Part Two: Day Two

CreativeFinancing

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License to Print Money Legally

Using Paper to Work Smarter, Not Harder

What You Can Expect From this Course

As an active real estate investor, I know how much money there is to be made by investing in property. At the same time, I've also been a mortgage broker and have been on both the lending and borrowing side of Private and Hard Money transactions; so in other words, I understand the finance and paper game from all sides. I know how paper is created, how it is bought and sold, its advantages and pitfalls, and... how the application of that knowledge to real estate can help you reap tremendous rewards.

The purpose of this course is to share that knowledge with you. I won't make you a finance "expert" in eight hours over a two-day span. I will, however, give you the tools to identify and complete good deals in both the residential and commercial arenas. I'll also show you how to make money by *controlling* real estate rather than *owning* it.

You'll be presented with a lot of options that you may, or may not, decide to use. Regardless of your direction, what you're about to learn is not common knowledge. Get ready, because you're about to join an elite, select few in an untapped market! Buying discounted paper and notes is a specialized technique and used only by a small percentage of real estate entrepreneurs.

By focusing on defaulted paper and alternative financing methods, you'll learn how to handle any situation that arises, and you'll learn how much easier it will be for you to profit. Of course, the more you profit, the more your peers will think you're a genius. Which, of course YOU ARE!

4 Entry Style Note <u>Buyer</u> Closings

Seller Financed Free and Clear

Seller Financed Subject To

Seller Financed Subject To Assumption with Seller Created

Seller Financed Full Amount

Examples

Seller Financed Free and Clear

$100,000 Mortgage

Buyer Puts Down $5,000

Seller Carries Back 1st $95,000 at 8 % on 30 Year Loan

Payment Per Month to Seller is $697.08

Positive Cash Flow for Seller: $697.08

Notes:

Examples

Seller Financed Subject To

$100,00o Mortgage

Underlying 1st of $50,000

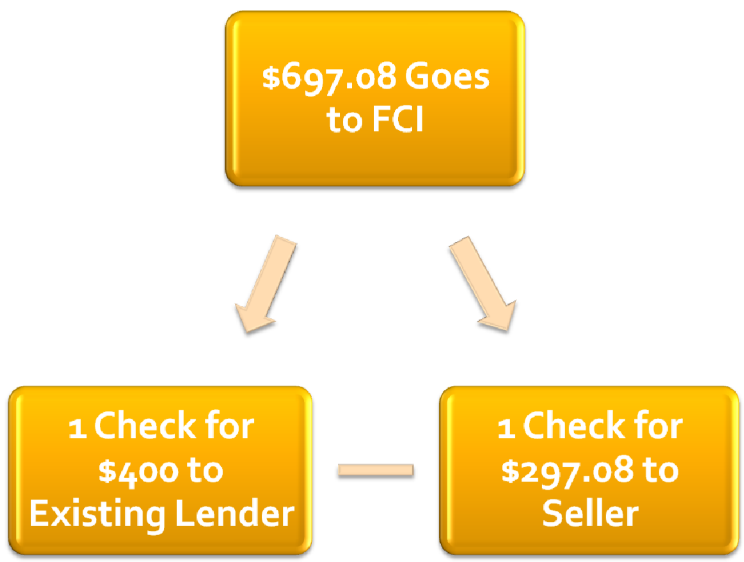
Monthly Payment of $400.00

Interest at 8.94%

Buyer Puts Down $5,000

Seller Financed at $95,000 at 8 % on 30 year loan

Payment per month to FCI (3rd Party Servicing Company) is $697.08



Notes:

Examples

Seller Financed Subject To Assumption with Seller Created 2nd

$100,000 Mortgage

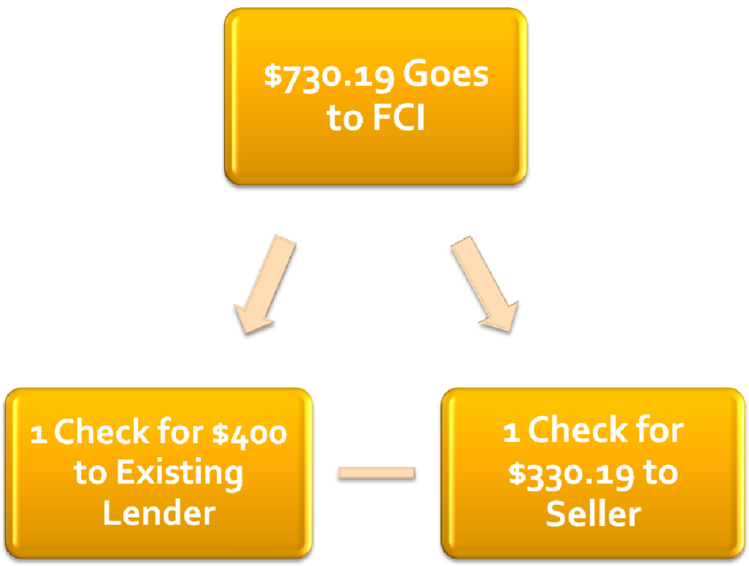
Underlying 1st of $50,000

Monthly Payment of $400.00

Buyer Takes Over$50,000 1st Subject To Using a AITD (All-Inclusive Trust Deed) document

Seller creates 2nd note of $45,000 at 8% for 30 years

Inherit 1st Payment of $400 + $330.19



Notes:

Examples:

Seller Financed Full Amount

Seller Finances full $100,000

Underlying 1st of $50,000

Monthly Payment of $400.00

Create the Note $95,000 at 8%

Sell note to 3rd party and cash out existing 1st

Put the Note Up for sell at a 10% yield

Seller walks with cash

It Works Like This:

Note Goes for Sale at a 10% Yield

= $79,432.42

A $15,567.58 Discount to the Buyer

First Lien of $50,000 is Paid Off

Seller Walks Away With $29,432.42

Notes:

Simultaneous Closing

Definition:

A Simultaneous Closing (not to be confused with a Double Closing) is one where two actual closings occur, one immediately following the other.

Closing #1:

The property is sold, and the seller caries the note.

Closing #2:

The newly created note is sold to an investor.

Notes:

8 Steps to a Simultaneous Closing

1. Market for the Property

2. Fill Out Offer Structure Worksheet

3. Structure the Deal

4. Make Offer

5. Have Seller Sign the Real Estate Contract

6. Complete Due Diligence

8 Steps to a Simultaneous Closing

7. Identify Note Investor

8. Close the Transaction

Notes:

Step by Step Instructions

1. Fill out the *Simultaneous Worksheet* to figure out the numbers, and the *Simple Application* to give information about you, the buyer to the Third Party. Make sure they are filled out *completely, accurately,* and *legibly.*

2. Upon receipt of the *Purchase Offer,* you need to:

a. To clarify any questions you may have with the Third Party.

b. Understand the price is *net* to you - you need to *subtract your profit* from the price.

c. Present the offer to your seller, both verbally, and *in writing.*

d. Present the *Real Estate Purchase Offer* to your seller, *in writing.*

4. Upon acceptance, prepare the *Option to Purchase Agreement.* It is imperative that you inform the Third Party of *your* profit, so that the agreement with the Seller is prepared with prices net to him/her.

a. Have the seller sign it, then fax back.

b. Review third-party checklist and instructions.

5. Upon acceptance, you'll also need to do several other things to complete the transaction. Remember, the sooner you do these, the sooner you will be able to put money into your pocket and the seller's, too!

a. Gather the information from the *Simultaneous Documentation Checklist.*

b. Have the seller call the Title Company and:

i. Open Escrow

ii. Order Title Insurance

iii. Convey Title Company information (Name, Contact Person, Phone Number) to the Third Party.

c. Have the seller inform the buyer that he will require hazard insurance (aka Homeowner's Insurance) on the property. The coverage must be for at least 12 months, and is payable at closing.

i. Insurance company needs to send a Declarations Page.

Step by Step Instructions

ii. List the Seller as the Loss Payee.

III. Do *not* pay for this until closing.

d. The Third Party will let you know the type of appraisal the seller/buyer needs to order.

i. Wait for the Third Party to direct you in this.

ii. All Simultaneous Closings will require appraisals with interior photos.

e. Overnight all of the information to the Third Party.

6. Hurry-up and wait! Seriously, stay on top of your deal, but don't nag the investor. Feel free to call once a week for an update on your transaction.

7. To Get Your Money Sooner:

a. Make sure that your initial information is complete.

b. Make sure that the Seller gets you the information as soon as possible. It is your job to keep him/her focused on this task.

c. Stay in control of the deal

Notes:

Paperwork for a Simultaneous Deal

The following pages reflect all of the paperwork that you will need to generate in order to complete a simultaneous closing.

The example is fictional and meant for teaching purposes only. While the numbers may not "wow" you, please understand that the concept remains the same, no matter if you are working with houses that are worth tens of thousands, or hundreds of thousands!

We'll start with a sample letter (courtesy of Ron LeGrand), and continue on with the following:

- Simultaneous Worksheet
- Simple Application
- Purchase Offer
- Real Estate Contract
- Offer to Purchase Agreement
- Simultaneous Checklist

Notes:

Ron's Marketing Letter (Thanks Ron!)

Ron's Letter to FSBO's

Mr. Willie Sellit
456 Househunter Lane
Any Town, Any City 99XXX

Dear Mr. Sellit,

I have some very important information for you regarding the property you have for sale. In fact, I thought it important enough to spend the $3.30 to send it Priority Mail to insure you receive it.

First, I am not a real estate agent. I have no interest in listing your home.

I may be interested in buying it but frankly, that's not why I sent you this urgent letter.

You see, I have a very special program available to you at no cost that will make it very easy to sell your house extremely fast and receive all your cash.

Simply put, I'm in the business of buying notes and land contracts secured by real estate. I've found the best way to find these notes is to help folks like you to create them.

