



REVERSE REO CERTIFICATION PROGRAM



Legal Information Is Not the Same as Legal Advice

This book provides information about real estate investing, private money borrowing, lending, and/or brokering. It is designed to help users safely determine their own legal needs. Please understand that legal information is not the same as legal advice. The application of law varies with an individual's specific circumstances. Laws vary from state to state and are in constant change, and although we do everything we can to make sure our information is accurate and useful, we recommend you consult a lawyer if you want professional assurance that this information, and your interpretation of it, is appropriate to your situation.

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“The beautiful thing about learning is that no one can take it away from you.”

B.B. King

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“Education is our passport to the future, for tomorrow belongs to the people who prepare for it today.”

Malcolm X

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“Education is the key to unlock the Golden Door of FREEDOM!”

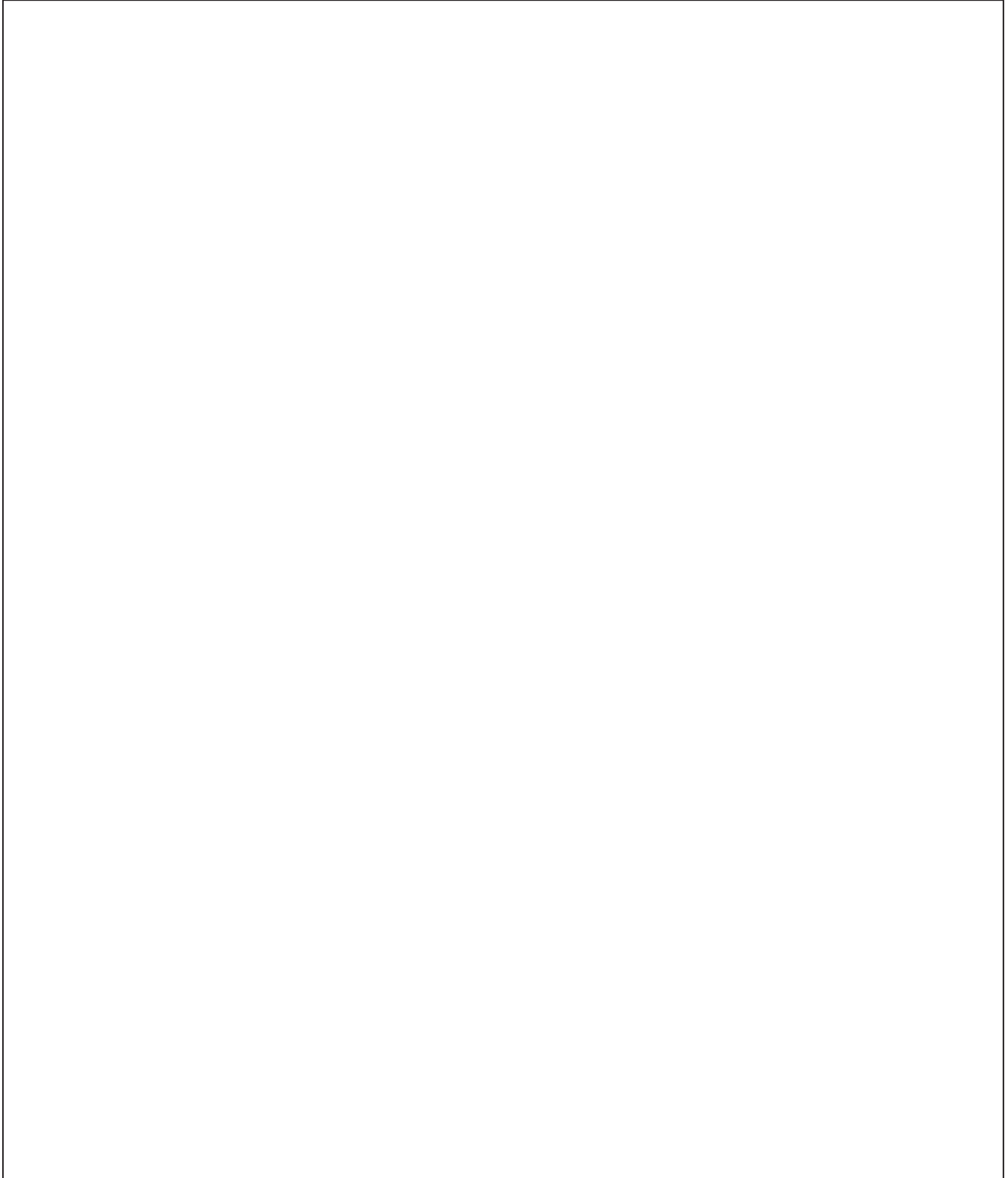
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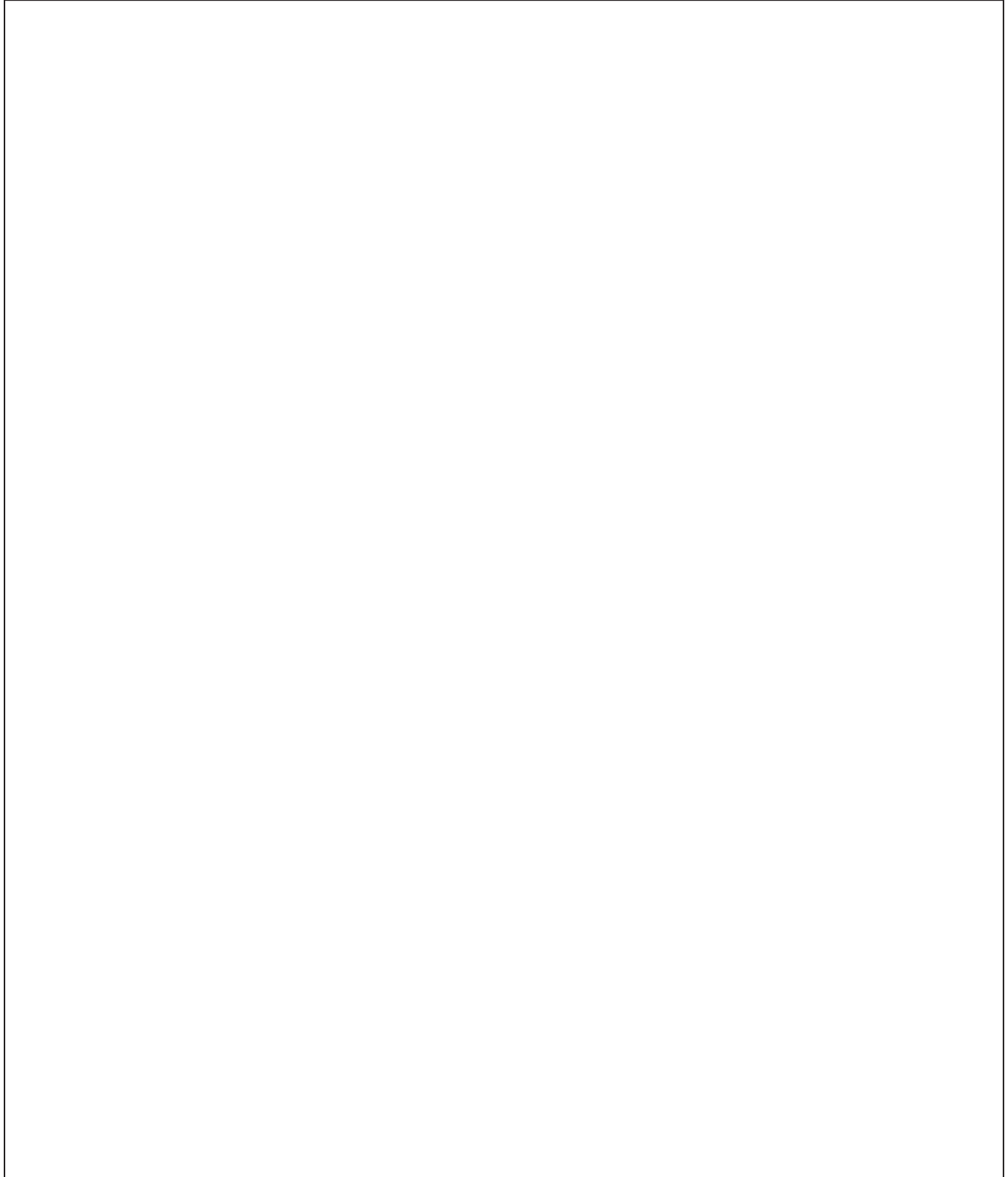
“You are braver than you believe, stringer than you seem, smarter than you think, and loved more than you’ll ever know.”

Winnie the Pooh (A.A. Milne)

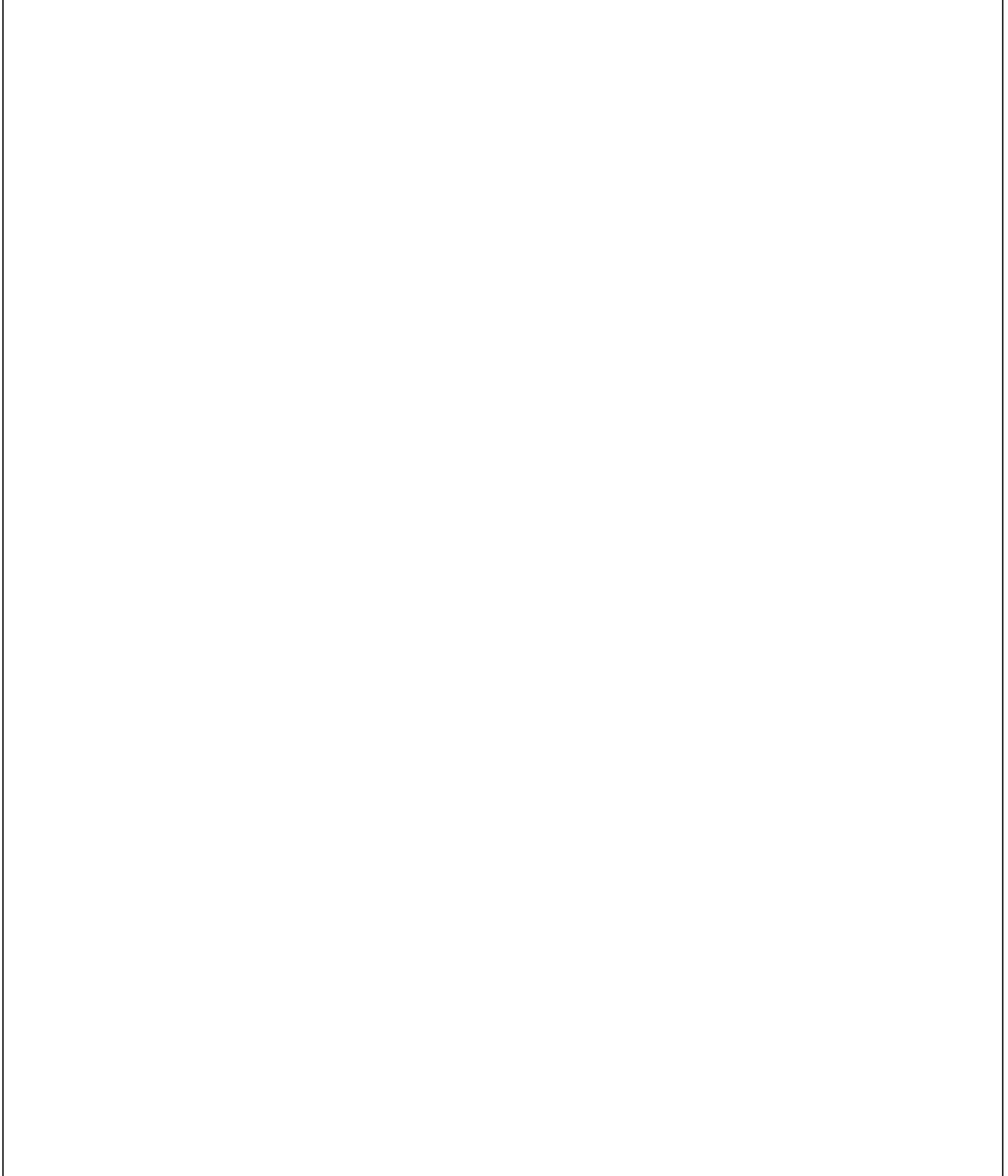
Aha Moments!

A large, empty rectangular box with a thin black border, intended for the user to write down their 'Aha Moments'.

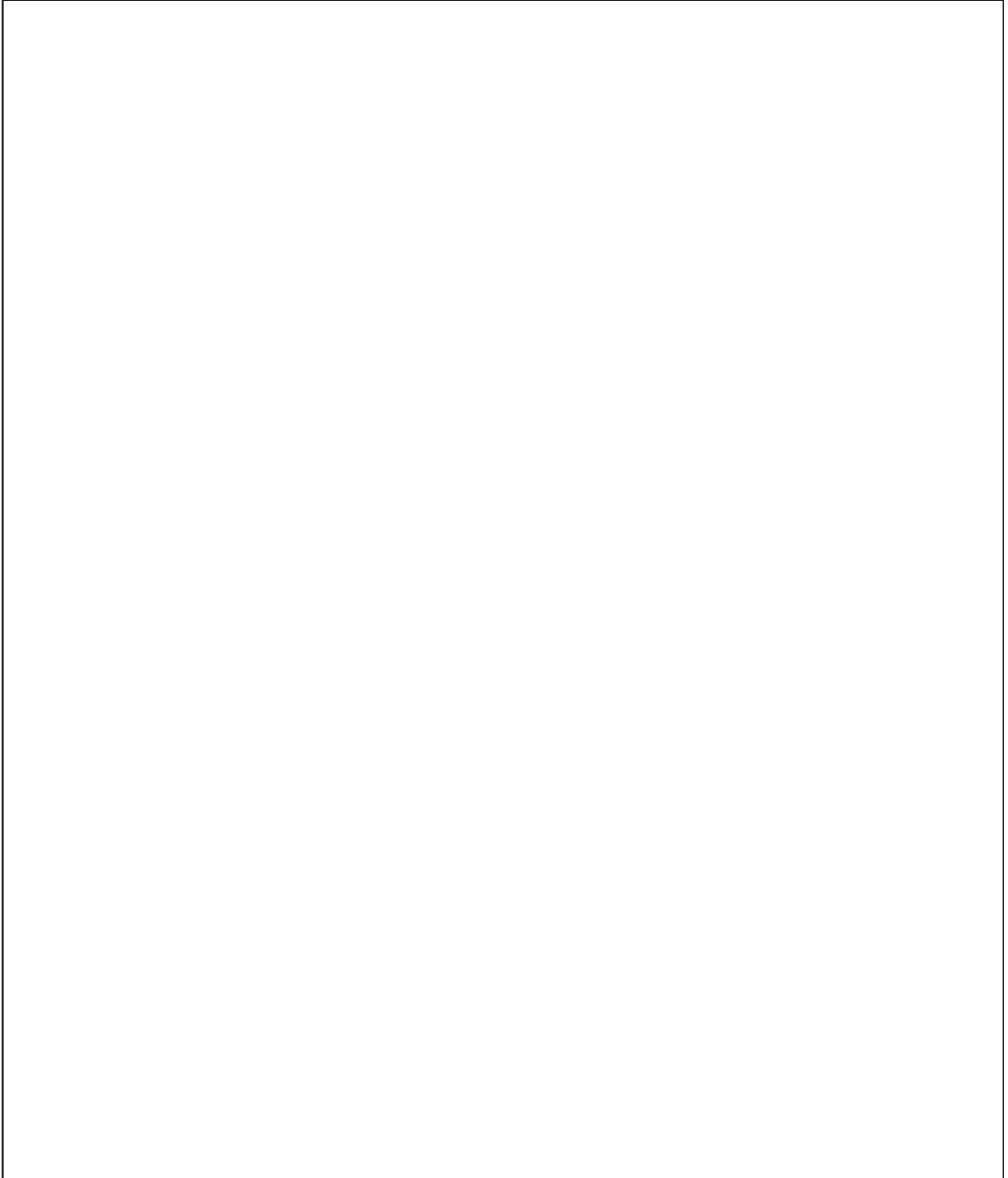
Aha Moments!



Aha Moments!



Aha Moments!





WELCOME
&
INTRODUCTION



Introduction

Welcome

- Honoring Veterans
- Pledge
- Prayer

Managing your Expectations

- Get Involved, Stay Involved, and Become Successful
- Take notes!
- Ask Questions.
- Don't miss the "VIP session."
- Pass the certification exam!

A Few Things to Know

- Schedule/Breaks
- How to navigate your student resources
- Communicating through the chat
- Test Link will be sent at the end of day 3. The link will be good until 10am PT on Friday. Once you log into the exam you will need to complete it in 2 hours.
- Evaluation – your chance to grade us.

Meet Our Family of Companies:

Our Company Motto:

"We get more of what we want, by helping others get more of what they want."

Notes:

Introduction

Notes:



- Secured Investment Corp is the parent company in the organization. Through the work of its wholly owned subsidiaries, Secured Investment Corp provides real estate investors the necessary capital to finance their projects by bringing together private lenders and borrowers.
- Secured Investment Corp also manages Private Equity Funds. These Private Equity Funds provide borrowers access to capital within minutes of closing their transaction. The Private Equity Funds consist of accredited investors that invest their money with the Fund. Secured Investment Corp manages the investors' money and pays the investors a return on their investment on a quarterly basis.
- The Funds consistently average a double-digit annualized return to our investors. - SecuredInvestmentCorp.com

Secured Investment Corp Mission Statement:

“Reimagining technology to create cutting edge solutions for investors to participate in alternative, secured, high performance investments.”

