	Trust Deed	Power of Sale
Texas	Trust Deed	Power of Sale
Utah	Mortgage	Judicial
Vermont	Mortgage	Strict Foreclosure
Virginia	Trust Deed	Power of Sale
Washington	Mortgage	Judicial
West Virginia	Trust Deed	Power of Sale
Wisconsin	Mortgage	Power of Sale
Wyoming	Mortgage	Power of Sale

\* Georgia's Security Deed functions like a Trust Deed.

Note: State laws change. Please consult your attorney for the latest information.