I think you're aware the easiest way for anyone to sell a house is to offer it with owner financing. This bypasses the bank and makes it so much more attractive to buyers.

In fact, when you can offer a nice home in a nice neighborhood to someone with owner financing:

The Demand is 100 Times
Bigger Than the Supply!

So why don't all sellers and Realtors sell that way? The answer is simple ... people want cash, not monthly payments, just as I suspect you do.

Ron's Marketing Letter (Thanks Ron!)

This is where I come in. I'll buy the note you create to sell your house and I'll pay you cash for it at the closing.

That's right, CASH!! No games, no monthly payments for you to collect and no fear you'll never get paid. (I *can almost guarantee you, if you sell your house with owner financing, it will be gone within a few days.)*

Not only that, I'll show you how to get about 90% of the value of your house. That's about what you would get if you listed with a Realtor and sat on it for months. You'll discover my way is a lot better.

How do I know this? Because I do it all the time myself. You see, I'm also in business to buy lovely homes.

When I do, I usually sell with owner financing. I know this business.

In fact, you may find it easier to sell me the home than doing the work yourself. We can discuss this when you call.

Oh, I bet you're thinking, "This guy just wants to steal my house like all those other 'I Buy Houses' ads I've seen."

Absolutely Not! You'll be amazed at what I can offer you because of my relationship with the mortgage industry. In fact, I can assure you, you've never talked to anyone who buys more houses or notes than my group of investors.

I can't make you any promises until I know the facts, but I can say this with absolute certainty ... If you're a little flexible and serious about selling your house, I'll bet you the price of the best lobster dinner in town, I can either show you how to sell it quickly or buy it myself.

In fact, when I arrive I'll leave you with a gift certificate for $25.00 to Red Lobster. How's that for putting my money where my mouth is?

If I come out to see your house, I'll either show you how to sell it for about retail price and cash out quickly or, I'll buy it or, I'll buy your dinner.

Ron's Marketing Letter (Thanks Ron!)

I can't see how you can lose.

Listen, I can't work with everyone. There's only one of me and my secretary. I've sent out about 150 of these letters this morning and frankly, I don't have any problem locating good people who want to quickly cash out their houses.

I have the funding and facilities to handle about 10 transactions a month. Call me right away. If I can't get you in this month's business, I'll certainly make next month's window.

However, don't wait to call. If you want to sell your home yourself, we need to discuss how you should go about it and make sure all your questions are answered. Even then, you'll still need some time to find the buyer.

I'll guide you through this. There are absolutely no out-of-pocket expenses or risk on your part except the advertising you'll do to get a buyer (which you're probably already doing.) I'll never ask you for a dime or sign any agreements unless I actually buy your house.

This is a free service to you. You have no obligation to do anything when I visit your home.

Call with details about the property and what you'd like to see happen. That's all I need to let you know a couple of minutes where we stand.

Warmly,

Your Name

Your Company

P.S. All this talk about lobster has made me hungry. I'm taking my wife to Red Lobster tonight.

P.P.S. You might be wondering how I get paid. Don't worry, you'll never write me a check for anything. My money will come from the investors I work with, not you.

Simultaneous Worksheet Example

Today's Date: ______________________________ Buyer: ______________________________

Your Name: ______________________________ Phone: ______________________________

Company: ______________________________ Fax: ______________________________

Sellers Information:

Seller's Last Name: ______________________________

Asking Price: $ ______________________________ / Value: $ ______________________________

Amount of Existing Lien(s): ______________________________

Seller's Equity: ______________________________

How much of equity (cash) does seller absolutely need at closing? ______________________________

How long has the seller owned the property? ______________________________

Buyers Information:

Buyer's Last Name: ______________________________

Down Payment: $ ______________________ % ______________________

Maximum Desired Monthly Payment: $ ______________________________

Please Circle Employment Status: Self-Employed Salaried

Credit (Please Circle One): A B C Other

Property Information:

Type (Please Circle one): SFR 2-4 Unit Commercial Property Condo/Townhome

Improved Land Land Mobile Home SW/DW Age: ______________

Please Check One: Owner Occupied N/O/O (held for rental) Income: ______________________

Location: ______________ City: ______________ State: ______________ Zip: ______________

Seller Needs: ______________________________ Broker Needs: ______________________________

Comments:

____

____

Simple Application

General Information

Applicant:______________________________ SSN#:______________________

Co-Applicant SSN#:______________________

Current Address: ____

Home Phone#:____

Rent Or Own: Rent Own Pay By: Check Cash Rental Amount::________

Rental Managed By Management Company or Privately Owned? M..C. P.O.

Asset Information

Checking Account No. ____________________________ Approx Balance:____________

Savings Account No. _____________________________ Approx. Balance:____________

Cash Available for Down Payment and Closing Costs:_$ ___________________________

Credit/Debt Information (Please fill in approximate balances & monthly payments)

Automobile#l:__________ Automobile#2: __________ Furniture: ______________

M/C or Visa: __________ Bank Loan:__________ Student Loans:______________

Child Support:__________ Department Cards:________ Other:__________________

Property Information

Maximum Monthly Payment You Feel Comfortable Making: $ _________________________

Have You Found A Property? Yes No If So, Please Provide The Following Information:

Property Address:____

City, State, Zip Code:____

Sales Price: $ _______________________ Appraised Value: $ ____________________

Please Read The Following Before Signing

Applicant(s) represents that all of the above information is true and correct; and hereby authorizes verification of the above information, references, and credit records. Applicant(s) acknowledges that false information herein may constitute a criminal offense under Federal Laws and the laws of this state.

Applicant:___________________________ Co-Applicant:_______________________

Date:_______________________________ Date:______________________________

Simultaneous Purchase Offer

Name: ______________________ Phone: ______________________

Company: ______________________ Fax: ______________________

Buyers Commitment

Buyer Agrees to the Following

Sales Price: $100,000	Down Payment: 5,000
Seller Carries 1st: $80,000 (80%)	Seller Carries 2nd: $15,000
360/360 @ 10%	360/84 @ 10%
1st Lien Payment: $702.06	2nd Lien Payment:/Balloon: $131.64/$14,197

Seller Receives:

Down Payment (Buyer's Funds):	$5,000	
Third Party Funds at Closing:	$72,000	
Seller Receives at Closing:	→	$77,000
2nd Lien Payments (84 payments of $131.64)		$11,058
2nd Lien Balloon (in 84 months)		$14,197
Total Monies Received		$102,255

Seller will be responsible, at the seller's expense, for providing a new title policy. All prices are subject to buyer's credit, a clean property appraisal ("as is" value) for at *least the* purchase price, clear and equitable title, and final underwriting review. Prices are NET to you. Buyer and seller will pay closing costs related to the exchange of real estate. This is *not* an Option to Purchase. *Pricing will ONLY be good for 30 days from date of this offer.*

Proposal Note Letter

Mr. Willie Sellit

456 Househunter Lane

Any town, Anywhere 99XXX

Dear Mr. Sellit,

Thank you for allowing us to assist you with your alternative financing needs!

I understand that you are selling your property located at 456 Househunter Lane in Any town for $100,000 and that you have a buyer in mind. It is also my understanding that the purchaser of your property has agreed to put $5,000 as a down payment. In order to facilitate this purchase, it is my professional opinion that the transaction be structured as follows:

> Create a first lien of $80,000 at 10% interest for 30 years and a second lien of $15,000 at 10% with a 7-year balloon. My company will purchase the first lien for $72,000.00 cash at closing, and you will retain the second for cash flow.

What does this mean to you? As the seller of the property, you will receive the following payments:

Down payment:	$ 5,000	
Cash at closing:	$72,000	($77,000 CASH NOW!)
2nd Lien payments:	$11,058	($131.64 X 84)
Balloon payment:	$14,197	(in 84 months)
	$102,255	**TOTAL CASH**

This is *more* than *100%* of the asking price of your property! In addition, you will receive cash flow of $131.64 *per month for the next* 84 *months.*

Enclosed please find my *Standard Option to Purchase Agreement* ready for your signature.

Please fax the completed agreement back to me at (XXX) XXX-XXXX so that we may get started on your deal immediately.

I look forward to closing and funding your transaction as quickly as possible. If you have any questions, please give me a call at (XXX) XXX-XXXX ..

Sincerely,

Mr. And Ms. Notebuyer

Real Estate Purchase Contract

REAL ESTATE PURCHASE CONTRACT AND RECEIPT FOR DEPOSIT

This is a legally binding contract. If not understood, seek competent legal council.

1. Date and Location of Offer

****

4. Contract Sales Price and Financing Summary:

A. Earnest Money Deposit Included Herewith: $________________

(Payable to: ______________________)

B. Additional Down Payment At Or Before Close of Escrow $5,000

C. Sum of All Financing Described in Paragraph 5 Below $95,000

D. Other (Describe)

____

E. Total Selling Price Consideration (A+B+C+D) $100,000

****

C. $ **80,000** BUYER to execute a note secured by a FIRST (mortgage or deed of trust) in favor of SELLER, payable monthly at $702.06 or more, including principal and interest, the interest being 10%per annum, the remaining balance of principal and interest all due (30)years from the date of origination. Other terms and conditions:

Contingent upon seller selling newly created first lien at closing to 3rd Party for $72,000.