Introduction



The Lee Arnold System of Real Estate Investing provides focused training that covers all aspects of real estate business. The Lee Arnold System is a powerful way for you to start investing your way to monumental wealth in the shortest time possible.

Education is a fundamental element to future success in finding, financing and selling real estate for profit. This learning stage includes training and/or mentoring to build solid understanding to successfully invest in real estate. In this phase an investor actively works to create Active Income which includes finding a great investment, or "deal", and then borrowing to fix and flip (or fix and hold) the property for positive cash flow. We call this growth in individuals' financial capacity and competency the "Circle of Wealth". - LeeArnoldSystem.com

The Lee Arnold System of Real Estate Investing Mission Statement:

"To educate, train and provide access to relationships and products allowing individuals to achieve financial freedom through real estate."

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Introduction

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As the lending arm of the company, COGO Capital works with borrowers to originate, process, and close loans. COGO Capital offers private loan options for real estate investment properties within most states across the United States. - CogoCapital.com

Cogo Capital Mission Statement:

“To provide no-hassle, asset-backed, real-time private capital to real estate investors.”



The servicing company for most loans originated by COGO Capital. Lake City Servicing is in our Coeur d’Alene, Idaho corporate office. Lake City Servicing is also available to service most other third-party loans. - LakeCityServicing.com

Lake City Servicing Mission Statement:

“Lake City Servicing is a comprehensive real estate loan servicing company for investors holding real estate notes for non-owner occupied residential and commercial property.”

Introduction



Arnold Professional Holdings is the premier rehab arm of the company. Here is where we practice what we preach. APH buys and flips properties in the Spokane, WA market.

The company has a construction crew and specializes in Spokane, WA. This company has a main office and warehouse located in Spokane, WA. This is by to design to allow both personnel resources and physical resources to be closer to our real estate market.



At He's the Solution Ministries our goal is honor God in everything we do. We strive to allow our faith to be something that others can witness in our every-day lives. We endeavor to be more like Christ daily and encourage others along the way. We want to encourage you in your daily walk to show your faith, and to be BOLD in the workplace.

To this end He's the Solution Ministries sponsors an optional, non-denominational worship service at all events that last through a Sunday. The services start at 7:45am and end

Notes:

Introduction

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around 9:15am. All students as well as the public are invited and encouraged to attend.

We also providing encouragement, support and resources for those seeking a BOLD FAITH in the workplace. We hold weekly services via a zoom call at 6:45 am PT so that you can be a part of a worship service every Sunday morning no matter where you are located.

- Call in #(408) 638-0968,
- Meeting ID: 845 8245 2963,
- Passcode: 970595.

These services are also streamed via Facebook. Like and follow the He's The Solution Facebook page and you will receive instant notices when we go live on Sunday mornings. - Hesthesolution.com

He's the Solution Ministries Motto:

"Equipping Christian business leaders for bold faith in the workplace!"

ReverseREO: An Acquisition Strategy with a Twist

Buying Distressed Notes

Through the platform that is going to be shared, you will have opportunities to research

Introduction

and purchase distressed mortgage notes. These are notes on single and possibly multi-family properties where, for one reason or another, the owner has stopped making payments. The properties may be vacant, owner occupied, or tenant occupied.

Buying REO (Real Estate Owned) Property

Through the platform to be share you will have opportunity to purchase distressed properties that have already been reclaimed by the bank through the foreclosure process. These properties are known as REO properties. These properties may be vacant or occupied. Each scenario has its own set of pros and cons to consider. Strategies for dealing with each situation will be presented.

Multiple Income Streams/Strategies Available

Through this ReverseREO training we will show you multiple strategies to profit from your investment.

1. Buy a distressed note at discount and wholesale it.
2. Buy a distressed note at a discount, work with the homeowner to restructure/modify the debt, bring the note current while collecting monthly payments (1year seasoning), then sell the note at par.

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3. Buy the distressed note, petition the court to set a Receiver in place, collect rents while you work toward possession through foreclosure.
4. Buy the distressed note, gain possession through deed-in-lieu from owner.
5. Buy the distressed note, gain possession through foreclosure.
 - Exit as wholesale.
 - Exit as wholetail.
 - Exit as rehab/retail.
 - Hold for cashflow.

Example of What Is Possible

Lee's Blackfoot, Idaho Deal



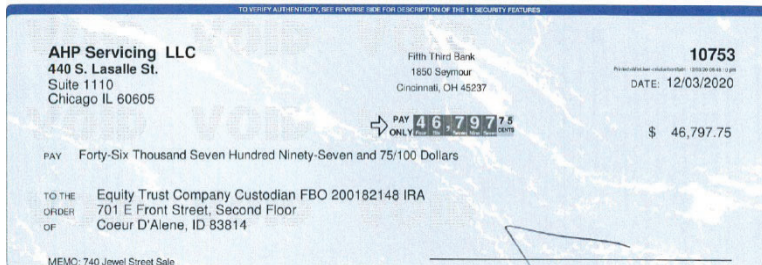
Introduction

Here are the numbers going in.

\$99,299		2 bd 1 ba 928 Sqft
BLACKFOOT, ID 83221		
Estimated Value (As-Is BPO Price)	\$135,000	
ReverseREO™ Discount	\$54,000	
ReverseREO™ Price	\$81,000	
Partner Participation	\$20,250	
ReverseREO™ Funding	\$60,750	
ARV Value:	\$200,000	
Rent:	\$1400.00	

We could have implemented any of the strategies previously noted but we knew it was headed to foreclosure quickly, so we focused on the foreclosure. From the time we began to control this deal to the time it was sold, was only 23 days...

We netted 25K after it was all said and done!



We Made \$25,000 In Less Than 23 Days
(1,925% Annualized Return!!!)

Our Goal is to Help You Understand & Use
the ReverseREO System To Realize Similar
Results.

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What to Expect In The Next 3-Days

Introduction to Mortgage Notes

We are going to start at the beginning. What is a mortgage note? We will talk about the different types of notes and how they work.

As you might guess, not all notes are created equal! We will learn how to evaluate them to decide if it worth moving forward. We will talk about how to buy and how to profit from your mortgage note purchase.

The Foreclosure Process

Ultimately a defaulted note will end in foreclosure if the owner is unwilling to make other arrangement. This requires that you have a basic understanding of the foreclosure process in your jurisdiction. We are going to discuss the different types of foreclosure processes you may encounter and how to move forward in the process when a foreclosure is required.

Proprietary Platform

You will be introduced to a brand-new proprietary platform that allows you to utilize the strategy you will learn in the next 3-days. We will walk through the process step by step.

1. Finding the right property on the platform.

Introduction

2. How to negotiate, bid and win your purchase of the note/property.
3. Taking control of the property with legal services and possibly a Receiver.
4. Maximize returns during foreclosure and after.
5. Dispositioning the property – wholesale, sell, hold for cashflow....

Due Diligence

We will walk you through how to do your due diligence and negotiate the best deals. You will need to learn how to calculate your MAO. We will spend time on how to position yourself during negotiation as well as strategies to utilize. Finally, you will need to know when to walk away if the deal does not meet your expectations.

Platform Exploration

We will spend several sessions exploring the proprietary platform together. We will look at what the current opportunities are and evaluate some of the deals offered.

During our exploration we will analyze the funding options found directly on the site. We will show you how to leverage the 75% funding provided and explore options for the 25% user funding required.

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The wise investor will recognize that there are multiple profit streams that this platform provides. We will explore these options.

Winning the Bid

Once you win the bid, now what? We will explore multiple exit strategies that you have at your disposal including:

1. Wholesale the paper
2. Control & rent
3. Buy – Sell with Renter in place
4. Buy – Wholetail
5. Buy – Rehab/Retail
6. Buy – Seller finance
7. Buy – Rent

Expose you to resource that are available to you.

Exam Preparation

Of course, throughout the training we will be preparing you to take and pass the ReverseREO Specialist Certification Exam.



MORTGAGE NOTES 101



Mortgage Notes 101

Definitions to Get Started

Note

A note is a borrower's written promise to maintain lender repayment terms. Also known as a promissory note, real estate notes, or mortgage note.

Mortgage notes are legal documents. They may or may not be filed as public records.

Mortgage

A mortgage or a deed of trust is a legal instrument that pledges the real estate as collateral. The property is pledged to the lender if the borrower defaults on the loan. The document spells out how the lender can recover their investment if the promissory note terms aren't met, typically by foreclosing on the real estate.

REO

"REO" means "Real Estate Owned" and is short for "OREO," an acronym for "Other Real Estate Owned." Lenders use the term as a line item on reports to track real estate acquired through the foreclosure process.

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Mortgage Notes 101

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Loan Types

Secured

When a tangible asset, like a property or a vehicle, is tied to a lien, it's called a secured loan. A lender typically offers better interest rates and increased spending limits on secured loans since they have legal rights to sell the asset if the borrower defaults on the note.

Mortgage loans fall into this category. The loan is "secured" because the property is offered as collateral against default on the loan.

Unsecured

When a lender issues a loan without a tangible asset and bases approval on a borrower's credit history alone. This is called an unsecured or signature loan.

Unsecured loan interest rates are higher, and credit score requirements are more rigid than asset-backed secured loans.

Loan Providers

Private

Loans issued by private organizations or individuals are called private loans or private money. A private money loan doesn't always follow traditional lending guidelines and offers borrowers flexibility in some cases. Investors

Mortgage Notes 101

may find private lenders with notes to sell, though the buying opportunities are usually limited to one per private seller.

Institutional

Loans issued by credit unions, banks, and other organizations in the loan-writing business are called institutional loans. Institutional lenders follow strict guidelines with minimal flexibility but issue a lot of loans. Note investors working with institutional lenders benefit from recurring note availability, as opposed to the one-time private seller scenario.

Liens

Lien Position

Lien position, also known as lien priority or lien seniority, is the order in which the debt is paid in the case of default.

Creditors place liens (legal claims) on property to secure re-payment. Lien positions are established by order of recorded filing date.

Usually, the mortgage lender holds the first position, and other liens tied to the property hold junior positions, referred to as seconds, thirds, etc. depending on the order in which they have been filed.

Lien Positions During Foreclosure

If a foreclosure happens, the more senior the lien (first position), the more likely you are to

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be paid off and recover your investment because liens are paid off in order.

The trade-off in note investing is that while you pay much less for junior liens (often pennies on the dollar), you don't enjoy the same security as senior lien investors or investors in the first lien position.

We will be working with first lien position notes only, but this should be verified before you close on the deal.

Loan Performance

Classifications

Loans fall into four different classifications including:

1. Non-performing note: A note that is 90 days or more past due.
2. Under-performing note: Borrower has a history of being periodically late with payments.
3. Performing note: A note being repaid on time and according to terms. Investing in performing notes is sometimes referred to as "clipping coupons" because the investor typically enjoys modest returns paid back at regular intervals.
4. Re-performing note: Borrower had missed payments, perhaps even went non-performing, but is now back on track.

Mortgage Notes 101

Sometimes these loans have been modified either by extended amortization, principal reduction, or interest rate reductions. One strategy note investors employ is to buy non-performing notes and get them re-performing and then selling the re-performing notes after seasoning (a period of on-time payments).

Risk & Reward

The biggest discounts for note investors usually come from non-performing notes. These are attractive to note investors for the steep discounts and multiple exit strategies available.

Performing notes are the most secure and offer the note investor reliable monthly payments backed (collateralized) by real property. These tend to have much less of a discount.

What Are You Buying?

When a lender owns a note (a loan) on a property, they retain the paper or document and the rights and responsibilities it outlines.

When investing in notes, you're buying the debt secured by a piece of property, the promise of repayment, and (generally) the right to foreclose and recoup your investment if the borrower fails to meet obligations or make payments.

You don't own the physical real estate.

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A note owner doesn't have the rights to use or enter the property unless outlined in the loan agreement.

How Do Mortgage Notes Make Money?

Making money on a real estate note investment depends on the type of notes you buy, the acquisition strategy and your exit strategy.

Performing Notes

If you buy a performing real estate note, you receive payments according to the payment schedule, term, and interest rate. You accept those payments while enjoying the security of having your payments backed by the real estate.

Non-Performing Notes

Note investors buying non-performing notes employ a variety of advanced strategies, including:

1. Loan to Own – Some investors will buy a non-performing note to exercise power to foreclose and take possession of the real estate.
2. Loan Modifications – Private investors often have more flexibility than institutional lenders in the options they can offer delinquent borrowers. Some investors buy a non-performing note at a discount to provide more favorable repayment terms to the borrower. The note is then re-

Mortgage Notes 101

established as performing, and the investor enjoys regular payments.

3. Selling Re-Performers – The note investor buys the non-performing note at a discount off the unpaid principal balance (UPB).

Next, the investor works with the borrower to get the loan re-performing, and finally, the investor sells the now re-performing note to another investor at a markup.

4. Flipping or Brokering Notes – The highest value task in the note investing business is finding the note. You can profit from flipping notes, even if you don't have money of your own, by finding real estate notes for investors who have the capital.
5. Foreclosure – We will talk more about this process later.

Transfer of a Note

Lender Endorsement

A note can be transferred from one party to another through a simple endorsement from the original lender.

Allonge

An allonge is an attachment that assigns a note to a third party.

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Mortgage Notes 101

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Formal Definition - An allonge is a sheet of paper that is attached to a negotiable instrument, such as a bill of exchange. Its purpose is to provide space for additional endorsements when there is no longer sufficient space on the original instrument. The word "allonge" derives from the French word allonger, which means "to lengthen."

Allonges are commonly associated with negotiable instruments such as bills of exchange.

Today, allonges are relatively rare as contracts are increasingly drafted and amended electronically.

Risks of Note Buying

There is always risk in any investment, and as an investor, it is up to you to evaluate the risk for any investment you make.

The amount of risk in a note investment depends on:

1. the loan underwriting,
2. the Loan to Value (LTV),
3. the position (senior, junior) of the debt,
4. the good faith of the borrower to some degree,
5. the locale's regulatory environment, and
6. the quality of the documents, assignments, and allonges.

Mortgage Notes 101

FDIC Insured??

Notes are not FDIC insured! They are secured by a property whose condition may or may not be great, yet you are not responsible for its upkeep.

You will want to verify the condition of the property before you buy it. This is part of your due diligence.

Legal Fees

You will have to pay various legal fees to foreclose on the property.

You may have to sue to get back mortgage payments.

Know the foreclosure laws for the area where the property is located.

Communication

You can buy a mortgage note without the permission of the person who lives in the property. You do run the risk of them initially refusing to pay you because they don't think they owe you the money. The solution to this is good communication, including the initial note holder informing them that the loan is being transferred.

Owner-Occupied Notes

Roughly 1/3 will want to stay in the property requesting a loan modification.

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Mortgage Notes 101

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Roughly 1/3 will be willing to do a deed-in-lieu.

Roughly 1/3 will have to be foreclosed on.



THE FORECLOSURE PROCESS



The Foreclosure Process

(Visit https://www.hud.gov/topics/avoiding_foreclosure/foreclosureprocess for more information on foreclosures and a link to specific foreclosure laws in your state.)

Jurisdictional Differences

The foreclosure process differs from state to state. Differences range from the notices that must be posted or mailed, redemption periods, and the scheduling and notices issued regarding the auctioning of the property.

In the paragraphs that follow, you will find an outline of what to expect and how the process works along with a general foreclosure timeline.

Basic Process

In general, mortgage companies start foreclosure processes about 3-6 months after the first missed mortgage payment. Late fees are charged after 10-15 days, however, most mortgage companies recognize that homeowners may be facing short-term financial hardships.

Delinquent homeowners that stay in contact with their lender will usually find that the lending institution is willing to work out some

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The Foreclosure Process

Notes:

of the problems that they may be having. Unfortunately, all too often, delinquent homeowners are embarrassed about what is happening and do not speak with their lending institution until it is too late. After 30 days, the borrower is in default, and the foreclosure processes begins to accelerate.

Foreclosure Types

Three Types

Three types of foreclosures may be initiated at the 30-day delinquent mark: judicial, power of sale and strict foreclosure. All types of foreclosure require public notices to be issued and all parties to be notified regarding the proceedings. Once properties are sold through an auction, the former homeowner will have a small amount of time to move out before the sheriff can issues an eviction.

1. Judicial Foreclosure. All states allow this type of foreclosure, and some require it. The lender files suit with the judicial system, and the borrower will receive a note in the mail demanding payment. The borrower then has only 30-days to respond with a payment in order to avoid foreclosure. If a payment is not made after a certain time period, the mortgage property is then sold through an auction to the highest bidder, carried out by a local court or sheriff's office.

The Foreclosure Process

2. Power of Sale. This type of foreclosure, also known as statutory foreclosure or more commonly known as a *non-judicial* foreclosure, is allowed by many states if the mortgage includes a power of sale clause. After a homeowner has defaulted on mortgage payments, the lender sends out notices demanding payments. Once an established waiting period has passed, the mortgage company, rather than local courts or sheriff's office, carries out a public auction. This normally takes place through a foreclosure trustee.

Non-judicial foreclosure auctions are often more expedient, though they may be subject to judicial review to ensure the legality of the proceedings.

Notes:

Judicial Process	Non-Judicial Process
Uses State court system during foreclosure.	Uses Trustee to process foreclosure; courts not required.
Homeowner carries the deed.	Beneficiary (investor) carries the deed.
Default recorded at county courthouse.	Default recorded at county Recorder's office.
Bank/investor must go through courts before foreclosure can be initiated.	Bank/investor does not have to go through courts to initiate foreclosure process.
Court verifies default status, sends homeowner Lis Pendens notice.	Trustee notifies owner of legal action through Notice of Default followed by Notice of Trustee Sale notification
In most states, homeowner has 60 days at this stage in the process before home is sold at public auction.	In most states, homeowner has 22-30 days at this stage in the process before home is sold at public auction.

The Foreclosure Process

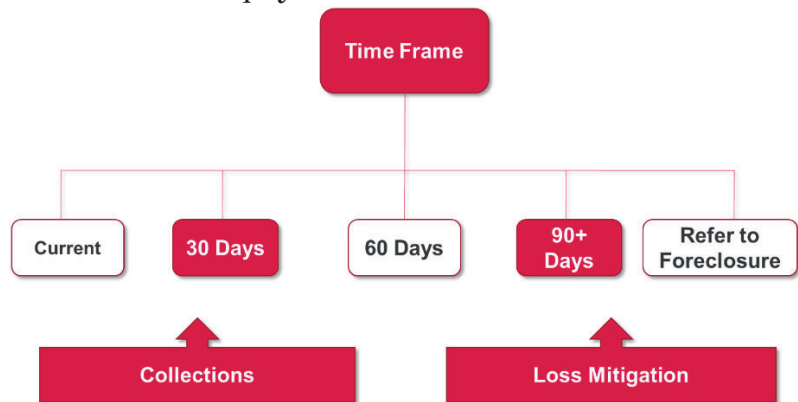
Notes:

3. Strict Foreclosure. A small number of states allow this type of foreclosure. In strict foreclosure proceedings, the lender files a lawsuit on the homeowner that has defaulted. If the borrower cannot pay the mortgage within a specific timeline ordered by the court, the property goes directly back to the mortgage holder. Generally, strict foreclosures take place only when the debt amount is greater than the value of the property.

Deeper Dive - Foreclosure Timeline

(varies by state)

The foreclosure process begins once a borrower misses his first payment.



First Missed Payment - The mortgage lender will contact the homeowner by letter or phone to notify them that the payment has not been received and will ask for that payment to be remitted immediately.

The Foreclosure Process

Second Missed Payment - The mortgage lender is likely to call again to discuss why the owner has not made their payments.

Third Missed Payment - After the third payment is missed, the homeowner will receive a letter from their lender stating the amount delinquent, and that they have 30 days to bring the mortgage current. This is called a "Demand Letter" or "Notice to Accelerate."

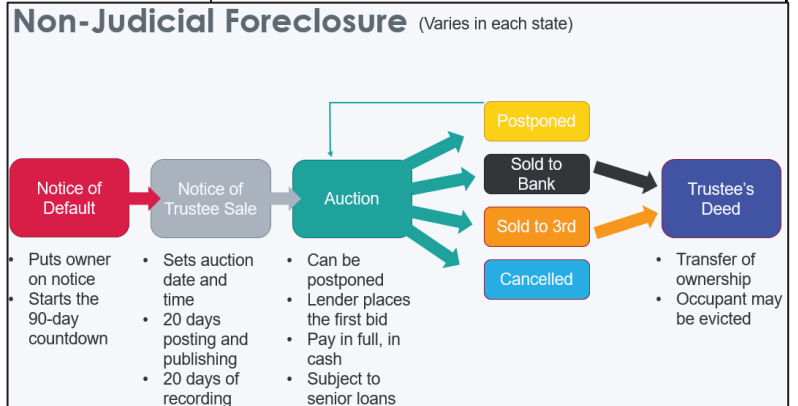
If the homeowner does not pay the specified amount or make some type of arrangements by the given date, the lender may begin foreclosure proceedings. At this point, the owners still have time to work something out if they will talk with their lender. The bank will still consider some type of loan modification if the owner can show income that would support the new mortgage amount. They are unlikely to accept less than the total due without arrangements being made.

Fourth Missed Payment - At the end of time allowed in the Demand or Notice to Accelerate Letter. When the 30 days ends, if the homeowner has not paid the full amount or worked out arrangements, he/she will be referred to the lender's attorney. The homeowner will incur all attorney fees as part of the delinquency.

Notice of Default (NOD) or Lis Pendens

When the lender's attorney become involved a notice of default or Lis Pendens is filed at the

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The Foreclosure Process

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county recorder's office or county courthouse depending on whether it is a non-judicial or judicial foreclosure.

Now a public record has been created and the foreclosure proceedings are searchable.

Once the NOD or Lis Pendens has been filed the process enters the first redemption phase. Typically, this last for 90 days.

Notice of Sale

At the end of the redemption phase a Notice of Sale will be filed by the lender. This begins a 3-week period of public notice leading up to the auction. Most states require that an ad be run in the "legal notices" section of a newspaper of general circulation in the area where the property is located at least once a week for 3 consecutive weeks within one week prior to the scheduled sale date.

Sheriff's or Public Trustee's Sale

The lender's attorney will schedule a sale. This is the actual day of foreclosure. Up until the actual foreclosure sale takes place it is still possible for the owner or the owner's representative to negotiate with the lender.

The trustee will normally hold a "public outcry" auction on the steps or lobby of the county court-house. Bidders must be ready to show proof of certified funds for the required deposit, and the balance of funds must be delivered.

The Foreclosure Process

Once the trustee deed is handed over it must be filed at the county recorder's office to establish legal claim to the property. The sale is now complete.

Redemption Period

After the sale date there may be a second redemption period depending on the type of foreclosure sale and depending on the state.

(All dates are estimated and vary according to the state in which the foreclosure is taking place.)

Foreclosure

When a lender forecloses on a property, the lender exercises the right to sell the property at a foreclosure sale. However, until the selling process is complete, the borrower retains ownership of the property, while the bank or lender owns the non-performing note.

At the foreclosure sale, the lender may exercise its right to bid. Since the lender already has a mortgage note on the property, the bid isn't made with new money, but rather, the lender makes what's called a credit bid.

The lender can bid a maximum of the total amount owed on the property, including the unpaid principal balance (UPB) plus any default interest and foreclosure costs, up to the amount that makes the lender "whole," meaning they have recovered all of what they've invested, and any additional interest and penalties accrued.

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The Foreclosure Process

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If the lender's credit bid is the highest at the auction, the lender repossesses the property at the foreclosure sale. At this point, the loan is extinguished, and now the lender owns the real estate. Lenders then log the real estate as OREO, or as it's commonly called, REO.

Judicial and Non-Judicial Foreclosure

Which One are You?

It would be wise to research your local statutes for your mortgage and foreclosure laws. Some states are strictly nonjudicial, using a form of the trustee sale, while others require judicial proceedings under the direction of the court and Sheriff's office.

Some states base the type of proceeding upon the security document used to secure the loan. A Deed of Trust is generally foreclosed non-judicially, while a Mortgage requires a judicial foreclosure proceeding.

Always do your own due diligence and verify your own states guidelines.

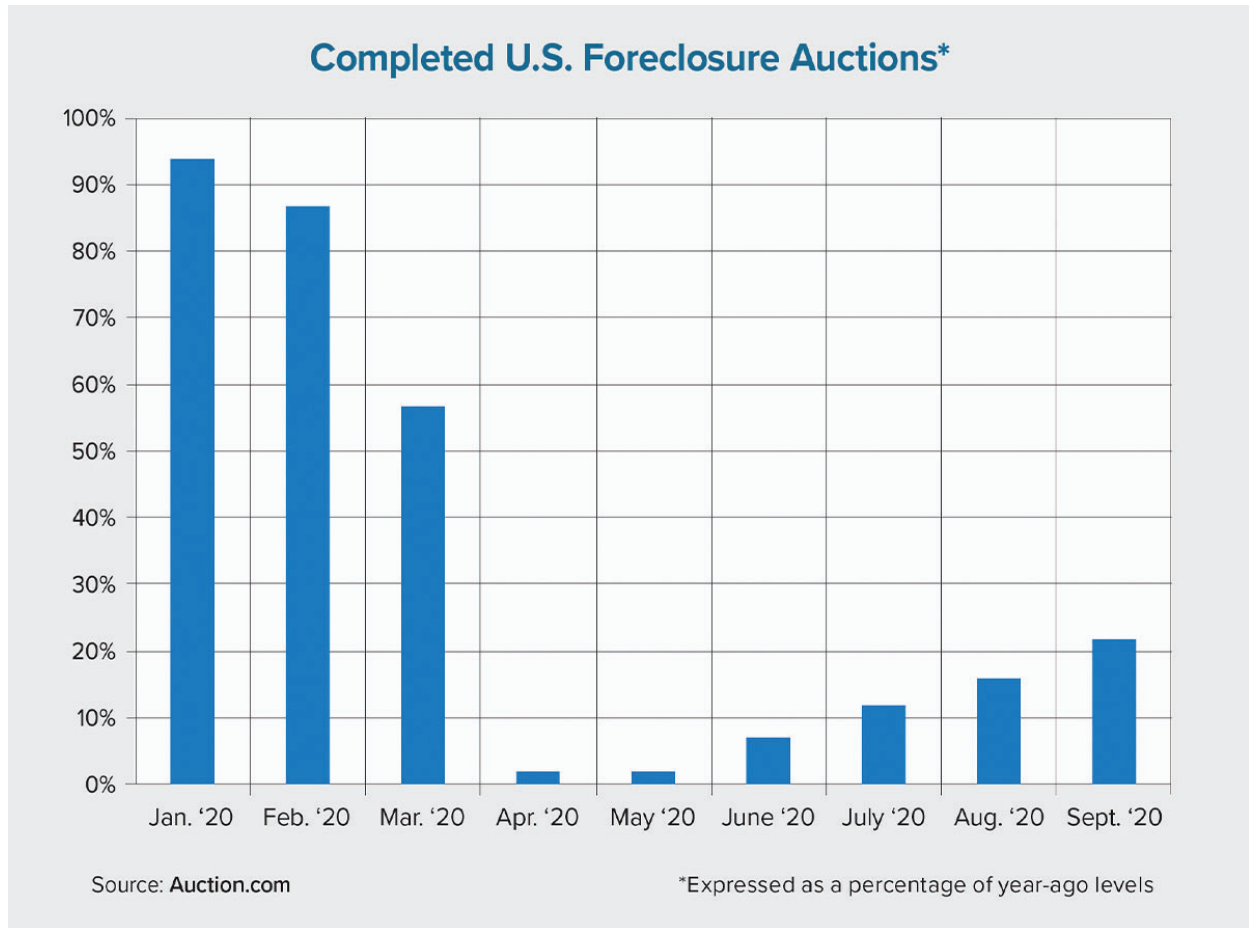
Bankruptcy Filings

Quite often, those who find themselves in foreclosure will file bankruptcy hoping to avoid a foreclosure sale. While a bankruptcy will delay, or place a "stay" on the sale, it does not always make it go away.

December 2020

Steady foreclosure growth is a harbinger of housing health

By [Daren Blomquist](#), Vice president of market economics, Auction.com



Completed foreclosure auctions are steadily returning despite sweeping moratoria measures enacted days after the COVID-19 pandemic declaration this past March — measures that have been extended through the end of 2020.

These moratoria prohibit foreclosures on the vast majority of single-family homes with mortgages backed by the Federal Housing Administration (FHA) and the Federal Housing Financing Agency (FHFA), which oversees Fannie Mae and

Freddie Mac. Mortgages backed by these agencies together account for more than 60% percent of all active U.S. mortgages.

Despite these aggressive and worthy efforts to prevent gratuitous foreclosures during the pandemic-triggered economic crisis, foreclosures increased to a six-month high in September 2020, according to proprietary data from Auction.com. Properties brought to foreclosure auction this past September — meaning the properties either sold to a third-party buyer or reverted back to the foreclosing lender as real estate owned — increased by 24% from August 2020 and were up by more than 1,000% from their post-pandemic low this past April.

Although foreclosures have jumped significantly from their post-pandemic valleys, it's important to note that they are still well below year-ago levels. The six-month high this past September was 78% lower than September 2019 levels, according to Auction.com data. Still, the steady increase to a six-month high in September begs the question: How are foreclosures increasing in the face of a broad foreclosure ban? The answer lies in an important exemption — vacant or abandoned properties — included in both the FHA and FHFA moratoria rules.

Virtually all properties now being foreclosed upon are vacant or abandoned. The steady increase over the past few months was the result of two factors. First, mortgage servicers have improved the process of identifying properties as vacant or abandoned. Second, more properties that secure delinquent mortgages have become vacant or abandoned as the moratoria have been extended. The second factor is evident in a recent report from Attom Data Solutions that shows the rate of vacant “zombie” foreclosures increased to a three-year high in third-quarter 2020.

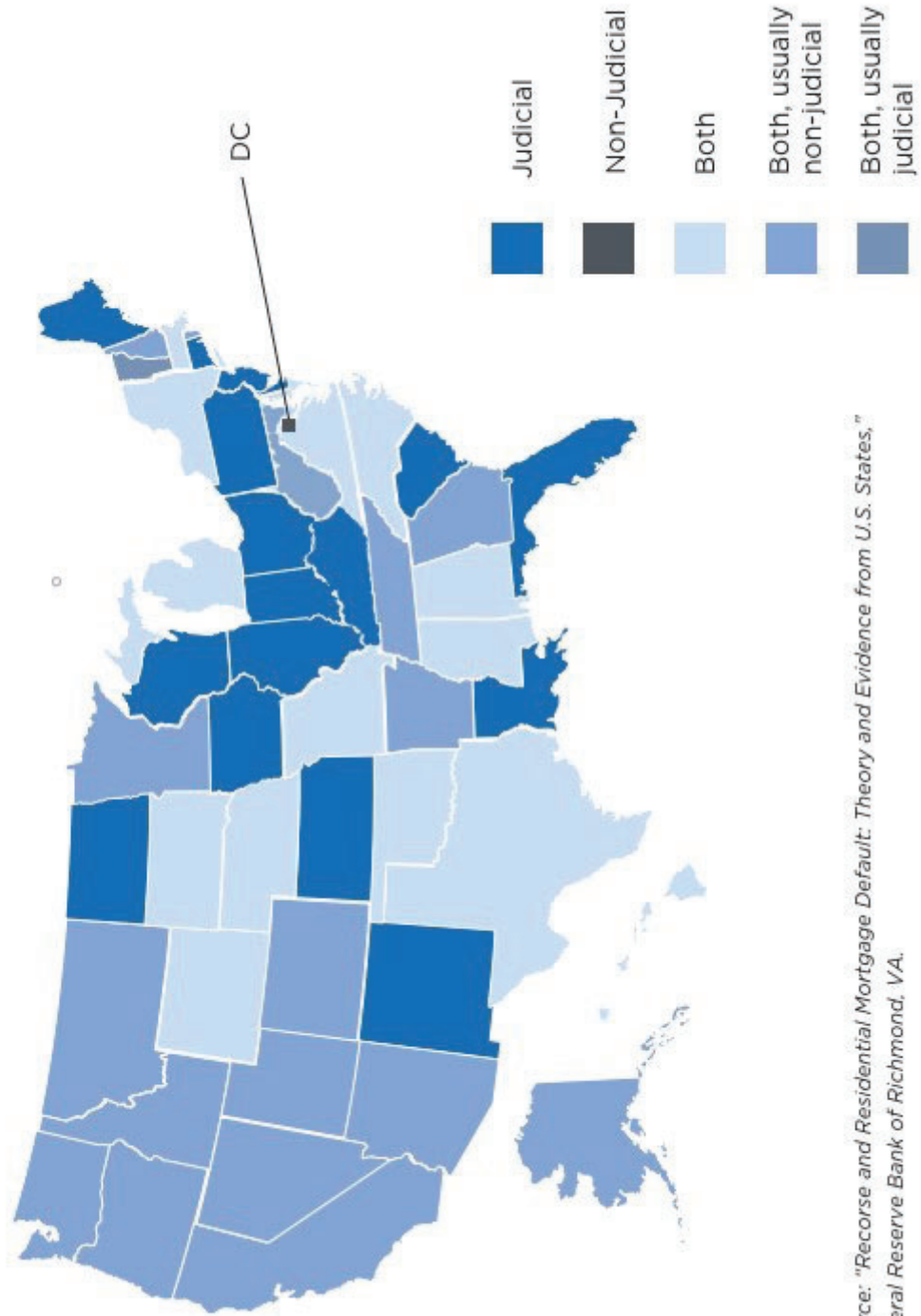
Policymakers demonstrated foresight by embedding the vacant- or abandoned-property exception in the moratoria, according to Julia Gordon, president of the National Community Stabilization Trust. Her nonprofit organization focuses on promoting homeownership in distressed neighborhoods. “You want the right tool for the job and stopping the foreclosure process as a whole for every property — especially for vacant properties — is not the right tool,” Gordon said, pointing to the rise in zombie foreclosures in the aftermath of the Great Recession. “When a property is abandoned but does not go through foreclosure in a reasonable period of time, it will invariably blight the community.”