D. $ **15,000** BUYER to execute a note secured by a SECOND (mortgage or deed of trust) in favor of SELLER, payable monthly at $131.64 or more, including principal and interest, the interest being 10%per annum, the remaining balance of principal and interest all due (7)years from the date of origination. Other terms and conditions:

____

____

E. $__________ BUYER to to assume/____________take title "subject to" the existing__________ second, __________ third loan of record on SUBJECT PROPERTY, in the approximate balance of__________

$__________ in favor of__________ , payable at approximately $__________ per month, including interest and at__________ % (__________ fixed rate__________ adjustable) with all remaining principal and interest due__________ , 20___. In the event the loan balance or payment differs substantially from that which is indicated above, this contract may be terminated at BUYER'S option and the earnest money shall be refunded to BUYER without delay. BUYER'S fees to take over the existing loan not to exceed $__________

F. Other (Describe): ________________________________

____

____

$95,000 **Total Financing**

Option to Purchase Agreement

Option to Purchase Agreement

THIS IS AN OPTION TO PURCHASE AGREEMENT dated this 1 day of January, 2006 by and between Willie Sellit, the note owner (hereinafter called "OWNER") whose address is 456 Househunter Lane, Any town, Anywhere 99XXX, and 3rd Party the note buyer (hereinafter called "BUYER") whose address is 5877 No Where Lane, No Where, CA 9XXXX for the purchase by BUYER of a certain MORTGAGE held by OWNER. It appears that OWNER is the owner and/or creator of a FIRST MORTGAGE *{Mortgage / Deed of Trust / Contract for Deed)* (hereinafter called "MORTGAGE"), which secures a promissory NOTE in the original amount of $80,000 herein called "NOTE"), copies of which NOTE and MORTGAGE are attached hereto and incorporated herein on the property located at 456 Househunter Lane, Any town, Anywhere 99XXX. It also appears that the OWNER desires to transfer and assign the MORTGAGE and NOTE to BUYER upon the terms and provisions more specifically set forth herein. Now, therefore, in consideration of the mutual covenants contained herein, the parties agree as follows:

Sale And Consideration. For legal and valuable consideration given and hereby received, the OWNER hereby agrees to sell and/or assign 360 monthly payments of $702.06 of the MORTGAGE and ALL of the balloon NOTE, beginning with the first payment due 30 days after closing to BUYER for the sum of $72,000. OWNER hereby acknowledges the option price is subject to receipt, review and approval by BUYER of all required documentation. OWNER acknowledges that BUYER will require as a condition to its exercising this option the following:

1 Satisfactory appraisal of the real estate described above by a nationwide appraisal service with a value of at least $100,000. In the event the appraised value is less than OWNER represents then OWNER agrees to an adjusted note purchase price. OWNER agrees to pay for the cost of the appraisal, title commitment and all other costs incurred as a result of the exchange of the property. The 3rd Party will, in turn, be responsible for those costs incurred with the assignment of the NOTE. Simultaneous purchase requires a new title policy, paid by the Buyer/Seller of the property.

2 Proof of property's hazard insurance with a value equal to or greater than the remaining note balance.

3 Satisfactory review of MORTGAGOR'S credit report.

Exclusivity. OWNER hereby grants BUYER and/or assigns the exclusive right to purchase the NOTE and MORTGAGE. Any payments on the NOTE received by the OWNER during the term of this Agreement or any extension thereof will be credited to the cash required of BUYER at closing and deducted from the OWNER'S proceeds. If BUYER has not exercised this option within forty five (45) days from the in-office receipt by BUYER of all required documentation, then OWNER may extend or cancel this option.

Remedies For Breach. Should OWNER refuse to close this transaction and BUYER is ready, willing and able to purchase the Note, then BUYER may elect a remedy that includes, but is not limited to specific performance, 15% liquidated damages, actual damages or combination thereof permitted by law.

Time And Binding Effect. Time shall always be of the essence and this Agreement shall inure to and be binding upon the respective heirs, representatives, successors and assigns of the parties hereto.

<u>The parties hereto have set their hands and seals the day and date above written. each with the interest to be legally bound.</u>

NOTE BUYER:

Signature:____________________________ Date:________________________

Mr Notebuyer

NOTE OWNER:

Signature:____________________________ Date ________________________

Willie Selllit

Simultaneous Documentation Checklist

The Following Checklist is What is Normally Required.

From Seller:

- ☐ Name, Address, Phone Number & Social Security Number Of The Person Selling The Note
- ☐ Copy Of The Sales Contract Between The Buyer And Seller
- ☐ Signed Option To Purchase Agreement
- ☐ Title Company Name, Phone Number And Contact

From Buyer:

- ☐ Loan Application
- ☐ 30 Day Current YTD Paystub On All Buyers
- ☐ One (1) Month's Bank Statement - Showing Enough Cash To Close
- ☐ Current & Previous Landlord Information Including Phone Number
- ☐ $400.00 Cashier's Check For Appraisal
- ☐ Most Recent Years W-2

Upon receipt and satisfactory review of this information by the underwriting staff, the 3rd Party will order an appraisal review, title insurance commitment and credit report. **On new purchases of property, the buyer or seller will pay the closing costs on the real estate portion of the transaction.** A closing will be scheduled within ten working days after final documentation is received.

At closing, bring the *original note and original deed of trust or mortgage* from the title company.

In addition to the foregoing, if the subject property includes a mobile home and land, the mobile home title must be surrendered at closing.

REMEMBER - The sooner you have all the documentation together, the sooner you can conclude the transaction.

Note Structuring Review

1. Who pays the closing costs

2. Who sets the interest rate that the seller charges the buyer?

3. How is that rate determined?

4. Who prepares closing documents?

5. When the seller carries the 2nd lien, does the 3rd party collect both the 1st and 2nd and send the seller his/her part?

6. In the last example, does the buyer make two payments?

7. On simultaneous closings, how can you put money back into your pocket?

8. On simultaneous closings, does the seller have to take a discount on his asking price?

9. If the property appraises for more than the seller is asking, does the buyer's down payment need to be a % of the asking price, or a % of the appraised value?

Notes:

Notes on Part Two: Session Three

Notes:

Notes on Part Two: Session

Notes:

What Kind of Closer Are You?

The Order Taker

- You know the product
- You know about the company
- You have the right answers
- Can’t sell to save your life

The Salesperson

- You’re one step up from the order taker
- You exhibit some drive, push and determination
- You haven’t studied the profession to any great extent
- You just get by
- You’re satisfied with middle-of-the-road results

The Closer

- You’re Charming
- You’re head of the Sales Pack
- You believe you’re so good, you don’t have to study or listen to anyone
- You use the same ol’ pitches and closes, you never change the game plan
- You’re good, but haven’t reached your full potential

The Master Closer

- Everyone goes to the you if they want quick success
- You think, act, listen, learn, and understand like a Master Closer in all aspects of life
- You’re self-confident, poised, positive, and in control
- People seek out your association
- You change your approach to suit the environment

Characteristics of a Master Closer

If You Want to be a Master Closer, Mimic These Characteristics Until They Are Second Nature

Give glamour to the product

Cunning and crafty

An entrepreneur

Give phenomenal service to clients

Insatiable appetite: i.e. ambitious and extremely driven

Fascinated with people

Self-starter

Know no stranger

Make Up of a Master Closer:

Enthusiasm	51%
Empathy and Understanding	25%
Manners and Charm	10%
Fun	7%
Product Knowledge	7 %

Some Good References:

Sales Dogs by Blair Singer and Robert Kiyosaki

Life is a Series of Presentations by Tony Jeary, Kim Dower, and J.E. Fishman

Rich Dad, Poor Dad by Robert Kiyosaki

Predictably Irrational by Dan Ariely

Secrets of the Millionaire Mind by T. Harv Ecker

Where to Find Ugly Paper

Let's jump right into the many ways that you can find Ugly Paper. In fact, the number of ways to find paper is only limited by your imagination. So, I've tried to make it easier for you by grouping them into categories. Below, you'll find sources to help you generate:

~ Lender Held (Institutional) Ugly Paper

~ Privately Held (Seller Financed) Ugly Paper

~ Sources that Generate Both

Lender Held (Institutional) Ugly Paper

The key to finding Lender Held, or Institutional paper, is to align yourself with institutions that deal with conventional lending. Specifically, you'll contact insurance companies, mortgage companies, credit unions and banks; especially those with mortgages on ugly houses or seconds behind firsts, which are in foreclosure. You'll also be contacting B&C Lenders, as well as servicing companies that deal in sub-prime paper.

One of the things that you want to remember when dealing with institutions is that you want to come across as being corporate. Don't waste their time, don't call ten times to see if your fax went through, and don't call sixteen times each day. Instead, be professional in all of your dealings.

However, be sure and establish rapport. You can be fun and friendly, and still be professional! Remember, people do business with people, and if you are dealing with an institution, the chances are very high that you can buy more ugly paper from the same source in the future. So, if the person likes you and looks forward to your calls, imagine how much more likely they are to work to give you a good price!

There's another point that I'd like to make before moving on. I thought a lot about giving you sample letters to send to institutions like the ones listed below. However, I opted not to do so, for two very important reasons:

1. When you send a letter to a large corporation, it often gets lost, or doesn't get to the right person. Besides, if you have a desk full of things to do, one of the last things that you'll do is respond to a solicitation letter from someone you don't even know!

2. The second point is that personal contact leaves a much better and long lasting impression. There is no substitute for personal interaction. Period. Don't hide behind the fax machine, emails, or the U.S. Postal Service. Get out there, make the personal contact, establish rapport, and ask for the business!

Where to Find Ugly Paper

You can still send follow-up notes, reiterating your conversation, and setting the stage for future business.

Let's take a look at the following:

~ Insurance Companies

~ Mortgage Companies

~ Credit Unions and Banks

~ B&C Lenders

~ Sub-prime Servicing Companies

Insurance Companies:

This is a somewhat esoteric way to find *ugly* paper, but remember that *"the successful people are willing to do that which the unsuccessful people are unwilling to do."* In other words, it is always worth it to go the *extra mile,* and move away from the rest of the pack. When people start to fall behind on paying their bills, they invariably stop paying other bills, too; among them - their property insurance bill. So, why not make friends with insurance agents in your area, work with them on their cancellation lists, and contact the homeowners with a nice postcard or letter? You might mention something like, *"Behind on your house payments? Local businessperson may be able to help! Please call ... "* Notice that I emphasized the word "local." People feel more comfortable with someone who is a *neighbor.*

Of course, the insurance company will also notify the mortgagee (be it a lender or a private seller who carried financing) when the homeowner lets his insurance lapse, giving you the perfect opportunity to approach the lien holder about selling the possibly-delinquent note.