In this context, states in the most danger of unintended negative consequences as the result of vacant foreclosures in the aftermath of the current recession are those in which foreclosure auctions continue to flatline. This past September, there were no foreclosure auctions in seven states, including New York, Oregon and Utah, according to Auction.com data. In the same month, foreclosure auctions were at least 90% below year-ago levels in five other states: Massachusetts, Washington, Idaho, Nevada and Montana.

Meanwhile, states with the largest rebounds in foreclosure auctions at that time included Missouri, Alabama, Arkansas, Arizona and Indiana — all of which posted September 2020 numbers that were at least one-third of year-ago levels. States with the most completed foreclosure auctions at that time were Ohio, Illinois, Florida, Alabama and Texas.

Rather than acting as a warning, however, the steady return of foreclosures acts as a harbinger of long-term health for local housing markets. In many states, vacant foreclosures are being more efficiently renovated and reoccupied. Conversely, in states with a more anemic rebound in foreclosure auctions, vacant properties are more likely to be languishing in foreclosure limbo. This potentially drags down neighborhood values and represents a growing backlog of deferred distress that could disrupt home-price appreciation when it eventually hits the market.

FORECLOSURE LAWS BY STATE



Source: "Recourse and Residential Mortgage Default: Theory and Evidence from U.S. States,"
Federal Reserve Bank of Richmond, VA.

State Foreclosure Laws and Timelines - Quick Chart

Foreclosure is a legal process through which lenders reclaim properties from borrowers who can no longer afford to meet their monthly mortgage obligations. Home foreclosure laws and procedures vary from state-to-state. The foreclosure timeline can and often does change.

Below is a state foreclosure laws timeline that is designed to give you an overview of the process throughout the United States.

State	Judicial	Non-Judicial	Foreclosure Timeline	Redemption Period	Deficient Judgement	State Website Law Reference
Alabama	X	X	1 - 3 Mos.	Up to 12 Mos.	Yes (Judicial)	http://www.legislature.state.al.us/aliswww/default.aspx
Alaska	X	X	3 - 4 Mos.	None	Yes (Judicial)	http://w3.akleg.gov/index.php
Arizona	X	X	3 - 4 Mos.	Up to 6 Mos.	Yes (Judicial)	https://www.azleg.gov
Arkansas	X	X	4 - 5 Mos.	Up to 12 Mos.	Yes	http://www.arkleg.state.ar.us/assembly/2019/2019R/Pages/Ho-me.aspx
California	X	X	3 - 5 Mos.	Not Likely	Yes (Judicial)	http://www.leginfo.ca.gov
Colorado	X	X	2 - 5 Mos.	None	Yes	https://www.colorado.gov
Connecticut	X		5 - 6 Mos.	Court Determined	Yes	https://www.cga.ct.gov/
Delaware	X		3 - 7 Mos.	None	Yes	http://legis.delaware.gov/
District of Columbia		X	2 - 4 Mos.	None	Yes	https://dccouncil.us/legislation/
Florida	X		4 - 6 Mos.	Yes	Yes	http://www.flsenate.gov/Laws/Statutes/
Georgia	X	X	2 - 3 Mos.	None	Yes	http://www.legis.ga.gov/en-US/default.aspx

State Foreclosure Laws and Timelines - Quick Chart

Hawaii	X	X	3 - 4 Mos.	None	Yes	http://www.capitol.hawaii.gov
Idaho	X	X	5 - 6 Mos.	None	Yes	https://legislature.idaho.gov
Illinois	X		7 - 10 Mos.	Yes 3 - 7 Mos.	Yes	http://www.ilga.gov
Indiana	X		5 - 7 Mos.	None	Yes	https://www.in.gov/core/
Iowa	X	X	5 - 6 Mos.	12 Mos.	Yes	https://www.legis.iowa.gov
Kansas	X		3 - 5 Mos.	Up to 12 Mos.	Yes	http://www.kslegislature.org/li/
Kentucky	X		5 - 6 Mos.	Up to 12 Mos.	Yes	https://legislature.ky.gov/Pages/index.aspx
Louisiana	X		2 - 6 Mos.	None	Yes	http://www.legis.la.gov/legis/home.aspx
Maine	X		6 - 10 Mos.	90 Days	Yes	https://www.maine.gov/portal/index.html
Maryland	X		2 - 3 Mos.	Court Determined	Yes	http://mgaleg.maryland.gov/webmga/frm1st.aspx?tab=home
Massachusetts	X		3 - 4 Mos.	None	Yes	https://malegislature.gov
Michigan		X	2 - 3 Mos.	Up to 12 Mos.	Yes	http://www.legislature.mi.gov/(S(hw4nr5kmongebjndweq1t3dm))/mileg.aspx?page=home
Minnesota	X	X	2 - 3 Mos.	6 Mos.	Yes (Judicial)	https://www.leg.state.mn.us
Mississippi	X	X	2 - 3 Mos.	None	Yes	https://www.legislature.ms.gov/Pages/default.aspx
Missouri	X	X	2 - 3 Mos.	Up to 12 Mos.	Yes	http://revisor.mo.gov/main/Home.aspx
Montana	X	X	4 - 6 Mos.	12 Mos.	Yes (Judicial)	https://leg.mt.gov

State Foreclosure Laws and Timelines - Quick Chart

Nebraska	X		5 - 6 Mos.	None	Yes	https://nebraskalegislature.gov
Nevada	X	X	3 - 5 Mos.	None	Yes	https://www.leg.state.nv.us
New Hampshire		X	2 - 3 Mos.	None	Yes	https://www.nh.gov/index.htm
New Jersey	X		3 - 10 Mos.	6 Mos.	Yes	https://www.njleg.state.nj.us
New Mexico	X		4 - 6 Mos.	9 Mos.	Yes	https://www.nmlegis.gov
New York	X		4 - 8 Mos.	None	Yes	https://nyassembly.gov
North Carolina	X	X	2 - 4 Mos.	10 Days	Yes (Judicial)	https://www.ncleg.gov
North Dakota	X		3 - 5 Mos.	60 Days	No	https://www.nd.gov
Ohio	X		5 - 7 Mos.	Until Confirmation	Yes	https://www.legislature.ohio.gov
Oklahoma	X	X	4 - 7 Mos.	Until Confirmation	Yes	http://www.oklegislature.gov
Oregon	X	X	4 - 6 Mos.	None	No	https://www.oregonlegislature.gov
Pennsylvania	X		3 - 9 Mos.	None	Yes	https://www.pacode.com
Rhode Island	X	X	2 - 3 Mos.	Up to 3 Years	Yes	http://www.rilin.state.ri.us/Pages/Default.aspx
South Carolina	X		4 - 7 Mos.	None	Yes	https://www.scstatehouse.gov
South Dakota	X	X	6 - 9 Mos.	Up to 12 Mos.	Yes	http://sdlegislature.gov/
Tennessee		X	2 - 3 Mos.	Up to 2 Years	Yes	http://www.legislature.state.tn.us

State Foreclosure Laws and Timelines - Quick Chart

Texas	X	X	2 - 3 Mos.	None	Yes	https://capitol.texas.gov
Utah			4 - 5 Mos.	180 Days	Yes	https://le.utah.gov
Vermont	X		7- 10 Mos.	Up to 6 Mos.	Yes	https://legislature.vermont.gov/
Virginia	X	X	2 - 3 Mos.	None	Yes	http://leg1.state.va.us/
Washington	X	X	4 - 5 Mos.	8 or 12 mos. (Judicial)	Yes (Judicial)	http://leg.wa.gov/
West Virginia		X	2 - 3 Mos.	None	Yes	http://www.wvlegislature.gov
Wisconsin	X	X	6 - 10 Mos.	None	Yes	http://legis.wisconsin.gov/
Wyoming	X	X	2 - 3 Mos.	3 Mos.	Yes	https://www.wyoleg.gov



PARTNERING
WITH
PreREO



Partnering with PreREO

A National Problem

PreREO was founded to deal with a growing nation problem. More than 1.5 million vacant single-family homes and condos were scattered across neighborhoods in the U.S. in the third quarter of 2019. PreREO brings noteholders and community investors together, allowing for more efficient maintenance and improvement of these challenged properties. What this means to you, as the investor, is opportunity!

As a company, PreREO seeks to help lenders, communities, and local investor by addressing:

1. Lenders struggling to maintain non-performing properties through lengthy foreclosure processes.
2. Communities suffering from the blight of abandon and deteriorating homes.
3. Local investors wanting access to a steady flow of rewarding real estate opportunities.

Clearing House

PreREO has created a clearing house for distressed properties.

PreREO

The company has coined the word, “PreREO” which is a delinquent first mortgage secured by either a vacant or tenant-occupied property.

Notes:

Partnering with PreREO

Notes:

Working with Banks & Credit Unions

They have developed relationships with Banks and Credit Unions to get them to list their none performing loans, PreREOs and bank owned (REO) property.

Infrastructure & Platform

As a company, PreREO has developed a platform for investors like us to review the properties. They have invested in infrastructure to provide legal assistance, servicing and funding.

Systems

PreREO has developed a systematic process to sell mortgage notes to you. They have created all the relationships and connections that you need to be successful in this strategy.

US Bank Trust

When you purchase a note through the platform, the note is held in trust – US Bank Trust. This allows PreREO to fund your investment while securing their interest.

When you buy a note, you get participation interest in the trust. See the “Sample Participation Interest” at the back of this section of your book.

Title

Title When you purchase a note through the system, it is held in the name of the trust.

Partnering with PreREO

The PreREO Website

The PreREO Website has a variety of properties available that are routinely updated.

All properties will be in some form of distress. This is what contributes to the discount you should expect when you purchase the note.

Some of the offerings will be 1st Mortgages for sale on Vacant property.

Some of the offerings will be 1st Mortgages for sale on non-owner occupied property.

Some of the offerings on the site will be 1st Mortgages for sale on owner occupied property.

The site will also carry REO property for sale.

It is up to you as the investor to determine the type of property you are looking at and to verify all information you find listed on the site!

Nationwide Legal Partner

Activist Legal LLP

Through the system, you will have access to a nationwide legal partnership with Activist Legal Services. Activist Legal has pioneered technology that allows attorneys, lenders and loan servicers to work together in a transparent environment.

Notes:

Partnering with PreREO

Notes:

Activist Legal is a non-traditional law firm founded in 2016 that facilitates legal services in the areas of real estate, mortgage, banking and private investor transactions for non-performing loans & assets.

Services Provided

Default Services - Provided directly in the District of Columbia, and through co-counsel relationships, all 50 states, including Puerto Rico.

Loss Mitigation - Engages with borrowers and works with local counsel to achieve resolutions through settlements, loan modifications, forbearances, deeds in lieu, cash for keys, and short sales.

Foreclosure - Engages with counsel to handle specific aspects of the foreclosure process, with emphasis on transparency, timeliness, efficiency and accuracy.

Bankruptcy - When a lender's interest is threatened, Activist Legal works with counsel provide legal review and intervention services during a pending bankruptcy.

Eviction - Works through local counsel to assess the circumstances by which the property is occupied and attempt a consensual resolution or eviction.

Collections - If foreclosure is not the best option, Activist Legal can engage local counsel to obtain a judgment on a debt, garnish wages, or attach the debt to other assets.

Partnering with PreREO

Litigation - Activist Legal can secure local counsel to litigate or defend a lender's interests and provide the necessary actions that may be required.

Title Curative - If a defect is discovered, Activist Legal can work with local counsel to review the defect and determine the best course of action to cure the defect.

Competitive Fees

Activist Legal charges a flat fee for foreclosure services based on HUD guidelines to conduct a typical foreclosure.

Because they are not being paid by the hour, they are motivated to complete the foreclosure as quickly as possible.

Special or messy foreclosures may incur additional charges.

See the "Fannie Mae Foreclosure Allowable Charges" handout at the end of this section of your book.

Servicing Partner

AHP Servicing

APH Servicing is a tech-enabled servicing platform with an experienced client account team.

They specialize in servicing residential, non-agency (portfolio) loans for third party private and institutional investors, banks, credit

Notes:

Partnering with PreREO

Notes:

unions, mortgage bankers, and other investors in residential mortgage loans.

Programs & Services Provided

- Servicing transfers.
- Monthly borrower billing statements.
- Payment processing through a secure lockbox, by phone, or online.
- Property tax monitoring.
- Escrow administration for property taxes, property insurance, and flood insurance.
- Payoff statements and processing.
- Borrower yearend tax reporting.
- Collections counseling.
- Best in class loan modification and settlement options.
- Litigation management.
- Real estate owned services.

Receiver Partner

Definition

A Receiver is a person appointed by a court to take possession of the property of another and to receive, collect, care for, and dispose of the property or the fruits of the property. In essence, the receiver completely replaces the borrower as to the operation of the property.

Role of the Receiver

The use of a receiver is very common in commercial property. They must be appointed by the court. Once they are in place, they can

Partnering with PreREO

collect rents, address habitability issues, and contract for repairs on the property.

Although a lender typically requests the receivership, the receiver does not act only on behalf of the lender. The receiver is legally obligated to act in the best interests of both lender and borrower, thus the receiver takes direction only from the court.

Fiduciary Responsibility

In light of the receiver's fiduciary responsibility to both lender and borrower, he/she must:

- Act in the best interests of the parties.
- Not act for its own benefit.
- Not act contrary to the parties' interests.
- Exercise his/her best effort on behalf of the lender and borrower.

Funding Partner

AHP Mortgage Direct

Through the system, you have access to a funding partner for your purchases through the PreREO website. APH Mortgage Direct will fund up to 75% of your PreREO purchase for both notes and REO property.

You are responsible for bringing 25% of the purchase to the closing table. We will explore alternative ways to fund this portion of your purchase in a later session.

Notes:

Partnering with PreREO

Notes:

Other fees include a \$2,000 participation fee for each loan purchased.

Current lending rates are 12% annually as interest only payments.

AHP recoups its money when the property sells at auction or can be restructured when you take possession of the property.

APH is working toward a program to drop rates to 9.9%.

Homework

1. Register on the site @ PreREO.com.
2. Explore the site.
3. Make sure you look at both REO and PreREO listed properties on the site.
 - a. Tomorrow we will spend time on the site learning to use it but tonight you need to explore on your own.
 - b. Tomorrow we will evaluate several properties from the site.
4. Download and examine the “documents” provided on at least one property.

PARTICIPATION FINANCE AGREEMENT

This Participation Finance Agreement (the “Agreement”) is entered into on **DATE, 2020**, by and between AHP Servicing LLC, a Delaware limited liability company (the “Seller” and the “Servicer”), preREO LLC, a Delaware limited liability company, and **NAME** (the “Investor”).

Background

- I. The Seller is offering for sale financial rights and interests in the mortgage loan(s) described on Schedule A (the “Loan(s)”).
- II. The Servicer shall be the mortgage servicer of record for the Loan(s).
- III. preREO LLC is the provider of the technology and services which facilitate this transaction.
- IV. The Investor is seeking to purchase a Participation Interest in the Loan(s) from Seller.
- V. The Seller, Servicer, preREO LLC, and the Investor wish to set forth their understandings concerning the ongoing and final distribution of proceeds as well as the rights and responsibilities of each party to this Agreement related to the Loan(s).

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties to this Agreement mutually agree as follows:

1. **Ownership.**

1.1. **Asset Ownership.** Seller shall ensure that U.S. Bank Trust N.A. as Trustee of American Homeowner Preservation Trust Series AHP Servicing, (the “Owner”), subject to and in accordance with the Owner’s Organic Documents and all applicable law, is as of the Effective Date or, in the event further documentation is required to evidence ownership, shall promptly become, owner and holder of legal title to the Loan(s).

1.2. **Servicing.** The Servicer shall service the Loan(s) pursuant to the agreement between Owner and Servicer enclosed as Schedule B to this Agreement (the “Servicing Agreement”). The Seller is seeking to apportion to Investor its interests and authorities (the “Participation Interest”) related to the Loan(s) expressly delegated to it from the Owner’s Organic Documents and the Servicing Agreement, if applicable.

1.3. **Service Transfer.** Investor acknowledges and agrees that, if required by applicable state or federal law or regulation including but not limited to 12 CFR Part 1024.33 (Regulation X) regarding rules on service transfer, an interim period of up to forty-five (45) days may be required to ensure a compliant service transfer of the Loan(s) to Servicer prior to vesting of the Participation Interest in Investor. Seller and Servicer shall exert commercially reasonable efforts to minimize any such interim period.

1.4. **Diligence.** Investor has been urged, invited and directed to conduct such due diligence review and analysis of the Loan(s), together with such records as are generally available to the public from local, county, state and federal authorities, record-keeping offices and courts

including, without limitation, any relevant court records, if any, as the Investor deemed necessary, proper or appropriate in order to make a complete informed decision with respect to the purchase and acquisition of the Participation Interest. The Investor's decision to purchase the Participation Interest is based upon its own comprehensive review and independent expert evaluation and analysis of the Loan(s). The Investor has made such independent investigation as the Purchaser deems to be warranted into the nature, title, attachment, perfection, priority, validity, enforceability, collectability, and value of the Loan(s), the title, condition and value of any collateral securing the Loan(s), the market conditions and other characteristics of the places where any such collateral is located, and all other facts it deems material to the purchase of the Loan(s).