Mortgage Companies:

I've differentiated between the neighborhood mortgage company, and the lenders that actually fund the loans. In this case, I'm talking specifically about a mortgage company - you know, the place where people go when they're behind on their payments and seeking to refinance.

Where to Find Paper

In many cases, a good mortgage broker/loan officer can refinance a mortgagor who has fallen behind on his payments. Then again, if the payor is more than 120 delinquent, there is usually little, if anything, that the mortgage company can do.

Contact the mortgage brokers in your area, and offer to pay them a referral fee (only when the deal actually closes) for delinquent payors that they can't help and are willing to send to you. This puts you directly in touch with a borrower who is in trouble, and through them, connects you with the lending institution (or private seller) that holds the *ugly* paper.

B & C Lenders

A Quick Review: First of all, a Lender is one who actually loans the money. Mortgage Brokers work with a variety of Lenders to fund their loans. Imagine it just like you would with your local insurance agent: he doesn't actually insure your car, but instead, brokers your policy to one of the big boys, like Geico or Farmer's. Both the insurance agent and the mortgage broker play the part of the retailer; the companies that actually provide the coverage/money play the role of the wholesaler.

More specifically, a *B&C* lender is one that specializes in people with less than perfect credit. They get their name from grading someone's credit like you would a report card - A, B, or C. They are also referred to as *Sub-prime Lenders.* Mortgage Brokers send loans for people who are credit-challenged to B&C lenders.

The mere fact that they specialize in high risk borrowers would indicate that their foreclosure rate is higher than other lenders. In fact, while the rate of foreclosure in the "A" paper market is 3/l0ths of 1%, the incidence of foreclosure in the B&C market ranges between 3% and 5%. So, it stands to reason that they would end up with a lot of *ugly* paper.

Getting to a decision maker in this type of organization takes some work and finesse. The first thing you'll want to do is bypass the people at the bottom of the food chain, and go to the top. Talk with a manager either in the *"workout"* department, or in *"loss mitigation."* Remember, too, that this person may be able to sell you several ugly notes over a period of time, so it pays to develop a good rapport. **Helpful Hint:** *Don't try to buy a whole portfolio of defaulted paper until you have successfully completed a few transactions involving just one property. You'll be dealing with professionals - if you don't know what you are talking about, they will detect it right away.*

Where to Find Ugly Paper

Credit Unions and Banks:

Credit Unions and Banks are kind of a crossover between the previous two institutions: As with Mortgage Brokers, people in need of refinancing (due to delinquency and pending foreclosure) may seek them out. Then again, the bank, itself, may be carrying ugly paper on its books. In either case, it is definitely worth your time and effort to create relationships with local chapters in your area. And yes, the best way to do so is to actually go into the institution and introduce yourself to the branch manager. They're people just like you are, and you'll be surprised how great it feels to include them in the list of people who refer business to you!

Sub-Prime Servicing Companies

When lenders sell their loans on the secondary market, they often refer the *servicing,* or the process of collecting monthly payments, to a third-party company. Ocwen, a large company based in Florida, is one of these. In fact, in addition to servicing a tremendous amount of sub-prime loans, they also service a lot of the delinquent VA loans in the country.

Now, I'm just using Ocwen as an example. There are quite a few sub-prime servicing companies throughout the company. One of the easiest ways to find them is to research the public records at your County Courthouse, and develop a list of mortgagees, which you'll get off of the mortgages and trust deeds filed there. Call them, and find out what they specialize in. Yes, it will be a lot of work, but then again, if you're making several thousand dollars on one transaction, what is a few hours at the courthouse?

And just as you would do with B&C lenders, a phone call, in this case, will get you a lot farther than a letter!

Privately Held (Owner Financed) Ugly Paper:

Of course, not all ugly paper is deemed *institutional.* In fact, there is a lot of seller-financed paper out there, and a tremendous amount of it could be termed *ugly. Why?* Think about it: the large companies have full-time personnel devoted to working with customers to make sure they don't go into default. The private seller, on the other hand, usually has no experience in working with buyers to keep a loan current, nor does he have any experience in the foreclosure arena. Frankly, I love privately held defaulted paper, because the profits are greater, and I know that I am providing a service for the *little guy.*

Where to Find Ugly Paper

There are a lot of sources for privately held ugly paper. You can talk with hard money lenders (equity lenders) and see if they would like to unload some of their problem loans (be sure you can fix the problem before you decide to buy). You can run ads in the newspaper to reach private sellers, or you can send a general mailer out to note holders you found while researching county records. Let's review and take an in-depth look at each of the following:

~ Newspaper Advertising

~ Direct Mail to Private Sellers

~ Hard Money Lenders

Newspaper Advertising

There is so much that has already been said by others regarding newspaper advertising that this section won't even to attempt to cover it all. I will still share with you some specifics that will help you find defaulted paper. First, however, a few rules governing newspaper advertising:

1. Make sure that your ad is an eye-catching headline, backed up with text. Keep it simple. Be sure and stress the fact that you are local. In short, you might try something like:

"STOPPED RECEIVING PAYMENTS? Local investor can help. We buy seller-financed mortgages and trust deeds. Call .... "

Or you might try:

"TROUBLE COLLECTING PAYMENTS? Let me help! Local investor buys seller-financed mortgages and trust deeds. Call ... "

2. Use all capital letters in your headline, and make it **bold;** instead of paying for a border around the ad, you might try paying for a couple of blank lines - one at the top and one at the bottom of your ad. When the reader scans the page, the spaces will make your ad automatically stand out.

3. Advertising in small, local papers will give you a lot more bang for your buck. Not only is it less expensive, but people have a tendency to read the entire paper from cover to cover. Chances are a lot greater that your ad will be read than if you advertised in large papers.

Where to Find Ugly Paper

Direct Mail:

Private note holders frequently receive letters and postcards from people around the country who want to buy their notes. They don't, however (and I know this because I hold several notes and constantly receive those letters), receive letters offering to buy their notes if they are slow-paying, or non-performing. Imagine the service you would provide to them by giving them an outlet to sell their *ugly* paper! Here's how to go about it:

First of all, you'll need to find people who are holding notes in your area. The easiest way to do this is to research public records in your county, looking for private mortgagees. Then, send them a post card, letter, or even a *letter/post card.* Each has its strengths and weaknesses:

Post Cards: Post cards are inexpensive, and virtually guarantee that the mortgagee will read them, because they don't have to actually open an envelope. They limit you, however, to what you can say, and, depending on how you design them, they can also look cheap.

Letters: The hardest part about sending letters is getting the mortgagee to open them. You can often entice them to do so by hand-addressing the letter, or by putting something bulky in the envelope (that whole curiosity thing ...). If you do send a letter, and this is contrary to popular belief, the longer the letter, the more effective it is. Crazy, huh? Seriously, statistics show that 2-page letters get a better response than l-page letters, and that 4-page letters get better response than 2-page ones. That having been said, what will you say about defaulted paper that will take up several pages? Well, you could tell a gloom and doom story about the hassles of foreclosure, and for that matter, even use some of the text from this manual.

Letter/Postcards: This is my newest way to find paper, and I've been very pleased with the results. It combines the previous two methods - I use an oversized postcard (the largest that the Postal Service will allow) and put a lot of text on it. This intrigues the reader, who ends up reading the entire thing.

Hard Money Lenders

In addition to getting money from them to fund you deals, why don't you create a relationship where you can help them out, too, by taking bad paper off of their hands? Granted, they'll need to sell it at a discount, but remember, even if you pay full price for the note, you'll still be into the property at a 75% LTV or less! You're getting a great deal, and they don't have to go through the hassles of foreclosure. Better yet, their investors get paid off, which keeps their relationship with them on a high note!

Sources that Generate Both

In addition to the resources specific to Institutional and Privately Held paper, there are relationships and sources that you can develop that will generate *both* kinds of paper. These include:

~ Title Companies

~ Bankruptcy Attorneys

~ Realtors

~ Mortgages & liens on house you are trying to buy

~ Mortgage Brokers

~ Foreclosure Filing Services and Publications

Let's look in-depth at each one!

Title Companies

This is one of those sources where it is best to develop personal relationships. Yes, you need to get out of your chair and actually go by their offices, but be sure and do so in the middle two weeks of the month. Title companies are very busy on both the first and the last week of the month, and won't have time to visit with you then.

Establishing a rapport with a closing agent can be *invaluable.* They may not be able to directly generate defaulted paper for you, but they're always looking for new business. As such, they are willing to do things for you, provided that you bring them the deals when it comes time to close. For instance:

~ In some cases, they will actually do your mailing for you! Their abstractors come across the names of private note-holders every day. They could do a mailing for you to their list, and pick up some business for themselves in the process.

~ They can also tell you who the hard money lenders are in your area. How? They see where the money is coming from, and they also review all of the notes before closing. It would be pretty simple to pinpoint a one-year note that is funded by an individual, family trust, or whatever.

Where to Find Ugly Paper

Finally, the hook for getting title companies to work with you is that you are bringing them business. You'll order *nothing-further* certificates from them, perhaps new title policies, and when the borrowers refinance, you'll use them again. See? It's a win-win-win for everyone!

Bankruptcy Attorneys:

When people face foreclosure, they often retain an attorney and contemplate filing bankruptcy as a last resort. Most people, however, wouldn't do so if they didn't have to. Why not create a relationship with bankruptcy attorneys wherein they can refer clients to you, and visa versa. They win, because they can offer your service to their clients, and you can even pay them a referral fee. You win because you are now in touch with payors in trouble, and their motivated mortgagees.