1.5. **Nature of the Sale.** The transactions contemplated by this Agreement do not involve, nor are they intended in any way to constitute, the sale of a "security" or "securities" within the meaning of any applicable securities laws, and none of the representations, warranties or agreements of any of the parties hereto shall create any inference that the transactions involve any "security" or "securities". The Investor acknowledges, understands and agrees that the acquisition of the Participation Interest involves a high degree of risk and they are suitable only for persons or entities of substantial financial means who have no need for liquidity and who can hold the Participation Interest indefinitely or bear the partial or entire loss of the value.

2. Definitions.

2.1. **Definitions.** The following definitions shall apply for purposes of this Agreement:

2.1.1. "Effective Date" means the closing date of this transaction as indicated in the caption above, or such other date as may be mutually agreed upon by the parties hereto.

2.1.2. "Foreclosure Sale" means, with respect to any Loan(s), the actual forced sale of Secured Property at a public auction after foreclosure or equivalent proceeding.

2.1.3. "Gross Proceeds" means, with respect to any Loan(s), (i) any payments received with respect to such Loan(s) from the borrower(s) or third parties on behalf of the borrower(s), including rents related to the Secured Property; (ii) the gross proceeds from the sale of such Loan(s); or (iii) the gross proceeds from the rental of the Secured Property or sale of real estate obtained from the Foreclosure Sale associated with the Loan(s).

2.1.4. "Net Proceeds" means (i) the Gross Proceeds received by the Seller with respect to any Loan(s) from time to time, minus (ii) all Standard Expenses with respect to all Loan(s).

2.1.5. "Organic Documents" means for any incorporated or unincorporated entity, the documents pursuant to which the entity was formed as a legal entity, as such documents may be amended from time to time.

2.1.6. "Participation Interest" means the cumulative rights in the Loan(s) purchased by Investor identified and granted by the terms of this Agreement.

2.1.7. "Purchase Price" means the agreed upon price of the Participation Interest as set forth in Section 3.4 below.

2.1.8. “REO” refers to the Secured Property after a Foreclosure Sale in which the Owner or other party authorized under this Agreement took title to the Secured Property.

2.1.9. “Representatives” means, with respect to either party, its and its affiliates’ respective employees, officers, directors, agents, counsel, accountants, auditors and advisors.

2.1.10. “Repurchase Price” means a price equal to the sum total amount of any funds paid by Investor to the Seller pursuant to this Agreement as of the date of repurchase, not inclusive of any payment for reimbursement of Standard Expenses other than those Standard Expenses recoverable from the borrower under the terms of the applicable Loan(s).

2.1.11. “Secured Property” means the real estate which secures the Loan(s).

2.1.12. “Standard Expenses” means, with respect to any Loan(s), Secured Property, or REO, (i) all fees and expenses paid to third parties with respect to such Loan(s), Secured Property, or REO, including but not limited to (A) legal fees, (B) accounting fees, (C) appraisal fees, and (D) commissions (whether for the sale of the Loan(s), the sale or rental of Secured Property or REO property received upon the foreclosure of the Loan(s), or otherwise), (E) servicing fees; (ii) interest payments associated with such Loan(s); (iii) real estate or property taxes and other governmental assessments; (iv) all other customary and reasonable "out of pocket" costs and expenses incurred in the performance by the parties of their obligations under this Agreement, including, but not limited to, the cost of (A) the preservation, restoration and protection of the Secured Property, (B) efforts to clear title defects or present and follow up on title claims relating to the Secured Property or REO, (C) any enforcement or administrative or judicial proceedings, including foreclosures and receiverships, (D) the management and liquidation of the Secured Property or REO, and all taxes, assessments, water rates, sewer rents and other charges which are or may become a lien upon the Secured Property or REO, fire and hazard insurance coverage, and (v) all other expenses directly associated with such Loan(s), Secured Property or REO, but not including the general overhead of the Seller, Servicer, or Investor.

3. Investor’s Participation Interest.

3.1. **Agreement to Purchase Participation Interest.** The Seller agrees to sell, and the Investor agrees to purchase, on the Effective Date and on the terms and conditions stated herein, a Participation Interest, as described in this Agreement, in the Loan(s) listed on the Mortgage Loan Schedule.

3.2. **Effective Date.** On the Effective Date, Investor shall pay the down payment to the Seller and the program fee to preREO LLC, no later than 4:00 p.m. (Central time zone), on the Effective Date, by ACH of immediately available funds according to the ACH Authorization Agreement attached hereto as Schedule C.

3.3. **Program Fee.** Upon the Effective Date, or as otherwise agreed upon by the parties, Investor shall pay a \$2,000.00 program fee to preREO LLC.

3.4. **Purchase Price for Participation Interest.** The total Purchase Price for the Participation Interest shall be the sum of **\$AMOUNT**.

3.5. **Down Payment.** In addition to any other amounts due under this Agreement, Investor shall pay to Seller a down payment on the Purchase Price; an amount totaling **\$AMOUNT**.

3.6. **Extension of Credit Towards Purchase Price.**

3.6.1. **Amount Financed.** The remaining amount of the Purchase Price net of the down payment shall be **\$AMOUNT** such amount to be financed, payable in monthly installments as specified below.

3.6.2. **Interest Rate on Amount Financed.** The principal amount outstanding under this Agreement shall bear interest at a fixed rate of twelve percent (12.0%) per annum. Interest accrual shall be calculated using the monthly accrual method. It is expressly stipulated and agreed to be the intent of Investor and Seller at all times to comply strictly with the applicable laws governing the maximum interest rate or amount of interest payable on the indebtedness evidenced by this financed obligation. If the applicable law is ever judicially interpreted so as to render usurious any amount (a) contracted for, charged, taken, reserved or received pursuant to this Agreement, or (b) Investor will have paid or Seller will have received by reason of any payment by Investor of this financed obligation, then it is Investor and Lender's express intent that all amounts charged in excess of the maximum rate allowed by such applicable law shall be automatically canceled and all amounts in excess of such maximum interest rate theretofore collected by Seller shall be credited on the principal balance of this financed obligation (or, if this financed obligation has been paid in full, refunded to Investor), and the provisions of this Agreement shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder.

3.6.3. **Periodic Payments.** The initial, interest only periodic payments due under this Agreement shall be in the amount of **\${AMOUNT}**. Payments of interest only shall be payable in monthly payments beginning **{FIRSTPAYMENTDATE}** and continuing the same day of each month thereafter. All principal and accrued but unpaid interest, if not sooner paid, shall be due and payable on **{MATURITYDATE}** (the "Maturity Date"). If any monthly payment due under this Agreement is not received within ten (10) days of when due, there shall be a late payment fee charged of five percent (5%) of the monthly payment, or \$25.00, whichever is greater, which shall be due upon notice to Investor. Any principal reduction payments shall take effect with respect to calculation of the interest only periodic payment amount upon the next scheduled periodic payment due date after receipt.

3.7. **Method of Payment.** As additional inducement for Seller to enter into this Agreement, in order to satisfy Investor's obligations to pay the periodic payments specified above as they are periodically incurred under the Agreement, Investor authorizes Seller, Servicer, and preREO LLC to initiate electronic debit or credit entries through the Automated Clearing House ("ACH") system to any deposit account maintained by Investor, as identified in Schedule C hereto.

3.8. **Prepayment.** Investor may prepay any remaining portion of this financed obligation at any time without a prepayment fee.

3.9. **Balloon Payment.** If, upon the Maturity Date, any principal, interest, or other amounts due under this Agreement are still owed, any such amount shall become due on that date. Interest on unpaid principal shall continue to accrue on a monthly basis after the Maturity Date.

3.10. **Servicing Retained.** Servicer shall remain mortgage servicer of record, or servicing will be transferred to Servicer from current servicer within 45 days of the Effective Date, pursuant to the servicing agreement which shall continue to govern the terms of servicing for the Loan(s). Settlement, modification, or any other disposition of the Loan(s) through loss mitigation shall not be completed without express approval of Investor, such approval not to be unreasonably withheld, and except as otherwise required by applicable state, federal, or local law or court order.

3.11. **Participation Authorities.** In addition to a right to the Net Proceeds of the Loan(s), Seller hereby grants to Investor all authority to direct and manage the disposition of the Secured Property through Foreclosure Sale, and the REO after Foreclosure Sale, limited to the extent such direction and management is inconsistent with applicable law. With respect to the Loan(s), Secured Property, or REO as applicable, the authority granted as part of the Investor's Participation Interest shall consist of, and is subject to, the following listed authorities and limitations:

3.11.1. **Attorney Selection.** Investor agrees to retain Activist Legal LLP to manage the foreclosure or equivalent proceeding, receivership, eviction and/or any related legal actions, such actions to be carried out in the name of the Owner. Investor shall be responsible for and manage Activist Legal LLP's provision of legal services as it relates to the Loan(s).

3.11.2. **Property Preservation and Insurance.** Investor shall be responsible for property management and disposition services with respect to any Secured Property or REO, including analysis of sale potential, property management (including maintenance, repairs, and securing of such Secured Property or REO to render it compliant under local law and marketable in the future), payment of property taxes, hazard insurance, flood insurance, and any other insurance required by applicable law. In the event of actual or pending ineffectiveness of hazard insurance on the Secured Property, Servicer shall procure from an independent insurance provider at the expense of Investor commercially reasonable forced placed insurance. Investor shall submit requests for all such payments for taxes, insurance, or any other property preservation related expenses to be distributed by the Servicer. To ensure proper accounting, payment of any amounts by Investor outside of this process shall be solely the responsibility of the Investor absent express consent of Servicer. The Investor shall, either itself or through an agent selected by the Investor, manage, conserve, protect and operate the Secured Property or REO in the same manner that it manages, conserves, protects and operates other secured property or real estate owned for its own account, and in the same manner that similar property in the same locality as the Secured Property or REO is managed, so long as in compliance with applicable law.

3.11.3. **Property Disposition.** Any Secured Property or REO disposition shall be carried out by the Investor at such price and upon such terms and conditions as the Investor deems to be in the best interest of its Participation Interest. Investor shall be responsible for issuance of any foreclosure bidding instructions. Any final proceeds from the sale or other disposition of the Secured Property or REO shall be deposited in an account designated by the Seller and distributed to the Investor, net of any funds owed to the Seller under this Agreement. Investor shall be responsible for the expenses of such sale or other disposition and all Standard Expenses, including

amounts owed to third parties as a result of Foreclosure Sale, or as otherwise owed under applicable law.

3.11.4. **Bankruptcy.** If Investor has actual knowledge that an obligor to any Loan(s) is the subject of a proceeding under the Federal Bankruptcy Code or any other similar law, has made an assignment for the benefit of creditors or has had a receiver or custodian appointed for its property, Investor shall retain an attorney to pursue claims to payment on the Loan(s) and foreclosure on the Secured Property in the bankruptcy court in the name of the Owner.

3.11.5. **Vacant Property Registration.** Investor shall, at its own expense, either itself or through an agent selected by the Investor, undertake to fulfill any obligations for licensure, registration, property upkeep or other similar or associated requirements with respect to the Secured Property or REO under applicable law. Investor shall defend, indemnify and hold harmless from any liability incurred by or asserted against Seller, Servicer, preREO LLC, or Owner arising out of, in relation to, or based upon such vacant or abandoned properties, provided, however, that the indemnity for vacant or abandoned properties shall not be effective with respect to any liability directly and solely caused by the Servicer that would otherwise be imposed by reason of the Servicer's negligence, willful misfeasance or bad faith in the performance of or failure to perform duties under the applicable servicing agreement.

3.11.6. **Updates to Servicer.** Investor shall, on no less than a weekly basis, securely forward to the Servicer electronic copies or images of all documents mailed, delivered, filed, published, or otherwise issued by Investor or on behalf of Investor in relation to the Loan(s) for inclusion in the loan servicing record. Additionally, Investor shall, on no less than a weekly basis, securely forward to the Servicer a log of all Loan(s) related activity, broken down by loan number, detailing the date and description of activities conducted by Investor or Investor's authorized vendor. Investor shall maintain a clear record of expenses incurred and paid for, inclusive of invoices clearly detailing the amount paid, the product or service rendered, the date of the transaction, and the identity of the vendor providing the product or service. Failure to provide such records may result in non-recoverability of costs and expenses incurred.

3.11.7. **Servicing Activities Reserved.** Investor acknowledges certain activities shall be reserved to Servicer, including but not limited to phone calls with obligors, collections attempts, face to face meetings, loss mitigation activities, and any activity involving or related to any direct contact with the obligor or successor in interest to an obligor on any Loan(s). Any inadvertent or incidental contact between Investor and obligors shall be promptly reported to Servicer for inclusion in the mortgage servicing record.

3.11.8. **Bidding and Conveyance after Foreclosure Sale.** Investor agrees that bidding at Foreclosure Sale shall be conducted, and the Secured Property conveyed into, the name of the Owner or other entity as directed by Seller. Investor shall determine the parameters for bidding instructions. If such bid results in an award of legal title to the Secured Property through Foreclosure Sale, Seller shall ensure the REO is promptly deeded to the Investor upon fulfillment of any and all remaining Investor obligations under this Agreement.

4. **Advance for Standard Expenses; Delegation of Authority.**

4.1. **Standard Expenses: Foreclosure.** Investor hereby delegates authority to Servicer for payment of any Standard Expenses, including attorney or trustee fees and costs incurred in the execution of the foreclosure or equivalent process, such fees and costs not to exceed customary rates for such services in the relevant jurisdiction.

4.2. **Standard Expenses: Property Taxes.** Servicer shall provide to Investor at least seven (7) days of prior notice to Investor's designated contact prior to disbursement of funds for payment of property taxes due or coming due on the Secured Property. In the absence of timely, clear instruction to refrain from payment of property taxes from Investor, Servicer shall disburse funds for payment of said property taxes. If Investor elects and timely communicates to Servicer a directive to refrain from payment of property taxes, Investor thereby assumes responsibility for all penalties, losses, liabilities, claims, causes of action, damages, demands, additional taxes, fees, costs and expenses of whatever kind, arising out of or incurred in connection with such non-payment.

4.3. **Other Standard Expenses.** Investor hereby delegates authority to Servicer to advance payment for any Standard Expense if, in the commercially reasonable judgment of Servicer, the consequences of failure to advance such funds would have a material adverse effect with respect to a Loan or Secured Property. Servicer shall otherwise provide notice to Investor to Investor's designated contact and refrain from advancing such funds unless and until such time that Investor clearly communicates approval for advancement of funds.

4.4. **Payment of Standard Expenses.** The Seller or Servicer shall, on a monthly basis, issue an invoice to Investor for any unreimbursed Standard Expenses. Upon receipt of such invoice, Investor shall have a seven (7) day period to review the invoice and issue any good faith disputes of amounts due. All amounts invoiced and not contested in good faith shall become due and payable and shall be paid by Investor by check or certified funds to the notice address for Servicer below, by one-time ACH, or as otherwise agreed upon among the parties hereto. Investor understands and agrees that such ongoing payment amounts may vary as periodic payments, balloon payments, and Standards Expenses come due. A payment returned as non-sufficient or insufficient may be assessed a fee which will be added to the amounts due under the terms of this Agreement.

4.5. **Investor Information.** Investor shall designate in the form attached to this Agreement as Schedule C the Investor's ACH information along with other required information for contacting and communication between Seller, Servicer, preREO LLC and Investor.

5. **Distribution of Proceeds.**

5.1. **Distribution of Net Proceeds.** The Net Proceeds, as that term is defined above, shall be distributed within forty-five (45) days of receipt to the Investor, except with respect to proceeds from Foreclosure Sale or other final disposition of the Secured Property which shall be distributed within ten (10) days of receipt to the Investor.

5.2. **Holding Payments.** If the Seller or the Investor receives payments to which the other party is entitled pursuant to this Agreement, it shall hold such payments for the other party and

shall pay over such payments in accordance with section 5.1, if applicable, or promptly and within ten (10) days of receipt.

6. **Default.** The occurrence of any of the following events shall be deemed a default under this Agreement:

6.1. Failure of either party to pay any installment or to remit any funds due pursuant to this Agreement when due beyond any applicable cure periods;

6.2. Failure of either party to observe or perform any covenant or agreement set forth in this Agreement beyond the cure period prescribed herein;

6.3. Adjudication of Investor as bankrupt, written admission by Investor of an inability to pay the debts of Investor as they mature, assignment of the assets of Investor for the benefit of creditors, request or petition by Investor for the appointment of a receiver, trustee or conservator of the assets of Investor, other than such request or petition related to the Loan(s), or for reorganization or liquidation of Investor.

7. **Records.** The Seller shall maintain records of all transactions involving the Loan(s). The Seller shall provide to the Investor such additional reports as the Seller and the Investor shall mutually agree from time to time. The Investor shall provide such reports to the Seller or the Investor as the parties may mutually agree from time to time.