Realtors:

If you are a real estate agent reading this, please excuse my somewhat caustic humor. I deal a lot with agents, both in my real estate investing, and in my note business. In all of my dealings, I can honestly say that I've only met a handful that actually knows what they are doing. Then again, those that do are worth their weight in gold! You need to put one on your team, especially to help you find properties, because they have the inside track. Not only can they help you find good properties, but they can also help you find great notes. Here's how:

Mortgages & *liens on house you are trying to buy...*

If you have a friendly real estate broker, you can look through all of the available properties offered for sale to see if there are any mortgages that will be paid off upon sale. This may mean some leg work at the registry of deeds, however, you can then get an option to purchase the paper from the note holder.

Let's say that you're looking for a house, and your agent finds you one where the people are selling only because they want to avoid foreclosure. They want you to close as quickly as possible, because they are behind in their payments. Actually, they'd love to stay in the house, but the lender is fed-up and won't work with them.

What are their options? Well, they could sell the house, or ... the lender could sell you the note (and avoid the hassles of foreclosing), and you could work things out with the homeowners, provided, of course, that they are willing. Now, you're either getting a great deal on a house, or on a note!

Where to Find Ugly Paper

Foreclosure Filing Services and Publications

In every major township, there are publications that file the Notices of Default on a regular basis. How often this is depends on the foreclosure laws in your state. Some states, as I mentioned at the beginning of this manual, foreclose every day (like Utah). Others, like Texas, only foreclose once a month. Either way, the mortgagee or trustee needs to publicly announce the pending foreclosure by publishing a Notice of Default.

Sure, you can go to the courthouse and research them, but doesn't it make more sense to subscribe to some sort of service or publication that does the research for you? You can find them Online, or through an Internet search. Simply put in "Notice of Default and Your City" (eg. Notice of Default Spokane Washington). Then, you'll need to contact the lien holders directly. You can also contact the homeowners, but keep in mind that once an N.O.D. hits the paper, the homeowner will start receiving lots of letters from companies who want to buy their house at a steep discount, etc. The unfortunate part is that many of them simply stick their head in the sand, and hope that by not dealing with it, it will magically go away. Therefore, there is a good chance that they won't open a letter from you. You can, however, go knock on their door. It may be scary for you, but it is the most effective way to deal with a pre-foreclosure seller.

Your Take Away?

When it comes to finding paper, both pretty and ugly, the most important thing is to network and get the word out to everyone in your area that you buy real estate secured paper. Over time, you will get two or three calls a week from people needing to sell their mortgages and/or deeds of trusts.

Notes:

How to Make Money with Paper

6 Money Making Strategies

- Option Note
- Get Deed
  - Refinance property
  - Resell property
- Foreclose
  - Refinance property
  - Resell Property
- Work with Buyer to Refinance
  - Defer back payments to end of loan
  - Possibly restructure for lower payments
  - Season note for 6-12 months
- Work with Buyer to Cure, then Sell Note
- Work with Buyer to Cure, then Use it for Trade
  - Use it as a down payment on a property, car, etc.
  - Trade a performing note to a bank for one of their REO properties.
  - Trade a performing note to a private seller for one that is non-performing.

How to Make Money with Paper

Make Money Strategy #1-- Option:

Make Money Strategy #2-- Get the Deed:

Refinance Property:

Resell Property:

How to Make Money with Paper

Make Money Strategy #3-- Foreclose:

Refinance Property:

Resell Property:

Make Money Strategy #4-- Work With Buyer to Refinance:

Defer Back Payments to End of Loan:

Restructure Loan for Lower Payment:

Season Note for 6-12 Months:

How to Make Money with Paper

Make Money Strategy #5-- Work With Buyer to Cure Then Sell the Note:

Make Money Strategy #6-- Work With Buyer to Cure Then Use it to Trade:

Use it as a Down Payment on a Property, Car, Etc:

Trade a Performing Note to a Bank for One of Their REO Properties:

Trade a Performing Note to a Private Seller for One that is Non-Performing:

How to Make Money with Paper

6 Ways to Profit (In Depth)

There are quite a few ways to make money with defaulted paper. Some of them are basic, as you'll find in this chapter, and others are more advanced. To start with, however, you need to learn the basics, and learn them well. A thorough knowledge of the basics makes it a lot easier to be creative.

Take a minute and review the Sessions, if necessary. You'll find that we talked about two distinct options when it comes to dealing with payors on defaulted notes: either a) they merit you working with them or, b) they're like a bowl of granola: if they're not fruits or nuts, they're flakes and need to get out of the property. Ultimately, those are your only two choices, and the reason that I ask you to review them is that the following six options depend on which choice you make.

In short, in this segment we'll be discussing the following six profit-making possibilities after you have purchased the note. Let's first look at them in outline form, and then go into each method in depth. To summarize, you can buy the note with the intent to:

- Option the Note
- Get the Deed, in which case you could:
    - Refinance in your name, then lease
    - Sell the Property
- Foreclose, in which case you could:
    - Refinance in your name, then lease
    - Sell the Property
- Work with Payor to bring note current, and then Refinance
- Work with Payor to bring note current, and then Sell Note
- Work with Payor to bring note current, then Use It For Trade

Now, let's look at each one of these techniques in detail...

How to Make Money with Paper

1: Option

A very common technique in the buying and selling of paper is to tie a note up under an option to buy it at one price, and then have a back-end note investor buy it from you at a higher price. In other words, if we were discussing Pretty Paper (performing notes), you would be able to get a price from your note investor, then sign an Option to Purchase Agreement to buy the note from the note-seller at a lower price.

While the technique is the same, in this instance we are *not* talking about *pretty* paper. Instead, we're talking about *ugly* paper. Note investors don't buy ugly paper, but real estate investors do! In other words, why not tie the note up under an *option* (telling the seller that you reserve the right to buy the note at a certain price at some point in the future, depending on your due diligence), then *wholesale* it to a rehabber?

Think about it: the note is non-performing *(ugly),* so you probably won't find anyone to buy it from you at its full retail value. On the other hand, real estate investors who fix up properties for resale *(rehabbers)* would be very interested in picking up a note at pennies on the dollar. Why? Because it allows them to control the real estate for pennies on the dollar!

Obviously, you'll want to sell it to them at a *wholesale* price, meaning, not that much more than you've agreed to pay for it. Leave room in the deal for them to make a profit, because they'll be doing a majority of the work! In other words, all you are doing is finding the note and tying it up under an option - you're not taking any of the foreclosure, fix-up, or marketing risk. The rehabber is, and because of that, he deserves the lion's share of the profit.

In the case of optioning a note, then wholesaling it to a rehabber, keep in mind a few things:

1. By optioning the note and then reselling it, you can actually use the rehabber's money to close the transaction! In other words, you'll exercise your option to buy the note using the rehabber's money.

2. You are not taking any risk, so your return will be substantially lower than if you chose this deal for yourself. When you option, then wholesale a note, expect to make approximately 3-5% of the note amount as your profit.

Finally, feel free to think *outside the box* when it comes to optioning, then reselling a note. After optioning the note, you could, if you so chose:

1. Sell the note to a rehabber for cash (which he would provide to close the transaction), and also take an equity position in the deal. In other words, you could split the potential profit when the property eventually sells.

2. Sell the note to a rehabber for some cash now (which he would provide to close the transaction), and some more cash (a predetermined amount) when he resells the property. This differs from Option One in that you are agreeing to accept a set amount of cash, rather than take an equity participation. For instance, you might agree to have the rehabber fund the note acquisition, and then pay you an additional $5000 when he eventually resells the property.

2: Get the Deed

This profit strategy assumes that you have chosen not to work in keeping the payor *in* the property, but rather, have decided that the best thing is to have them *leave.* Then again, maybe the payors have come to that decision on their own (they can no longer afford the property, etc.). Whatever the case, there is a way of getting the payor out of the property that is preferable to foreclosure.

Remember our earlier discussion covering the things that could happen on the way to foreclosure, including the payor filing bankruptcy to postpone it, destroying the property on the way out, etc? One surefire way to avoid all of that is to give them an *incentive* to leave and, at the same time, give them an *incentive* to deed the property over to you. As we said in a previous chapter:

Will the payor cooperate and sign the deed to the property over to you in lieu of foreclosure? (You may urge them along with this by *helping* them with their decision: "*Either go through the foreclosure process and all of the negativity associated with it, or, accept cash to relinquish the deed and move."* Then, *offer them $2000:* $1000 upon signing over the deed, and another $1000 on the day they move out and leave the house in good condition.)

Having the payors deed you the property rather than going through the hassles of foreclosure benefits both you and the payor: the payor avoids having a foreclosure on his/her record, and you get a property back in decent (though probably not pristine) condition. Now consider this: Not only do you own the note on the property, you now own the property itself, giving you two choices:

Choice #1 - Get the Deed and ... REFINANCE:

First of all, you could refinance the property for what you paid for the note. Now then ... *Why do you want to refinance?* For a couple of reasons: A) Maybe you used personal money (or private financing) to by the defaulted note - in this case, you're refinancing to payoff that high-cost financing with a lower-cost loan. B) Maybe you didn't buy the note at all, but just got the deed to the property from the owner. In this case, you'll still need to negotiate with the lender to pay them off at a lesser price than what's owed to them.

Going back to our original example, you could refinance your $150,000 property (remember, by getting the deed, you now own the property!) for $90,000, giving you $84K to pay for the note, and another $6K in closing costs. This is called a "rate & term" refinance, because your new loan is only enough to cover existing liens and closing costs. If you do so, here's what happens: *You've now paid $90,000 for a $150,000 property, giving you $60,000 in equity - certainly not a bad profit for one deal.* Then you could hang on to the property, rent it out, lease it out with an option to buy, etc.

Better yet, why not refinance for 80% of the $150,000 value at $120,000? This gives you $84,000 to pay for the note, $6K in closing costs, and another $30K to put in your pocket!

The $30,000 that you put in your pocket is tax-free, because it is borrowed money! And, you've left $30,000 of equity in your property!

Of course, you'll need to cover the payment on that refinance (be it the $90K one, or the $120K one), but *couldn't you lease the property out and have someone else make the payment for you?* Even better, if your monthly income exceeded the loan payment, you'd have given yourself yet *another* profit center!

Choice #2 - Get the Deed and ... RE-SELL:

Then again, you could get the deed, and if you're not into holding on to the property for tax benefits and appreciation, you could always *re-sell* the property to someone else. If you chose to do this, you'd realize the following:

1. You could re-sell for less than market value (to facilitate a quick sale) and still realize a substantial profit. Even if you sold for $140,000 ($10K under market), by the time you paid off your original note and closing costs ($90K), you'd still realize a $50,000 profit. Of course, you'd have to pay taxes on that income.

2. You could develop both short term and long term income without the hassles of property ownership. For example, let's say that you received 80% of the sales price from the buyer at closing ($120,000), and agreed to carry a 2nd lien for the $30,000 balance still owed to you. If you did this, you'd profit $30,000 up front ($120K less $90K in note costs - see above), and you could create monthly income for yourself by carrying the 2nd lien of $30,000 of approximately $300 per month (based on carrying a $30K lien at approx. 10% interest).

Note: You could also make the 2nd lien that you are carrying an *interest-only* note, wherein you only collect *interest* on the principal during the note term, and collect the original principal in one lump sum at the end of the term. In this case, at 12%.

3: Foreclose:

Sometimes, no matter how hard we try to work with the buyers, they just won't cooperate. Believe me, this can be very frustrating, especially considering that they are turning down real cash and the opportunity to keep a foreclosure off of their record (See Getting the Deed above). Then again, if this is the case, you need to be ready to begin, or continue, the foreclosure process.

Of course, a lot of this will depend on what state you live in. If you live in a state where the sale can occur as soon as 21 days after the Notice of Default, then filing for foreclosure is a fairly easy and speedy process. On the other hand, if you live in a state where this process takes quite a while, you should be prepared to incur holding costs for the time that it takes you to foreclose. Then again, there is a saving grace:

When you purchase a note, you also purchase all of the rights associated with the ownership of that note. In other words, if the lender has already initiated the foreclosure process, you will not need to go back to square one, but rather, be able to pick up where they left off.

Even if this is the case, you still need to be prepared for costs (in most states, you can get a lawyer to perform a foreclosure for $1,500-$2,000) and possible delays. And remember, during the time that it takes you to foreclose, you are still responsible for making payments on the money you used to buy the note.

Once you have foreclosed and gotten the people out of the property, you'll need to allocate some money and time for repairs. After they are complete, you'll, once again, have the same two choices as when you got the deed to the property:

1. You can REFINANCE the property and lease it out.

2. You can RE-SELL the property.

Both of these techniques were covered in detail in the previous section. To re-cap, you have the same options whether you foreclose or get the deed. Getting the deed, however, is certainly preferable, because it will save you both time and money (which I guess is the same, isn't it?).

4: Work with the Payor to Refinance

Let's assume that you have interviewed the payors, and have determined that they would not only like to stay in the property if possible, but they can, once again, afford the payments. Whatever it was that caused them to fall behind in their payments is now behind them, and they are ready, willing, and able to resume making payments.

First of all, we should know that they probably cannot afford to make up the back payments that are due. However, this is a wonderful chance for you to be the hero, and create solutions that work for everyone!

When you purchase a note, you now have the right to modify the note, as long as the payor agrees. What if you were to offer to take those back payments and put them on the other end of the loan? In other words, whenever they paid off the loan, the payoff would increase by the amount of those payments. (In our example, the payors are six months, or $7,200, behind in payments.)

Now put yourself in the payor's shoes: you can either cough up the $7,200 or face foreclosure, or you could agree to have the back payments put on the other end of the loan. *Which one would you choose?*

Of course, you would choose the latter. In fact, you would probably jump at the chance to have those back-payments put on the other end of the loan. They won't affect you now, but they will affect your payoff at some point in the future. You agree. Doing things this way gives you a chance to stay in, and keep, your property.

Working with the Payor

You've met with the payors, given them another chance by putting all of their back-payments on the end of the loan, and have decided to continue to work with them for at least six to twelve months. Why so long? Because you need time to build an *acceptable payment history* to facilitate their eventual refinance.

The concept of this technique is to have the payors make their payments on-time for at least six to twelve months, then have them do a refinance, which will pay you off. Remember, they don't *have* to refinance after a year, but you could, with their permission, stipulate that in your note modification (the one where you put their un-paid payments on the back end of the loan). Even if you don't force them to refinance after a year, you could offer them some great incentives, such as paying the closing costs associated with their refinance, giving them a reduced payoff amount, etc.

The key to this is that they make their monthly payments to you on time every month in the intervening year. It's not as important that they make their payments on the 1st of every month, as it is that they make their payments within the calendar month that they are due. In other words, the refinance lender who is looking at their most recent 12 month housing pay-history will consider January's payment on time, as long as it is made sometime in January. While this is a great thing, you will still want to work very closely with the payors to make sure that they pay on time every month.

Even more important is that you keep accurate and written records! Make a photocopy of their checks every month, and if they pay you in cash, insist on money-orders. Keep a copy of those, too! The key here is to show the refinancing lender *proof* that they have made their payments as agreed.

Why is this so important? You want them to refinance, so that you can payoff the money you borrowed to purchase the note in the first place, and realize your profit. You see, in this case, because you own the note, you will give the payoff as the principal balance owed at that time, *plus the back payments!* Let's go back to our original example:

You purchased a $120K note for $84K, and we've established in the previous section that your cost of funds and closing costs came to an additional $6K. In other words, you have invested $90K to control a $150K property. The borrowers, in turn, after six-to-twelve months, secure new financing by refinancing with a different lender. When that lender asks the payoff amount of the existing loan, you, as the note owner, give them a figure of $127,200.

Where did you get this figure?

Let's assume that the payors touch little, if any, of their principal in those 12 months. In other words, even with 12 month's seasoning, the original $120K principal balance of the note will have decreased very little in those twelve months. Start with that number ($120K), then add the $7,200 that they owe in back payments, which will give you a total of $127,200. (Your actual number will reflect the real, not estimated, payoff of their existing note.)

> You have $90,000 and one year into the note.
>
> They refinance for $127,200 to pay you off.
>
> *You profit $37,200!*

NOTE: You may be wondering about the payments during the twelve months that you hold the note. The income off of a $120K note at prevailing market interest rates (paid to you by the payors) will exceed the cost of the $84K you borrowed to buy the note at a discount. In other words, during those twelve months, the worst case scenario is that your monthly income will be *equal* to your monthly outgo. The best case scenario says that your monthly income will *exceed* your monthly outgo, and you will make a monthly *profit.*

5: Work with the Payor Then Sell the Note

Strategies #4, 5, and 6 all assume that you want to work with the payor to keep him/her in the property. Granted, you'll probably make more money if you opt to have them leave the property (either voluntarily or through foreclosure), but let's face it - there is a lot of money to be made by helping people, and our business, while there to generate a profit, also exists to help people.

This technique is similar to the last technique I gave you. It is built around working with the payor to bring the note current and *keep* it current by making all of his payments on time. Let's say, however, that for some reason, at the end of 12 months they don't *want* to refinance (if it wasn't in the original terms of the note, nor in your modification, you *cannot* force them to do sol) or, for some reason, they are unable to do so. That's okay - you can still realize your profit by selling the note to a private or institutional note buyer!

Now then, let me make something painfully clear: if you choose this route, rather than having the payor refinance, you'll make less money! *Why?* Because when the payor refinances, you'll get paid off at the full unpaid principal balance (UPB) of the note. On the other hand, if you sell the note to a note buyer, remember that note buyers buy notes at a *discount.*

Note: As a property investor, one of the things that I do with my lease-option tenants is something that you can use with delinquent borrowers, too. I simply have them work with a credit repair service (notice that I said *"repair"* and *not* something like Consumer Credit Counseling) in cleaning up their credit, and offer to pay for it when they exercise their option to buy the property. I do this for an obvious reason - the cleaner their credit, the more likely they'll be able to obtain financing to buy the property. *Why not use this technique when you are working with buyers to cure their notes, so that it's more likely that they can refinance?*

As in the previous technique *(Technique #*4), it is imperative that you *track* the payment history if you want to sell the note to an investor. The best indication for a note buyer of how a note will perform in the future is how it has performed in the past. And, just like lenders, note buyers will want to evaluate the most recent twelve month's pay-history.

This concept of pay-history is so important that I'd like you to turn back to Technique #4 (which is only a few pages back ...) and *re-read* the part entitled, *Working with the Payor.*

6: Work with the Payor Then Trade the Note

The concept surrounding this strategy starts out the same as in previous techniques. You'll begin by working with the payor and making the note a *performing* note. You want it to be *performing* rather than *non-performing,* because you want to increase its value to you and to others. Then, once the note is performing, you can do several things with it to increase its value:

- You can restructure the note.
- Use it as down payment on another property, car, etc.
- Trade the now-performing note to a lender in exchange for one of their REO properties (properties they now own because they're foreclosed on them).
- Trade it to a private note holder for one that is non-performing.

Let's explore each one of these options:

OPTION ONE: RESTRUCTURE THE NOTE

When we talk about restructuring the note, remember that you can do anything that the payor will agree to. As the note holder, you are obligated to abide by the original terms of the note, so you *must* give the payor some type of incentive to want to restructure. Let's look at some examples:

For this exercise, let's look at a new deal. The terms of the delinquent note are as follows:

Original Balance:	$75,000
Interest Rate:	8%
Term:	360 months
Payment Amount:	$550.32
Payments Made:	18
Delinquent Pmts:	4
Unpaid Principal Balance:	$74,040.98

The payors are 4 payments behind, so in addition to the unpaid balance of the note, they also owe $2,201.29 in back payments, plus late fees of $39.50 for each month that they were late (a total of $158.00)

And, also for the purposes of this exercise, let's also assume that the original note holder is a bank ready to file the notice of default. The bank has stopped accepting payments from the payor (which, in my opinion, is crazy) and will only accept the full delinquency to reinstate the payor. At this point the bank has significant incentive to sell this note. For them, the costs are just getting started.