8. **Representations and Warranties.** Each party hereto represents and warrants to the other party as follows:

8.1. **Authorization.** The execution and delivery of this Agreement and any other documents to which it is a party, and performance and compliance with the terms of this Agreement and the other documents to which it is a party have been duly authorized by all necessary action and will not violate Organic Documents, or constitute a default under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected.

8.2. **Enforceability.** This Agreement constitutes a valid, legal and binding obligation, enforceable in accordance with the terms hereof, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally or by common law/principles of equity as determined by a court of law in a proceeding or action in equity or at law.

8.3. **No Material Pending Litigation or Claims.** No material litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of or before any arbitrator or governmental authority is pending or, to the best knowledge of the party, threatened by or against any party or any of its subsidiaries which could reasonably be expected to have a material adverse effect. No permanent injunction, temporary restraining order or similar decree has been issued against any party or any of its subsidiaries which could reasonably be expected to have a material adverse effect.

8.4. **Property Vacancy.** The Secured Property is vacant, abandoned, or similarly categorized as lacking any inhabitants possessing legal right to the Secured Property.

8.5. **Loan Status.** Unless noted on the Loan Schedule, the Loan servicing record contains no record of any currently pending loss mitigation, currently pending or recent bankruptcy action, or other indications of the obligor's intent to cure the underlying default on the Loan.

8.6. **First Lien.** The Loan's related mortgage or security agreement is a valid, subsisting, enforceable and perfected first lien on the Secured Property, including all buildings on the Secured Property, subject only to:

8.6.1. the lien of current real property taxes and assessments not yet due and payable,

8.6.2. covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording acceptable to mortgage lending institutions generally in the area in which the Secured Property is located,

8.6.3. such other matters to which like properties are commonly subject that do not individually or in aggregate materially interfere with the benefits of the security to be provided by the Loan(s),

8.6.4. any generally applicable foreclosure moratoriums or delays,

8.6.5. any unrecorded mechanics liens to the extent having priority over the Loan(s) under applicable law upon their recordation.

9. Remedies, Right to Cure.

9.1. **Termination.** Unless otherwise agreed upon by the parties, and subject to the survival provisions under this Agreement, this Agreement shall terminate at the time the Loan is released, satisfied, or otherwise extinguished, or upon completion of the exercise of the buyback remedy listed below, if applicable.

9.2. **Buyback Provisions.** During the sixty (60) days after the Effective Date, upon discovery by the Investor of a breach of any of the foregoing representations and warranties which materially and adversely affects the value of the Loan(s) or the interest of the Investor therein, the Investor shall give prompt written notice to the other, along with evidence supporting the breach claim. Within sixty (60) days after Seller receives written notice of any breach of a representation or warranty which materially and adversely affects the value of any Loan(s) the Seller shall use commercially reasonable efforts to cure such breach in all material respects and, if such breach is not or cannot be cured, the Seller shall, at the Investor's option, repurchase Investor's Participation Interest in the affected Loan(s) at the Repurchase Price within forty-five (45) business days following the expiration of the related cure period. Any such repurchase pursuant to the foregoing provisions shall be accomplished by wire transfer of immediately available funds on the agreed upon repurchase date to an account designated in writing by the Investor. For the avoidance of doubt and notwithstanding anything in this Agreement to the contrary, the Investor acknowledges, understands, and agrees that it shall have no remedy with respect to fraud, misrepresentation, or omission in the origination or modification (other than modifications performed by the Servicer)

of any Loan(s), compliance or non-compliance with underwriting guidelines or other underwriting standards or protocols in the origination or modification (other than modifications performed by the Servicer) of any Loan(s), appraisal or valuation deficiencies in the origination or modification (other than modifications performed by the Servicer) of any Loan(s), or the existence or validity of any mortgage insurance policy related to any Loan(s).

9.3. **Cure period for Investor Default.** Upon discovery of default by Investor, Seller shall provide Investor with written notice of such default, and if not cured within thirty (30) days of providing such notice, Seller may terminate Investor's Participation Interest, declare all sums owed pursuant to this Agreement immediately due and payable and may commence proceedings to collect such sums and take such other actions or pursue such other remedies as provided by law or in equity. Upon such default Investor shall have no right to funds already remitted to Seller or Servicer pursuant to this Agreement. Seller shall be entitled to collect all expenses incurred in pursuing the remedies provided herein, including, but not limited to, reasonable attorneys' fees and costs.

9.4. **Cure period for Seller or Servicer Default.** Upon discovery of default by Seller or Servicer, Investor shall provide the defaulting party with written notice of such default, and if not cured within thirty (30) days of providing such notice, Investor may declare all sums owed pursuant to this Agreement immediately due and payable and may commence proceedings to collect such sums and take such other actions or pursue such other remedies as provided by law or in equity.

9.5. **Indemnification.** Each party agrees to pay, or reimburse the other, and to protect, defend, indemnify, save and hold harmless the other, and its agents, assigns, employees, officers, directors and advisors and contractors from and against any losses, liabilities, claims, causes of action, damages, demands, taxes, fees, costs and expenses of whatever kind, arising out of or incurred in connection with breach of any material term, representation, warranty, or covenant of this Agreement, or failure to comply with applicable laws, or perform obligations under this Agreement. The indemnification provided under this Section shall be with respect to losses involving third-parties and losses between Seller and the Investor. Each party shall immediately notify the other of any such claim or threatened claim that may exist. The provisions of this Section shall survive termination of this Agreement.

10. Confidentiality.

10.1.1. **Included Information.** In connection with this Agreement, each party may find it necessary to disclose certain financial, technical or business information to the other party that the disclosing party ("Disclosing Party") desires the receiving party ("Receiving Party") to treat as confidential. For purposes of this Agreement, confidential information ("Confidential Information") means any information disclosed to a Receiving Party by the Disclosing Party on or after the Effective Date, either directly or indirectly in writing, electronically, orally or by inspection of tangible objects, including, whether or not specifically identified as confidential, proprietary, or trade secret, and whether or not classified as a trade secret under applicable law, without limitation (i) financial information, disclosed and undisclosed business plans and strategies, financial data and analysis, data tapes, collateral documents, and borrower information, (ii) any and all confidential, trade secret, or proprietary information, including but not limited to

any information related to business processes, procedures, operational guidelines, proprietary formulas, proprietary methods, proprietary documents, proprietary strategies, or similar types of information, (iii) information relating to employees, contractors or customers, or mortgagors which, if released, would cause an unlawful invasion of privacy, and (iv) any compilation or summary information or data that contains or is based on Confidential Information.

10.1.2. **Non-Public Information.** Receiving Party understands that the Confidential Information may constitute Non-Public Information (“NPI”) as defined by and subject to the federal Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801 et seq., the Consumer Financial Protection Bureau’s Privacy Regulations, 12 CFR Part 1016, and Standards for Safeguarding Customer Information, 16 CFR Part 314 and other applicable federal and state privacy laws and regulations (collectively, the “NPI Rules and Regulations”) and agrees to comply with all applicable NPI Rules and Regulations and to cause all of its Representatives, to the extent possible, any other person or entity that receives the NPI to comply therewith.

10.1.3. **Excluded Information.** For purposes of this Agreement, the term “Confidential Information” shall not include information that (i) is or becomes publicly known; (ii) was received from any person or entity who, to the best of the recipient's knowledge, has no duty of confidentiality to the owner of the information; (iii) was already known to the recipient prior to the disclosure, as evidenced in writing prior to the date of the other party’s disclosure; or (iv) is developed by the recipient without any use of Confidential Information.

10.1.4. **Confidentiality Obligation.** The Receiving Party agrees that it shall take all commercially reasonable measures to avoid disclosure and unauthorized use of the Confidential Information. Without limiting the foregoing, the Receiving Party shall take at least those measures that it takes to protect its own Confidential Information. The Receiving Party agrees not to disclose any Confidential Information to third parties, except as necessary to such third parties which are under as strict a confidentiality obligation as the Receiving Party, and who have a need to know such Confidential Information in order to fulfill Receiving Party’s obligations under this Agreement in a commercially reasonable manner. Neither party shall use Confidential Information of the other party except as contemplated by this Agreement, nor disclose any such Confidential Information to persons other than its Representatives, including without limitation (i) its professional advisors, and (ii) employees or contractors with a need to know such Confidential Information and who have been advised of its confidential nature. Each party shall be liable for any disclosure or misuse of Confidential Information by its respective Representatives. Each party shall use reasonable efforts to protect the Confidential Information of the other party, but in no event less effort than it uses to protect its own Confidential Information.

10.1.5. **Disclosure Pursuant to Legal Obligation.** Notwithstanding the foregoing, in the event that the Receiving Party or any of its Representatives has a legal obligation to disclose any of the Confidential Information to comply with applicable law or regulatory requests (the “Legal Obligation”), then, to the extent legally permissible, the Receiving Party shall provide the Disclosing Party with (a) prompt notice of such Legal Obligation (to the extent permitted by applicable law or regulatory request) so that the Disclosing Party may seek a protective order or other appropriate remedy, and (b) reasonable cooperation, at the Disclosing Party’s sole cost and expense, in seeking such remedy or otherwise protecting the Disclosing Party’s rights in and to such Confidential Information. In the event Receiving Party is required to disclose Confidential

Information, Receiving Party shall only disclose that portion of the Confidential Information that its legal counsel advises it is required to be disclosed in order to comply with Receiving Party's Legal Obligation.

10.2. **Injunctive Relief.** The parties acknowledge that a breach of the Section 10 confidentiality provisions will cause the damaged party great and irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, each party acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, in addition to money damages or other legal or equitable remedies.

11. **No Guaranty; Standard of Care.** The Seller does not guaranty any financial results to the Investor. The Investor is fully familiar with the business of investing in distressed mortgage loan(s) and the risks associated with such investments. The Seller is fully familiar with the business of investing in distressed mortgage loan(s) and shall seek to ensure the Loan(s) are managed using the same degree of care it uses to manage any other distressed mortgage loan(s), and none of the Seller, Owner, Servicer, or preREO LLC shall be liable to the Investor for any loss except a loss arising from the respective party's gross negligence or willful misconduct.

12. **Limitation of Liability, Claims.** NO PARTY SHALL BE LIABLE UNDER ANY CIRCUMSTANCES (EVEN IF THIS AGREEMENT IS TERMINATED) FOR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, PUNITIVE OR INDIRECT DAMAGES (INCLUDING WITHOUT LIMITATION LOSS OF PROFIT, REVENUE, BUSINESS OPPORTUNITY OR BUSINESS ADVANTAGE), WHETHER BASED UPON A CLAIM OR ACTION OF TORT CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY, BREACH OF STATUTORY DUTY, CONTRIBUTION, INDEMNITY OR ANY OTHER LEGAL THEORY OR CAUSE OF ACTION, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IF A REMEDY FAILS ITS ESSENTIAL PURPOSE. SUCH LIMITATION IS AN ESSENTIAL ELEMENT OF THE BARGAIN BETWEEN THE PARTIES.

13. **Assignment of Interest.** Seller may assign all or any portion of its interest in this Agreement and the distributions under Section 5. Seller and Investor acknowledge and agree that all or a percentage of the Investor's Participation Interest in this Agreement may be sold or assigned by Investor subject to and only with the consent of Seller, such consent not to be unreasonably withheld.

14. **Miscellaneous.**

14.1. **Amendments; Waivers.** No amendment, modification, or waiver of any provision of this Agreement shall be binding unless in writing and signed by the party against whom the operation of such amendment, modification, or waiver is sought to be enforced. No delay in the exercise of any right shall be deemed a waiver thereof, nor shall the waiver of a right or remedy in a particular instance constitute a waiver of such right or remedy generally.

14.2. **Notices.** Any notice or document required or permitted to be given under this Agreement may be given by a party or by its legal counsel and shall be deemed to be given (i) one day after the date such notice is deposited with a commercial overnight delivery service with delivery fees paid, or (ii) on the date transmitted by electronic mail (unless the recipient can

demonstrated that the message was not delivered to the recipient’s inbox), to the following addresses or such other address or addresses as the parties may designate from time to time by notice satisfactory under this section:

Seller	AHP Servicing LLC Attention: Jorge Newbery 440 S. LaSalle St. Suite 1110 Chicago, IL 60605
Servicer	AHP Servicing LLC Attention: Jorge Newbery 440 S. LaSalle St. Suite 1110 Chicago, IL 60605
preREO LLC	preREO LLC Attention: Jorge Newbery 440 S. LaSalle St. Suite 1110 Chicago, IL 60605
Investor	NAME ADDRESS LINE 1 ADDRESS LINE 2

14.3. **Governing Law.** This Agreement shall be governed by the internal laws of Delaware without giving effect to the principles of conflicts of laws. Each party hereby consents to the personal jurisdiction of the Federal or Illinois courts located in or most geographically convenient to Chicago, Illinois, and agrees that all disputes arising from this Agreement shall be decided in such courts. Each party hereby agrees that any such court shall have in personam jurisdiction over such party and consents to service of process by notice sent by overnight delivery to the address set forth above and by any means authorized by Delaware law.

14.4. **Language Construction.** The language of this Agreement shall be construed in accordance with its fair meaning and not for or against any party. The parties acknowledge that each party and its counsel have reviewed and had the opportunity to participate in the drafting of this Agreement and, accordingly, that the rule of construction that would resolve ambiguities in favor of non-drafting parties shall not apply to the interpretation of this Agreement.

14.5. **Force Majeure.** Neither party shall be entitled to recover damages or terminate this Agreement by virtue of any delay or default in performance by the other party (other than a delay or default in the payment of money) if such delay or default is caused by Acts of God, wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected; provided that the party experiencing the difficulty shall give the other prompt written notice following the occurrence of the cause relied upon, explaining the cause and its effect in reasonable detail. “Acts of God” or “Force Majeure” shall mean strikes, lockouts, sitdowns, material or labor restrictions by any governmental authority, riots, explosions, earthquakes, fire, acts of the public enemy, wars, insurrections, and/or any other cause not reasonably within the control of the affected party, or which by the exercise of due diligence the affected party is unable wholly or in part to prevent or overcome. Dates by which performance obligations are scheduled

to be met will be extended for a period of time equal to the time lost due to any delay so caused. The parties shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

14.6. **Payment of Fees.** In the event of a dispute arising under this Agreement, a prevailing party shall be entitled to recover reasonable attorneys' fees and costs, provided that if a party prevails only in part, it shall be entitled to an award of such fees and costs in accordance with the relative success of each party.

14.7. **Signatures.** This Agreement may be signed (i) in counterparts, each of which shall be deemed to be a fully-executed original; and (ii) electronically, *e.g.*, via DocuSign or Hellosign. An original signature transmitted by facsimile or email shall be deemed to be original for purposes of this Agreement.

14.8. **No Third Party Beneficiaries.** Except as otherwise specifically provided in this Agreement, this Agreement is made for the sole benefit of the parties. No other persons shall have any rights or remedies by reason of this Agreement against any of the parties or shall be considered to be third party beneficiaries of this Agreement in any way.

14.9. **Fiduciary Obligations.** The parties intend that neither this Agreement nor any course of dealing shall create fiduciary obligations.

14.10. **Binding Effect.** This Agreement shall inure to the benefit of the respective heirs, legal representatives and permitted assigns of each party, and shall be binding upon the heirs, legal representatives, successors and assigns of each party.

14.11. **Waiver of Jury Trial.** EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

14.12. **Severability Clause.** Any part, provision, representation or warranty of this Agreement which is prohibited or which is held to be void or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any part, provision, representation or warranty of this Agreement which is prohibited or unenforceable or is held to be void or unenforceable in any jurisdiction shall be ineffective, as to such jurisdiction, to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction as to any Loan(s) shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law which prohibits or renders void or unenforceable any provision hereof. If the invalidity of any part, provision, representation or warranty of this Agreement shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate, in good-faith, to develop a structure the economic effect of which is nearly as possible the same as the economic effect of this Agreement without regard to such invalidity. The terms and provisions of this Section shall survive termination of this Agreement.

14.13. **Survival of Agreement.** All covenants, agreements, representations and warranties

made by the parties hereto shall be considered to have been relied upon by the parties in deciding to enter into this Agreement and shall survive the termination of this agreement for a period of three (3) years.

14.14. **Titles and Captions.** All article, section and paragraph titles and captions contained in this Agreement are for convenience only and are not deemed a part of the context hereof.

14.15. **Pronouns and Plurals.** All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person(s) may require.

14.16. **Days.** Any period of days mandated under this Agreement shall be determined by reference to calendar days, not business days, unless otherwise specified, except that any payments, notices, or other performance falling due on a Saturday, Sunday, or federal government holiday shall be considered timely if paid, given, or performed on the next succeeding business day.

14.17. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to its subject matter and supersedes all prior agreements and understandings.

{SPACE INTENTIONALLY LEFT BLANK}

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

AHP Servicing LLC as Seller

By: _____
Jorge Newbery, Manager, CEO

preREO LLC

By: _____
Jorge Newbery, Manager

AHP Servicing LLC as Servicer

By: _____
Jorge Newbery, CEO

NAME as Investor

By: _____
NAME

SAMPLE

SCHEDULE A

Loan(s)

SAMPLE

SCHEDULE B

Servicing Agreement

SAMPLE

SCHEDULE C

INVESTOR INFORMATION

AND ACH AUTHORIZATION AGREEMENT

By signing this Agreement, the undersigned Investor certifies they understand and agree to the terms of this ACH Automatic Drafting Authorization agreement.