Where Do I Go From Here?

Knowing that you have to homework before you buy, you first determine the property value to be $115,000. You also know that with the back payments and late fees added to the balance, the payor is not able to refinance, even with what is called a *foreclosure bailout loan.* (Typically, a lender will only loan 65% of the value of the property on a foreclosure bailout.) At 65% loan-to-value, the new loan would not payoff the old loan, let alone cover the fees. And, if the payors are already behind in their payments, a new loan would be extremely risky.

Besides, foreclosure bailout loans are *very* expensive - not only is the interest rate exorbitant, but the fees a mortgage broker would charge would be the maximum the broker *could* charge. If they *could* get the loan, the delinquent homeowner would also incur the costs of a new title policy, as well as an appraisal and closing costs! Faced with these parameters, the payor's only option is to file bankruptcy to forestall the foreclosure - something that they really don't want to do.

Taking It Step by Step ...

Before negotiating the note purchase with the bank, the *first step* is to talk to the payor. Find out why they got behind on their payments and what has changed for them (so that they won't get behind again). Perhaps the primary breadwinner lost his or her job, but they have a new one now. They can't come up with the entire back payments but they *can* afford to make the payments in the future. Maybe the new job pays more and they can afford to pay a little more per month.

The next step is to talk to the bank and find out what you can buy the note for. Combining the back-payments ($2,201.29) and late fees ($158.00) with the unpaid principal balance ($74,040.98), the bank is asking for a payoff of $76,400. You're probably thinking that with the house valued at $115,000, there is still close to $40,000 in equity, and that's even paying full price for the note!

Of course, you've learned that you should never offer full price for anything, and so, offer 70 cents on the dollar. They laugh, and you laugh back. In turn, they counter at 75 cents, and you *reluctantly* agree to pay $57,300 for that delinquent note. Of course, you also reluctantly *laugh,* as you realize that you are into the property at only 50% of its value!

Finally, you take assignment to the note from the bank in exchange for giving them $57,300. They are completely out of the deal and now, the payor owes *you* the $76,400.

How to Restructure the Note

If the homeowners were current on their mortgage, they would be making a monthly payment of $550 based on an 8% interest rate, and would have 342 payments remaining on their mortgage (they've already paid 18 out of 360 payments). Remember, though, that their new job allows them to pay a little more each month. *Why not make the note worth more?* Here's one way to do it:

You could offer to put the back payments and fees on the end of the loan if they agree to restructure the note at 300 payments (which shortens the time they have to pay), and raise the interest rate to 9%. This raises their payment to $641.15. *However,* it brings their loan current *and* cuts 3 1/2 years off their mortgage! *(That's their incentive!)* Now, you have a newly restructured note whose principal balance is $76,400 at 9% interest, amortized over 300 months with a payment of $641.15.

How Can I Profit Off of the Restructured Note?

Let's look at three different ways. After 12 months of good pay history, you could:

1) Sell the note to an institutional note buyer for around $70,000 (which represents a 10% yield on their part). You paid $57,300 for the note and collected 12 payments of $641.15. Your cost of funds was 12%, or $573.00 per month.

Your profit looks like this:

Sale of Note:	$70,000.00
12 payments of $641.15:	$ 7,693.80
Total Received:	$77,693.80
Less Amount Paid for Note:	$57,300.00
Less Cost of Funds (12X$573.00):	$ 6,876.00
Total Costs:	$64,176.00
Total profit:	<u>$13,517.80</u>

Of course, if you had used your own funds to purchase this note, then you would have profited $12,700 on the sale of the note, plus you would have made an additional $641.15 per month for 12 months ($7,693.80) for a total of $20,393.80!

2) If you were feeling generous, you could forgive the back payments ($2,201.29) and fees ($158.00), so that their balance owed is only $74,040.98. Then, you could raise the interest rate to 9% (just like in the last example) in exchange for shortening the time they have to pay (from 342 months down to 300 months) and knocking 3 1/2 years off their mortgage.

Then, you could put in a 5-year balloon to make the note worth more and sell the note to a discounted note buyer after 12 months of payments have been made. In this example, the monthly payment goes up to $621.35 ($74,040.98 loan at 9%, amortized over 300 months). And, the pay-price from the note investor is a little higher, reflecting the 60-balloon.

Here is how you would profit:

Sale of Note:	$72,000.00
12 payments of $621.35:	$7,456.20
Total received:	$79,456.20
Less Amount Paid for Note:	$57,300.00
Less Cost of Funds (12X$573.00):	$6,876.00
Total Costs:	$64,176.00
Total profit	$15,280.20

As in the last example, if you had used your own funds to purchase this note, then you would have profited $14,700 on the sale of the note, plus you would have made an additional $621.35 per month for 12 months ($7,456.20) for a total of $22,156.20!

3) Finally, you could still restructure the note at 9% for 300 months, and leave the back payments in (a principal balance of $76,400). Then, after twelve month, you could induce the payors to refinance and possibly lower their interest rate and monthly payment. After 12 months, their payoff (the unpaid principal balance of the note) would be $75,547.66.

Your profit looks like this:

Proceeds from Refinance:	$75,547.66
12 payments of $641.15:	$7,693.80
Total Received:	$83,241.46
Less Amount Paid for Note:	$57,300.00
Less Cost of Funds (12X$573.00):	$6,876.00
Total Costs:	$64,176.00
Total profit:	$19,065.46

And, just like before, if you used your own funds, you'll make an $18,247.66 profit on the note itself, and will have received an additional 12 months of $641.15 payments ($7,693.80), for a grand total of $25,941.46.

In short, there are literally hundreds of ways to restructure a note.

OPTION TWO: USE THE NOTE AS A DOWN PAYMENT ON ANOTHER ASSET

Going back to our original example (you remember, the $150K house where you bought the $120K note for $84K), you'll notice that we purchased a $120,000 note for only $84,000. Now then, that doesn't mean that the note is only worth $84,000 - it just means that we purchased it on sale.

The note that you purchased on sale can be traded for *its full value* to the right individual!

Let's say, for example, that you find another house that is worth $120,000 that you want to buy. The only asset that you have is the note that you paid $84,000 for. But wait! You remember that the note has a face value (the amount owed by the borrower) of $120,000. Could you use it to trade? You bet! Now, you trade the $120,000 note for the $120,000 house... But you really bought you new $120,000 house for only $84,000!

You bought the note, hung on to it for awhile, then traded it to someone based on its *full value,* and *not* the price you paid for it! The borrowers didn't have to refinance, and you didn't have to sell the note at a discount. In fact, everyone makes out very well: The borrower cleans up his credit by making his payment on time, and when the note is traded, isn't affected in any way except to make his payments to the new note-holder.

The house seller doesn't get $120,000 in cash for his house, but he does get a note in trade that is worth $120,000. Besides, his new asset is already earning interest (the note you traded), and he only pays taxes on the money as he receives it, rather than being taxed on the entire lump sum.

Finally, let's say that you used private money to acquire the note. After trading the note for a house, you can refinance the house, payoff the hard money lender, rent it out, make monthly cash flow, have significant equity, etc. In fact, you'll reap all of the benefits as if the payors had refinanced their house.

OPTION THREE: TRADE THE NOTE TO A LENDER FOR AN REO PROPERTY

This whole program is based on the fact that lenders and private note holders are willing to sell their non-performing notes at a discount. What if we could give them the option of receiving a performing note of similar value in exchange for their REO properties?

Remember, an REO property (REO = Real Estate Owned) is one that the lender has taken back in foreclosure. Remember, too, that lenders don't want to have non-performing assets on their books. Instead, they are looking for performing assets that generate cash flow!

Let's say that a lender has a $160,000 REO that they are willing to sell for 75 cents on the dollar. (Now don't take that number literally! I've seen REO's go for less than 75 cents on the dollar, and I've seen some go for more! This is just an example!) And, let us remember that you have a note that has a $120,000 value; a note that is both *performing* and *generating interest income.* Will the lender take the note in trade? In many cases - YES!

And how do you come out in this?

You now own a $160,000 house, but you only paid $84,000 for it! How? You bought a non-performing $120,000 for $84,000 for it, worked with the borrowers and brought it current, then leveraged it into a $160,000 house.

Your gross profit? Seventy-six Thousand Dollars ($76,000)

OPTION FOUR:TRADE THE NOTE TO A PRIVATE NOTE HOLDER

The outcome of this Option is even better! Same line of thought as the previous Option with roughly the same application, only this time, it has a little "twist."

You've made your $120K note into a performing note by working with the buyers. Now, let's use it's full $120K value in trade, but this time, to a private seller, and trade it for his/her *non-performing* note. Remember that non-performing notes are always bought at a steep discount.

How to Make Money with Paper

Let's say that you go out and find a seller with a $200,000 non-performing note on a $250,000 house. If you were paying cash for that note, would you pay the full $200,000? Of course you wouldn't! You'd probably pay 60-70% ($120,000-$140,000) or even less, depending on the property (collateral), location, condition, etc. You don't actually give him/her $120,000 in cash! Instead, you give him something that is *worth* $120,000, like that now performing note of yours.

Assuming that he took the deal (and why wouldn't he?), here's what you've done: You've effectively leveraged your $84,000 that you used to buy a $120,000 note, into controlling a $250,000 property. That means that you're in for 34 cents on the dollar! And, it means that you're picking up $166,000 in equity!