Authorization: Investor hereby authorizes Seller, Servicer, and preREO LLC to debit one time or on a recurring monthly basis as called for by the terms of the Agreement, the below identified bank/credit union account for the amounts specified in this Agreement, and to initiate, if necessary, credit entries and adjustments for any debit entries in error to Investor’s bank/credit union account. Furthermore, Investor authorizes the above referenced bank/credit union to credit and/or debit the referenced amount to facilitate these transactions.

Investor understands that because this is an electronic transaction, these funds may be withdrawn as soon as this authorization is submitted. Seller and Servicer will not give next day notice to Investor of receipt of an ACH item.

Investor understands that this authorization may be in effect until Investor notifies Seller and Servicer in writing of intent to discontinue automatic drafting in accordance with the contract termination provisions above.

Investor Tax Identification #:	
Investor Designated Contact Address:	
Investor Designated Email Address:	
Investor Designated Contact Phone Number:	
<u>ACH INSTRUCTIONS</u>	
Bank/Credit Union Name: Please Print	
Nine Digit ABA: Routing #	
Bank Account #:	



Allowable Foreclosure Attorney Fees Exhibit

The following table contains the maximum attorney’s fees that Fannie Mae allows for legal work related to foreclosures for all Fannie Mae mortgage loans. The allowable fee applies for the life of the default and covers all services necessary to complete a routine foreclosure action in the jurisdiction. In the event that a default is cured, such as by a completed loan modification or reinstatement, and the loan subsequently becomes delinquent again, a new allowable fee applies without the need for excess fee approval when the servicer must initiate new foreclosure proceedings.

State	Non-Judicial Foreclosure	Judicial Foreclosure
Alabama	\$1,700 ¹	On Approval ²
Alaska	\$2,000	On Approval ²
Arizona	\$1,700	On Approval ²
Arkansas	\$1,700	On Approval ²
California	\$1,700	On Approval ²
Colorado	\$2,200	On Approval ²
Connecticut	N/A	\$3,200 ^{4,5}
Delaware	N/A	\$2,450
District of Columbia	N/A	\$2,875
Florida	N/A	\$4,100 ¹²
Georgia	\$1,700	On Approval ²
Guam	\$2,225	On Approval ²
Hawaii	N/A	\$9,000 ⁸
Idaho	\$1,550	On Approval ²
Illinois	N/A	\$3,000
Indiana	N/A	\$2,800
Iowa	\$1,275	\$2,450
Kansas	N/A	\$2,400
Kentucky	N/A	\$3,000
Louisiana	N/A	\$2,500
Maine	N/A	\$3,950 ⁴
Maryland	\$3,000 ⁶	On Approval ²
Massachusetts	N/A	\$3,400 ⁴

State	Non-Judicial Foreclosure	Judicial Foreclosure
Michigan	\$1,900	On Approval ²
Minnesota	\$1,775 ⁹	On Approval ²
Mississippi	\$1,500 ¹	On Approval ²
Missouri	\$1,700	On Approval ²
Montana	\$1,800	On Approval ²
Nebraska	\$1,400	On Approval ²
Nevada	\$2,000	On Approval ²
New Hampshire	\$1,725	On Approval ²
New Jersey	N/A	\$4,500
New Mexico	N/A	\$4,000
New York	\$1,450 ¹⁰	\$5,225 ^{4,10}
North Carolina	\$2,175	On Approval ²
North Dakota	N/A	\$2,350
Ohio	N/A	\$3,000
Oklahoma	N/A	\$2,700
Oregon	\$1,700	\$3,700
Pennsylvania	N/A	\$3,200
Puerto Rico	N/A	\$2,800 ^{4,11}
Rhode Island	\$2,250	On Approval ²
South Carolina	N/A	\$2,850
South Dakota	N/A	\$2,250
Tennessee	\$1,500	On Approval ²
Texas	\$1,700 ⁷	On Approval ²
Utah	\$1,700	On Approval ²
Vermont	N/A	\$3,200
Virgin Islands	N/A	\$2,650
Virginia	\$1,700	On Approval ²
Washington	\$1,800	\$3,050 ^{2,3}
West Virginia	\$1,450 ^{1,6}	On Approval ²

State	Non-Judicial Foreclosure	Judicial Foreclosure
Wisconsin	N/A	\$2,600
Wyoming	\$1,550	On Approval ²

Footnotes:

¹This fee covers the combined attorney's and notary's fees.

²Because this is not the preferred method of foreclosure, the servicer must obtain approval of its use from Fannie Mae's Regional Counsel prior to initiation by submitting the *Non-Routine Litigation Form* ([Form 20](#)). Applicable fees will be authorized through the Excess Fee process.

³In Washington, the \$3,050 fee only applies to judicial foreclosure actions involving e-Notes, as Fannie Mae's prior approval is not required to proceed judicially for e-Note foreclosures. For all other judicial foreclosure actions in Washington, Fannie Mae approval is required (see footnote 2).

⁴For jurisdictions other than New York, an additional \$200 will be permitted when the property is sold to a third party and the attorney must perform additional work to complete the transfer of title to the successful bidder. For New York, the additional fee is \$450.

⁵This fee applies to Strict Foreclosures. If the court orders a Foreclosure by Sale (or a Foreclosure by Market Sale on or after January 1, 2015), the fee will be \$3,450.

⁶This fee includes the attorney's fee, the notary's fee and the trustee's commission (or statutory fee).

⁷Fannie Mae will not reimburse the servicer for posting costs incurred after September 1, 2015, in connection with Texas foreclosures, as these services are included in the allowable foreclosure attorney fee.

⁸This fee applies to judicial foreclosures in Honolulu County. The maximum fee for all other counties is \$10,000.

⁹For any case in which the attorney provides services for "proceedings subsequent" (or "PS") that involve registered land, Fannie Mae will reimburse an additional \$700 attorney fee as well as any actual, reasonable and necessary costs associated with the PS action. The Mortgage Default Counsel law firm retained by the servicer must request reimbursement of these PS fees and costs directly from Fannie Mae instead of billing them to the servicer.

¹⁰In New York, the non-judicial foreclosure process is to be used only in connection with cooperative share loans. The fee includes all steps in the foreclosure process, including the transfer of the stock and the lease for an occupied cooperative unit.

¹¹In addition to the allowable foreclosure fee, Fannie Mae will pay a notary fee up to the greater of \$250 or one percent (1%) of the bid amount on the mortgage being foreclosed.

¹²The allowable fee for foreclosures in Florida, where judgment is obtained as a result of an uncontested trial, is established at \$5,200.

When a servicer requests reimbursement from Fannie Mae for a fee amount based on specified conditions contained in a footnote above, the servicer's reimbursement request must contain a description or sufficient supporting documentation to allow Fannie Mae to properly evaluate the request.



MASTER
OF
NEGOTIATIONS



Master of Negotiations

Notes:

Why Banks Discount?

The REO

When a bank forecloses, and the property does not sell to a third party:

- The property reverts to the bank for the opening bid amount.
- The bank becomes responsible for any unpaid property taxes, hazard insurance, maintenance, and repairs on the property.
- The bank must provide security to protect the property from vandalism.
- The bank will encounter real estate commissions to sell the property.

These additional costs don't reflect well on the lender's books. Banks are in the business of making loans to produce revenue. They are not in the business of owning real property.

Banks Under Scrutiny

Lending institutions that are regulated by the federal government are under strict scrutiny. Their ability to have access to funds for making new loans is in jeopardy when they near or exceed their limit of repossessed properties.

For every dollar held in REOs (Real Estate Owned property), the bank is restricted from lending a dollar amount several times that of the REO.

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Notes:

Discount Motivators

Typical motivators for the bank to consider a discount on the note:

- The mortgage is in arrears or in foreclosure.
- The property is in poor condition.
- The homeowners have hardships and cannot make the payments anymore.
- New homes in the area are detracting from older home sales.
- The area or neighborhood has depreciated in value.
- The bank's shareholders are concerned when there are too many defaulted loans on the books.
- To avoid having to report another REO on their books.

Due Diligence

Basic Research

You must conduct basic research to discover if the property is worth pursuing. Does it have equity or some other profit stream available? If yes, begin your research. If no, put it in a watch list until something changes to make it a viable lead or kick it to the curb and pursue the next property.

Criteria

These criteria are designed around good investment deals that will move quickly and

Master of Negotiations

always be in high demand! What we are looking for in a property:

- **Age** – most likely in an older neighborhood, 20yr+.
- **Condition** – the ugly house on the nicest block.
- **Area** – usually B & C markets – stay out of the war zones.
- **Single family** 1-4 units.
- Your investment in the property is below the **FHA cap** for your area.
- Less than 2800 sq. ft
- 5 bedrooms / 3 bathrooms max.
- 0.5 acre or less.

Google It!

When doing your due diligence, start with Google – Conduct a simple google search on the property. You are looking for any information you can find. Pay attention to articles about incidents that have taken place at the property.

- Police
- Fire
- Etc.

Bad press does not necessarily mean you should not pursue the property. Bad press just means you will have to mitigate issues you find, and this may affect your offer. It can become leverage for bringing down your purchase price.

Notes:

Master of Negotiations

Notes:

This should be very quick search unless something pops.

Next is Zillow

Pull up the property on Zillow and go to the Zillow overlay. Check out the neighborhood. How does this property compare to the properties around it?

This is a comparative analysis. You may need to adjust for your region depending on how well Zillow's rooftop prices reflect current market conditions.

SendFuse Debt Stack

Your next move is to pull a SendFuse debt stack. This is also called a SendFuse Title Report.

Read through the data provide. Use the information you have gathered so far to begin to create a profile for the property.

- What is it worth?
- What is owed on the property?
- What should I be able to get it for?

PreREO Documentation

Check the Documents tab on the PreREO property site. Verify what date the document was created. Some can be months old and therefore obsolete. Often there will be a Realtors BPO and/or a PreREO title search available under the "Documents" tab for the property.

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Add the information you have gleaned from the PreREO site to your property profile and develop a working ARV for the property. This value may change later with additional information, but for now we must have a number to work with to know if we will move forward.

MAO for the REO

If the property is an REO, use the MAO formula to calculate your offer.

The standard MAO formula is:

$$\text{MAO} = \text{ARV} \times 70\% - \text{Rehab}$$

If you suspect average rehab will be needed, you can use \$25 per square foot as your rehab estimate.

If it is occupied, include another 5K in rehab expense to evict the occupant.

If you are expecting to do a light rehab/wholesale of the property, you can use the wholesale MAO (wMAO) formula.

$$\text{wMAO} = ((\text{ARV} \times 0.9) \times .85) - 10\text{K}.$$

This wholesale MAO formula contains 3 basic assumptions that are reflected in the formula:

1. You will sell at 10% under top of the market.
2. You have a maximum rehab of 10K.
3. The property will sell quick because of current market conditions and you are listing below top of the market.

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Master of Negotiations

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There are several other considerations for identifying a good wholesaler property. Here is the list you need to be looking for.

- NO major rehab needed.
- Roof can pass a 3-year certification.
 - If not, it can be repaired instead of replaced.
 - Just because it is ugly does not mean it needs replaced!
- HVAC in working order.
 - If not, it can be inexpensively repaired.
 - Will pass an inspection.
- Electrical functioning and up to code.
- Plumbing all functioning.
 - Hot and cold running water in the interior.
 - All faucets, spigots, toilets, tub, showers, and associated drains in working order.
- Structural
 - Foundation has no major problems.
 - Exterior & interior only in need of minor repair.
- The property is habitable now or with minor improvements can be made habitable.
- You can sell it at 10% under top market value and still make a profit.

Evaluation of the PreREO

If the property is a PreREO you will need to complete two different calculations. First, complete the MAO calculation we just went over. This is to make sure it is a good deal if

Master of Negotiations

you get the property back at auction or through negotiation with the owner.

Second, examine the spread between what is owed and your purchase price + total costs: participation fees, holding costs, etc. You are looking to ensure that if the property sells at auction, all your cost will be recovered, and you will still make a good ROI on your investment.

Remember that all your actual documented foreclosure costs can be recouped at foreclosure as part of the debt on the loan.

- Attorney's fees and any other actual foreclosure expenses.
- Any repairs made to the property through the Receiver to maintain habitability, or to protect the property from deterioration.
- Forced place insurance to protect your investment.

We will review this again when we explore potential deals in our next segment of the class.

Negotiation

Craft Your Offer

Once you know how much you can pay (MAO) now it is time to craft your offer. On the PreREO website, each property has a posted "Asking Price". This asking price should be approximately 75% of the BPO. Depending on

Notes:

Master of Negotiations

Notes:

the condition of the property, this could be a substantial discount.

ALWAYS make your first offer significantly below the “Asking Price” and below your MAO. You must leave room for the negotiation.

Support Your Ask

The PreREO site will have a tab that you can use to send a “message” along with your offer. Use this tab to explain why you are asking for the discount beyond what they have already provided.

- Unpaid taxes
- Value from data you have obtained that is below the BPO.
- Rehab costs that you can substantiate that indicate value should be lower.
- Death of the homeowner so property will be in probate for an extended period.
- Other???

Remember the Free Dessert Concept – You cannot get what you do not ask for!

You may have several rounds of negotiation before a price is settled on.

Do not be afraid to walk away if needed, but on the other hand, do not let a good deal slip by because of \$500 or \$1,000.

Communication with PreREO

Because your negotiation is taking place through the website, you will most likely be spending several days communicating back

Master of Negotiations

and forth. Do not let this discourage you. Stick with it and get to agreement on the price.

Once a price is agreed to, a PreREO representative will reach out to you either by phone or email (or both) to walk you through the next steps.

- Request for Vesting:
 - Entity name
 - Mailing address
 - Contact information.
- A purchase & finance agreement will be drafted – 2 to 5 days.
- The buyer usually has 5 to 7 more days to conduct and additional due diligence.
- No earnest money and no escrow deposits are required.
- When everything is clear to move forward The PreREO representative will provide wiring instructions for the program fee and buyers portion of the purchase price.
- Final documents will be signed – You now own the mortgage note.

Working with Activist Legal

You will work with Activist Legal, through your PreREO contact to disposition the property.

- Appoint Receiver, if you so choose, to maintain the property and rent it out.
 - You can suggest/recruit the Receiver or PreREO can work to find the Receiver with you.

Notes:

Master of Negotiations

Notes:

- The Receiver must be someone local to the property location.
- The Receiver must be 3rd party.
- Often a realtor looking for an eventual listing will be interested in being the Receiver.
- The Receiver must be appointed by the court.
 - Activist Legal will file the court paperwork for the appointment.
 - 30 to 90 days for appointment depending on courts schedule.
- With direction from you, Activist Legal will proceed with Foreclosure.
- If you desire, Activist Legal can make the property owner a deed-in-lieu/Cash for keys offer.

We will discuss exit strategies in more detail during a session on Day 3.

Seems Like A Lot, Right?

What if...

...I could do all the negotiations and paperwork with you on your first ReverseREO deal?

...You could watch and learn on your first deal without all the risk?

...Would You Do It?

Master of Negotiations

Master ReverseREO Workshop

Introducing the Master ReverseREO Workshop:

***PARTICIPATION ALERT:** Get your first deal done with us!!!

At the ReverseREO Master Class you will receive personalized training on:

- The entire ReverseREO Process – Both REO’s and PreREO’s.
- How to cherry pick the best property through due diligence on properties across the country.
- How to profit on both REO’s and PreREO’s.
- Go deeper into the ReverseREO System.
- Learn to rent it before you own it and know the pitfalls to look out for.
- Explore your exit strategy options with field trips into our rehabs in the Spokane, WA market.
- Get premium financing with COGO Capital.
- Participate on a real ReverseREO deal!!! You’ll share in the upside without any downside!

Your First PreREO Deal

Because the First Deal is always the hardest, we’ll do your first deal with you (we’ll work on it here)

Notes:

Master of Negotiations

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Only 20 primaries Can Participate (limited amount allowed in each Master Workshop)

You'll be a part of the loan process (see how it's done)

No money in, but you'll participate in the profit!

You'll get updates and pictures of the deal in motion from tear-down to build out to staging to closing and sell, YOU'LL SEE IT ALL!

Why is This Important?

To minimize your RISK!

To take advantage of our Proposal for Your Success!

If you complete four (4) deals within one (1) year following the master workshop, you will receive a reimbursement of your tuition, as long as you provide us with a testimonial, pictures of yourself, the properties, and the profit checks.

Our deal together counts toward the 4! That means you only have to do 3 on your own to get your money back!!!

You'll not only get a deal under your belt, you'll build your acumen on the site, first hand!!!

Call your BDC right now to reserve your spot and ask about financing.

Master of Negotiations

BONUSES

Master Level Funding - 100% financing on approved residential deals (including purchase price, closing and rehab costs.)

Friends and Family Funding - Closed group of lenders for your PreREO deals (including training on how to be the bridge lender.)

Your Tuition is Paid For With The Deals You Do! - Remember, we will make it easier by doing your first deal with you!