Let's recap. Here are the methods presented in this segment, you can:

Option Note: Wholesale it for *Cash*

Wholesale it - take an *Equity Position*

Wholesale it - *Money Now, Money Later*

Get the Deed: Get the Deed, then *Refinance* for better terms (then lease)

Get the Deed, the *Refinance* to pull Cash Out (then Lease)

Get the Deed, then *Re-Sell* for less than market value.

Get the Deed, then *Re-Sell* by carrying 2nd lien *w/* balloon

Get the Deed, then *Re-Sell* with Simultaneous Closing

Foreclose: Foreclose, then *Refinance* for better terms (then lease)

Foreclose, then *Refinance* to pull Cash Out (then lease)

Foreclose, then *Re-Sell* for less than market value.

Foreclose, then *Re-sell* by carrying 2nd lien *w/* balloon.

Foreclose, then *Re-Sell* with Simultaneous Closing

Work with Payor: Cure the note, then have Payor *Refinance* for full amt. owed.

Work with Payor: Cure the note, then *Sell* the performing Note

Work with Payor: Cure the note, then Restructure it for sale, trade, etc.

Cure the note, then use as Down Payment on property, car, etc.

Cure the note, then trade it to Lender for REO

Cure the note, then trade it to Private Note Holder for non-performing note.

How to Make Money with Paper

Okay, so our six ways to make money morphed into *nineteen* ways. I'm sure that there are a lot more ways to make money with defaulted paper, but I just wanted to get your creative juices flowing.

Before you try to use them, I want you to read this chapter, understand it, and then read it again. *Why?* You to understand the *basics* so well that they become second nature to you.

Notes:

Selling Notes

There are several steps that you should follow in when you sell a property with the intent on carrying a note that you will subsequently sell. Please note the following:

- Step by Step Guide to Sell Your Newly Created Note
- Closing the Real Estate sale
- Down Payment and Earnest Money
- Credit
- Appraisal
- Title and Insurance

SELLING YOUR NEWLY CREATED NOTE

Follow the steps listed below for an easy step-by-step guide to creating and selling your new note. Keep in mind that this list is presented with you in the role of the *seller* and also remember that I have gone over these items extensively in the main body of the materials:

1. Agree to purchase or Lease/Purchase a house from someone.

2. Order a title commitment, and cure any issues to clear title.

3. Complete the purchase, and make any necessary repairs.

4. Order an appraisal when repairs are close to completion. This appraisal must be paid for at the time of ordering. *Make sure that you use* an *appraiser who is acceptable to your note investor.*

5. Locate potential buyers for the property, who are willing to buy it at the appraised value. (Because you are offering seller financing, you should *always* get full price for your house.) Fax their information to a note investor using a *Simple Application,* along with a completed *Simultaneous Worksheet.*

6. Based on the submitted information, the note investor prices the note, and notifies you with the results of the pre-approval. You, the seller, select the pricing and terms that best meet your needs.

7. The note investor sends a *Standard Option to Purchase Agreement* (SOPA), agreeing to purchase the newly created note, and outlining the terms of the note, and their purchase price. Keep in mind that their ITV is based on the *appraised value* of the property.

Selling Paper

8. Execute an *Earnest Money Real Estate Contract* with your buyer, and collect earnest money. Take the executed contract to a Title Company and open escrow. Earnest money *must* be deposited into escrow.

9. Send the following items to your note investor:

- Completed Earnest Money Contract
- Completed SOPA
- Completed Simple Application
- Most recent year-to-date (YTD) pay stub
- Two years of tax returns or W-2s

10. Upon final approval, the note investor will coordinate with your Title Company and set a closing date and time.

11. Immediately *after* closing, the Title Company will send the note investor the following items:

- Settlement Statement (showing down payment, amount of note, and proof of paid insurance and taxes)
- Real Estate Note (reviewed by the note investor's attorneys)
- Copy of the Deed of Trust, which they will then file in public records (reviewed by the note investor's attorneys)
- Warranty Deed (this transfers title to the property)
- Copy of Cashier's Check (down payment) from the bank listed on the loan application
- Final Signed Copy of the Loan Application
- Copy of Driver's License and Social Security Card
- Signed Verification of Occupancy form
- Insurance Binder (must be paid one year in advance)
- RESPA documents (legal requirement for anyone creating more than five (5) notes a year)

12. Funding will occur within one to three days, depending on the investor.

CLOSING THE REAL ESTATE SALE:

It is essential to use a Title Company or attorney to close the sale of your property. These professionals will make sure all the documents and any curative title work is done properly, and can also provide a *verifiable record* of the sales price and down payment.

Selling Paper

Most note investors will require that properties be sold with a *note* and *deed* of *trust* or *mortgage,* and that you obtain a *mortgagee title policy* at closing. You may also consider purchasing a *Homeowner's Warranty* to protect the buyer and yourself from anything that might go wrong with the house, fixtures, etc. for the first year after closing.

DOWN PAYMENT AND EARNEST MONEY

I **strongly suggest** that you use an *Earnest Money Contract* (real estate contract) and collect earnest money (not more than 2% of the sales price) to *lock in* a buyer until the official closing takes place. This procedure assures the buyer that you are serious. It also ensures the buyer's commitment, and prevents him from pursuing other properties, or wasting your time if he really doesn't intend to close on yours.

I also encourage you to include a clause in your real estate contract that states *"...sale is contingent upon the purchase* of *the note by a third-party investor at closing"* just in case the note purchase, for whatever reason, falls through.

Note: It is imperative that you get at least 5% cash down payment from your buyer at closing in the form of a cashier's check from their bank. This money *must* pass through closing, and *must* be receipted by the Title Company. You may *not* credit this down payment to the buyer outside of closing.

There may be instances where you may want to, or be required to, carry a 5-10% second lien. While these liens are seldom purchased in the secondary market, they are a tremendous source for you to retain high-yielding residual income. If you accumulate several of these, there are note investors who will purchase all of them as part of a large package, or *pool.*

CREDIT

Most note investors prefer you to send them a credit report on your potential buyers, though in some cases, they will run one for you, provided that you send them an *Authorization to Pull Credit* form signed by your buyers.

Try to avoid selling to people with bad credit, because there is a high probability that there will be collection problems. When deciding whether or not to purchase a note, the note investor prefers a credit score of **580 or higher,** though they will consider others with a lower score, though never less than **525.**

Selling Paper

Most note investors will also always consider the buyer's last twelve months rental or mortgage history as an integral part of their credit decision, as the past rental/mortgage history is the most accurate indicator of future performance.

APPRAISAL

Your note investor will need an appraisal on each property before they buy the loan. You will make the most money and create a more easily salable loan if you get an appraisal *before* you sell the property. Keep in mind these two points:

• Without an appraisal, the property may sell for too high a price, thus making that note unmarketable.

• You might also sell the property for too little and *leave money* on *the table.*

For most of your transactions, your investor will allow you to use local, state licensed appraisers. In some cases, however, they will require a nationwide appraisal. It is *your* job to find out which appraiser is acceptable to your note investor.

In all cases, the note investor reserves the right to verify the appraisal you submit, and to request more sales comparables, or to even order their own desk, or field review of the appraisal.

TITLE

It is *extremely important* that you have title insurance when you buy or sell a property. I can tell you lots of horror stories about people who didn't get title insurance on their properties.

You need to get a policy when you buy the property, which is usually paid for by the seller. When you sell the property, it is your turn to insure your buyer that the title to the property is unencumbered. Title Insurance rates are set by the individual states, but closing costs do vary from company to company.

Some title companies will work with you, allowing you to get just a title *commitment* when you buy the property (just in case you are unable to convince the seller to pay for it), and get a full mortgagee policy when you sell, to help you avoid the purchase of two policies.

This provides not only peace of mind for you when you buy, but it gives clear title to your buyer, which makes your note sale easier and faster.

INSURANCE

Consider this: let's say that you are a note investor, and that you just purchased a note on a house. What happens if the house burns down? How do you recoup your money?

Selling Paper

The answer is that the homeowner needs to insure the property, and name you, the note investor, as a *loss payee* on the policy. That way, when the insurance pays off after the disaster, you, the note investor, will recover your investment.

Homeowner's insurance is a necessity: it covers the seller, the buyer, and the note investor should any catastrophe occur.

When you are the seller or buyer on a property, it should be obvious that your note investor will require the property to be insured. Your note investor will also require the name and phone number of the buyer's insurance agent prior to closing, as well as an insurance binder or copy of the declarations page. They will require one full year's insurance to be paid in advance, at or before closing.

SUMMARY

In order to maximize the amount of money you receive for both your property and the sale of your note, carefully follow these procedures. They will ensure that your property sale and note sale go smoothly, giving you time and money to go on to the next deal.

Should you have specific questions on a transaction, contact your Contract Buyer at the note investor's company of your choice.

Notes:

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Who is Lee Arnold and Private Money Bank.com

After Lee developed his highly acclaimed Foreclosure and Short Sale Courses, he began to speak all over the country on these two profitable strategies. In all of his travels he was constantly bombarded by the same question, “Where do I get the money”? Tired of seeing dreams dashed over something so simple, Lee immediately set out to create the most comprehensive curriculum on the subject of Private Money ever complied in one place. With the help of his long term friend and Legal Council, William C. Halls, and several law students at the local university, Lee was able to accomplish this great feat.

Recently featured in Forbes, the Boston Globe, Market Watch, Reuters, and Business Week as a leading investment strategy expert and as a consultant to Donald Trump’s, “Trump University”, Lee Arnold has built a personal fortune with private and hard money transactions. As a Real Estate Broker and Lender of both Private and Hard Money, Lee Arnold has helped countless people in the United States and Canada successfully and lucratively obtain the capital they need to be successful in real estate investment. A master at networking, Lee connects investors to lenders from all over the United States and Canada.

PrivateMoneyBank.com is a culmination of his vast knowledge in the Private/Hard Money Sector.