Notes:

Master of Negotiations

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SEARCH
FOR
REO PROPERTY



Search for REO Property

This session will be a demonstration on how to search for and conduct your due diligence on REO properties located on the PreREO website. As we walk through these examples together you should keep a few things in mind:

- The process of purchasing a REO property on the PreREO website is much like a traditional REO purchase just streamlined. You do not have to deal with realtors and funding is already in place if you choose to use it.
- There is no program fee for purchasing a REO property on the PreREO site.
- COGO Capital can Fund your REO purchase with purchase and rehab money.
- PreREO will fund your REO purchase with 25% down @ 9.9% for 10 years fully amortized.

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Search for REO Property

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FUNDING OPTIONS & PROFIT STREAMS



Funding Options & Profit Streams

Notes:

Options for Your 25%

Personal Friends & Family List

Your first option should be to develop your own Friends and Family list to borrow what you need. This list should include anyone you know who may have funds that they are seeking a higher return on. This includes family, friends, and other investors.

This is better than partnering. Let others know what you are doing and invite them to participate.

Develop your pitch before you attempt to speak with them. Include the items:

- Talk about potential ROI compared to current savings & CD rates.
- Highlight the security of real property.
- Appeal to desires to “be the bank.”
- Invite them to participate, “call to action.”

Do not be afraid to ask them to fund everything you need. Remember, Free Dessert! Negotiate rates and terms:

- Ask for participation fee + investor (25%) share of the purchase.
- Ask for monthly payments.
- Ask for bulk payout after the final disposition of the property.

Funding Options & Profit Streams

Notes:

- Remember Free Dessert – You have not because you ask not!
- Write out an agreement and sign it.

Find a Partner

If a loan from your friends and family does not work out, seek a partner. Do some advertising. Let other know what you are looking for. Money is attracted to good deals, so make sure you make it sound good! (It needs to be good to sound good.)

Investors are yield starved right now so do not give away the bank unless you have to in order to get the deal done. Let people know what you are doing and ask them to join you.

Form an LLC together to formalize the partnership. Spell out who is doing what in this partnership. What is the end game of this partnership? Will you be holding the property for income or selling it for a profit? Include the expected term of the agreement. Make sure you include who brings in the money and how much.

Spell out who will manage the day-to-day decisions that will need to be made. Who is making the monthly payments?

This is the time to discuss and put in writing a plan for when surprise costs arise. Also take the time to define how profits/liabilities will be split in the end.

Don't forget the separation clause. What happens to the LLC when the property is sold?

Funding Options & Profit Streams

It is best if you have your legal counsel draw up the document the first time you do this.

Raise the Needed Funds

What do you have that you can sell? Consider that extra car, boat, or RV you have sitting around.

There are notes available for as little as \$5,000 investor share. That extra car you have not driven in a month could be the ticket to your next investment.

Crowd Fund

Crowd fund among your friends and/or family. Maybe you do not have a friend or family member that can come up with all the cash. See if you can get 5 or 10 friends to come up with \$500 or \$1,000 each to be the seed money for your investment. Spell out in writing your agreement with each. Make it a formal agreement. Be sure they are aware of the risk and the reward for their participation.

HELOC/Refinance Cash Out

If you have owned your own home for more than the past two years, there is a very good chance you have significant equity in the property due to rising home prices. Take advantage of the current market conditions by leveraging the equity you have. Take out a Home Equity Line of Credit or refinance with cash out.

Notes:

Funding Options & Profit Streams

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Alternative Profit Streams

Become a PreREO Affiliate:

As an affiliate with PreREO, you can earn a commission every time a person you referred, completes a purchase on the PreREO website. You must register on the site to become a PreREO Affiliate.

Steps:

1. Register @ <https://prereo.com/affiliate/> by filling out the simple form.
2. Receive your unique affiliate link.
3. PreREO will provide you with Ready-to-use Marketing.
4. Begin marketing your link on your website, blog, Podcast, through email, social media, or other means.
5. Collect your commission every time someone who you refer purchases from the site.

PreREO Network for RE Agents & Brokers

If you are a real estate agent or broker you can register to be part of the PreREO network @ <https://prereo.com/agent/> . As a network member you can:

- **Get Referrals** - Your name and contact info will be listed as a potential receiver, property manager and/or listing agent for properties in your area.

Funding Options & Profit Streams

- **Become a PreREO Receiver:**
 - You cannot be the receiver for your own property – Receivers must be disinterested 3rd parties.
 - Access to Training and Support - PreREO will help you learn what it takes to be a receiver and how to navigate this unique process.
 - Being a Receiver is available to non-agents & Brokers. Reach out to PreREO for details.

Bring Deals to System

PreREO is always looking to expand the available real estate offerings. If you have connections with local lending institutions that are looking for an outlet for their delinquent first mortgages or REO property, reach out to PreREO to discuss potential referral fees for bringing the two together.

If you are a lender and want to post your Mortgage notes on the PreREO platform there is no charge to do so. Contact PreREO @:

- (800) 555-1055
- 440 S. LaSalle Street, Suite 1110
- Chicago, IL 60605
- Info@preREO.com.

Notes:

Funding Options & Profit Streams

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OVERAGES PROFIT STREAM



Overages Profit Stream

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Overages Profit Stream

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SEARCH
FOR
PreREO PROPERTY



Search for PreREO Property

This session will be a demonstration on how to search for and conduct your due diligence on PreREO properties located on the PreREO website. As we walk through these examples together you should keep a few things in mind:

- A PreREO purchase from the PreREO site is an investing in the mortgage note. You are not buying the property.
- There is a \$2,000 program fee for purchasing a PreREO note on the PreREO site.
- COGO Capital CANNOT Fund your PreREO purchase.
- PreREO will fund your PreREO purchase with 25% down @ 12% interest only.

Notes:

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Search for PreREO Property

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PROFIT/EXIT STRATEGY



Profit/Exit Strategy

We have already spoken about how to create alternate profit streams from the PreREO site without investing in notes or REOs. Now we are going to focus on how to monetize your note and REO investments.

Wholesale the Note

This strategy requires you to purchase the note and then sell you interest in the note for a profit.

Steps

1. Find a mortgage note with a good margin allowing room for your wholesale mark-up.
2. Purchase the note.
3. Market the note to local investors.
 - a. Craig's List
 - b. Social media
 - c. Networking groups
4. Negotiate the sale of the note with a local investor providing you a mark-up. Make sure you include:
 - a. \$2,000 participation fee
 - b. Your 25% down
 - c. Your wholesale mark-up
 - d. The investor will assume the loan from PreREO with the assignment of interest.
5. Work with PreREO to assign your interest in the note to the investor.
6. Rinse and repeat.

Notes:

Profit/Exit Strategy

Notes:

Buy & Control the Note

This is an interim cashflow strategy. When you buy the note, you can control the vacant property through a Receiver. This will allow you to collect rents during foreclosure proceedings.

This strategy is used to create an income stream during a long foreclosure process. It is not recommended when the foreclosure is expected to be completed within 3 months.

Your representative @ PreREO will work with you to get this set up after you acquire the note. Let them know this is your intent early in the process of your purchase.

Work with Activist Legal

You will need to work with Activist Legal to get a Receiver appointed. You may recruit a local Receiver or ask PreREO to assist with finding a Receiver.

The Receiver is typically a real estate agent who is looking beyond the fee for Receivership and hoping to land a property sales contract.

Activist legal will draw up all the paperwork and petition the court to appoint the Receiver for the property while the foreclosure is in process.

The Receiver is legally bound to act in the best interests of both the owner of the property and the lien holder. Receiver can enter into contracts to get the property fixed and rented.

Profit/Exit Strategy

The Receiver will collect rents and pay expenses related to the property in conjunction with the servicing agent.

The Receiver is paid a % of the rents collected usually 5 to 10% depending on the amount of rent.

Renting out the vacant property during the foreclosure process can go a long way in offsetting the costs of a lengthy foreclosure.

Loan Modification

This strategy requires you to purchase a note and then work through Activist Legal to negotiate a loan modification with the owner. It can be the ultimate win/win strategy as it attempts to avoid the foreclosure process altogether and help the homeowner stay in the property.

If the owner has the desire and the means, the goal is to restructure the note so that the owner can make regular payments and restore the note status to "performing." The restructured note should include all late fees, back payments, interest and can even include a restructuring fee. This can all be rolled into a new note that has a longer term so as to reduce payments allowing the owner to make the payments on time.

A performing note will require 6 to 12 months of on time payments depending on jurisdiction.

Notes:

Profit/Exit Strategy

Notes:

Once the note is performing it can be sold at par. Remember that you bought it at a discount and have rolled into the new note all the back fees, missed payments and a restructure fee so as an investor you will make the difference between the two amounts and help the homeowner stay in their property. Sounds like a win-win!

You will also be collecting the monthly payments on the note and if the homeowner defaults again you can still initiate the foreclosure option.

Deed-In-Lieu

This strategy requires you to purchase the note and then attempt to gain possession of the property through a deed-in-lieu with the owner.

This strategy also attempts to avoid the foreclosure option. When a borrower is unable to make payments the lien holder has the option to request a “deed-in-lieu” of foreclosure. Simply put, the homeowner agrees to turn over possession of the property (the keys) to avoid a foreclosure on their record.

This strategy also helps you by reducing costs and time of foreclosure and possibly eviction if it is occupied.

Profit/Exit Strategy

This strategy can include cash to the homeowner to sweeten the deal. Other “Sweetener” can include:

- Staying in the property for a month or two facilitate getting organized and finding a new place to live.
- A graduated payment based on how soon they vacate the property.
- A graduated payment based on how clean they leave the property.

You should work this strategy through Activist Legal to make sure you have all the correct documentation in place.

Once you have possession of the property you have multiple options that we will discuss in a few minutes.

Acquisition Through Foreclosure

If a homeowner is unwilling to make good on their loan and will not work with you in a deed-in-lieu, then your next strategy is to take the property to foreclosure.

You will work with Activist Legal to handle the foreclosure process. They will do all the paperwork and filings needed. You will need to sign the paperwork and set the starting bid price depending on your strategy, but most of the work will be conducted by Activist Legal.

Notes:

Profit/Exit Strategy

Notes:

There are two outcomes possible in the foreclosure process – The property sells to a 3rd party or you gain possession of the property as an REO (remember you are the bank!).

Property Sells To A 3rd Party

Depending on your strategy, you will have set the opening bid at “full debt” or some lower amount hoping to attract a bidding war to get the property to sell for full debt or more.

Remember that as the lien holder, you are only entitled to collect the “full debt” owed to you by the borrower. Any excess that the property sells for legally belongs to the homeowner.

Once the auction is completed funds for the debt will be remitted to the servicing agent where PreREO will receive their initial 75% back, and you will receive the balance.

REO Acquisition

As the “bank” foreclosing on the property, if it does not sell to a 3rd party, possession of the property will revert to you.

Your loan with PreREO to purchase the note will be converted to a property ownership loan or you can take out the loan with other financing or cash.

Once you have possession of the property you have multiple options that we will discuss in a few minutes.

Profit/Exit Strategy

Wholesale the Property

This strategy can be implemented with a REO purchase or after you acquire the property through foreclosure. There are a few notable differences here from what you may consider to be the standard “assignment” wholesale of a property. A standard assignment of contract is where you get a property under contract and assign the purchase agreement to a 3rd party.

In this scenario you will own the property that you are wholesaling. Instead of an assignment you will simply be selling the property at a wholesale price. This has the advantage of allowing you to list it on the MLS and/or Zillow.

There may be financing with PreREO that you can transfer during the wholesale.

Steps:

1. Acquire the property.
2. Advertise the property to other rehabbers or end buyers who are wanting to put in some sweat equity.
3. Accept an offer and close through your local real estate attorney or title company.
4. Cash your profit check.
5. Rinse and repeat.

Wholesale & Broker Funding

As the wholesaler of the property, you can sell it to an investor with funding in place. This

Notes:

Profit/Exit Strategy

Notes:

strategy adds the income stream of your broker fee – 1 to 3% of what is financed. This strategy has the added bonus of attracting investors who do not have financing of their own in place.

The process works much the same as the wholesale steps we just spoke about with the following additions/changes:

1. In your marketing include the phrase, “Funding already in place for the nonowner-occupied investor. Includes rehab funds!”.
2. Add a clause to your purchase and sales agreement that states, “Funding for the nonowner-occupied investor required through _____ (Insert your private money broker company name.)”
3. Negotiate your sale and broker fee with potential buyer.
4. Get your purchase agreement and broker fee agreement signed.
5. Bring your deal to COGO Capital for funding.
6. Close with your local Real Estate attorney or title company.
7. Cash you profit check.
8. Rinse and repeat.

Profit/Exit Strategy

Sell with Renter to an Investor

This strategy is primarily focused on a property you have acquired through the foreclosure process using the cashflow strategy. If you have been renting the property out during the foreclosure, you do not need to evict your tenant to sell the property and make a profit.

If the property is in reasonable enough shape to rent, you could sell it to another investor who is looking to add to their rental portfolio.

Steps

1. Acquire the property.
2. Advertise to local investors looking for, “Good rental income.”
3. If you wish to protect your renters, make sure you have a lease in place. This will have to be honored by the new owner.
Note: this may also hamper your sale if your rent payments are below market value!
4. Once you have a potential buyer, follow a standard sales procedure – sign purchase agreement, close with a local real estate attorney or title company.
5. Cash you profit check.
6. Rinse and repeat.

Wholesale

Whether you acquire the property through foreclosure or some other means, doing some

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minor work to the property can increase your ROI substantially.

Steps

1. Once you acquire the property implement the wholesaler strategy we spoke of yesterday. Basically, you will address all habitability issues and then complete a deep clean of the property, stage it, and list it.
2. Remember that this strategy is for a property that is already in decent shape and will need less than 10K in repairs.
3. Make sure you stage this property correctly – this will make all the difference in your final selling price and how quickly it will sell.
4. You will also need to make sure you price it correctly. Remember it is not in top shape so a small discount from top of market price should be expected.
5. Market and sell the property as any other sale using a realtor to list on the MLS.
6. Once you have a potential buyer, follow a standard sales procedure – sign purchase agreement, close with a local real estate attorney or title company.
7. Cash you profit check.
8. Rinse and repeat.

Rehab/Retail

Regardless of how you acquire the property, it may be in need of significant rehab (more than 10K).

Profit/Exit Strategy

If you cannot wholesale it, or choose not to, you will need to do a full rehab and attempt to sell at full retail value.

Be careful that your desire to improve the property does not exceed the ROI you will receive for the improvement. Do what needs to be done to make it sellable and maximize your ROI. If the work you are envisioning is not required to sell it and will not increase your profit margin – DO NOT DO IT!

Steps

1. Walk through the property and make a list of all the things that need to be done to get the target price you are chasing.
2. Now walk through the property with your contractor and have them submit a written bid on what it will take to do the work you want. Make sure it is specific and spells out all the improvements needed. Put in a contingency for those unseen items.
3. Bring your scope of work and rehab bid to COGO Capital if you need rehab funds. We can do a refinance on your property to pay off your loan with PreREO and get you rehab funds to boot.
4. Regardless of your funding source, once it is in place get started on your rehab ASAP. Time is your enemy as an investor. Watch the progress daily. Yes, I said daily. You must push your contractor to get this done on time.

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5. Once the rehab is complete, market and sell the property as any other sale using a realtor to list on the MLS.
6. Once you have a potential buyer, follow a standard sales procedure – sign purchase agreement, close with a local real estate attorney or title company.
7. Cash you profit check.
8. Rinse and repeat.

Sell with Seller Finance

If you have been unable to sell the property in the traditional way, it may make sense to sell it using some form of seller financing to attract a buyer.

The tool you use will depend on your state and the laws within your jurisdiction:

Lease Option

A lease option is a type of contract used in both residential and commercial real estate. In a lease-option, a property owner and tenant agree that, at the end of a specified rental period for a given property, the renter has the option of purchasing the property.

Contract for Deed

Contract for deed is a form of sale that allows the buyer all the rights and responsibilities of ownership while the title stays in the name of the seller. This affords the seller a more streamlined process of reclaiming the property should there be a default. The lien holder need

Profit/Exit Strategy

only execute an eviction and not a foreclosure given that the title is still in the seller's name.

Steps

1. The sales process follows a standard approach with the addition of marketing with seller financing. Have your real estate attorney or title company draw up the purchase contract to protect yourself as the seller.
2. Once you have a potential buyer, follow a standard sales procedure – sign purchase agreement, close with a local real estate attorney or title company.
3. Cash you profit check.
4. Rinse and repeat.

Hold & Rent for Cash Flow

Your final exit strategy is to rent the property out for cash flow. This is generally not recommended until you have 250K in liquid assets and need the write-offs offered by holding rental property.

Steps

1. Survey the available rental inventory in your area and price you rental accordingly. You want tenants that will stay long term, but you must maximize your return on investment at the same time.
2. Leases, background checks and strict renter policies are a must.

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Profit/Exit Strategy

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3. Make sure you use a management company to take care of your rental business. Your time as an investor is better utilized in finding new deals than in dealing with tenants and toilets!
4. Enjoy your monthly cash flow.
5. Rinse and repeat.



SPECIAL PRESENTATION



Special Presentation

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Special Presentation

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