



**This REPORT has
Everything you need to know
about Note buying that will
make you thousands of dollars
every month**

How to Make Money from Buying & Selling Real Estate Notes without using any of your own money!!

Table of Contents (pages number are plus 1 for download version)

Section I

Introduction.....	3
What is Note Brokering?.....	3
Mortgages – 1 st Position lien holders.....	4
Finding and creating Owner – Finance or Carry - Back Mortgages.....	5
Promoting the Business & locating notes	6
How do I locate mortgage holders?.....	7
Answering Calls and Giving Quotes.....	8
What do I do when my offer is accepted?.....	10
What documents do I gather if I want to Process the deal?.....	11

Section II

Some often asked Questions

- How we determine a pay price (“quote”) for a note.....	12
- 1 st Position Mortgages.....	12
- What about Business Notes?.....	13
- What about Partial Purchase?	14
- Settlements and Annuities.....	15
- Lottery Winnings.....	16
- Business Notes.....	16
- Partial Summary.....	16
- Second Position Mortgage Notes.....	17
- Simultaneous Closings.....	19

Section III

Technical Details, Note buying Specifics & Processes

Techniques for Courthouse Research of Mortgage Notes	22
Tips for obtaining the best response from your mailings.....	23
Processing the Transaction - What goes on behind the scenes	24
• Mortgages.....	24
• Structured Settlements.....	26
• Lottery Winnings.....	27
• Business Notes.....	27
Marketing your new Business	28
Multiplying your Marketing efforts - The key to getting rich.....	32
Funding Guide Lines.....	33

Section VI

Quote Sheets

Owner Carry –Back Lender Information Sheet your	36
Mortgage Quote Sheet	37
Settlement Quote Sheets	38

(pages number are plus 1 for download version)

Lottery Quote Sheet39
Business Note Quote Sheet.....40

Section V

Sample Solicitation Letters

Sample Mortgage Letter.....42
Sample Attorney Letter.....43
Sample Lottery or Annuity Letter44
Business Note Solicitation Letter.....45

Section VI

Mortgage Purchase Agreement and Mortgage Estoppel Letter

Mortgage Purchase Agreement form.....47
Sample Mortgage Estoppel Letter.....49

Section VII

Settlement and Lottery Applications

Application for sale of Annuity Payments.....52
Lottery Applications.....60

Section VIII

Commonly Asked Questions.....61

Glossary of terms.....64

Contact Details.....66



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Section I

Introduction

Congratulations on purchasing this report and wanting to find out more about the exciting world of note brokering. Note Brokering is a name given to the buying and selling of income streams primarily in the form of mortgages in the secondary financial markets.

The industry has evolved over the last ten years and more significantly since the mid 1990's and is evolving rapidly as traditional lending becomes tougher to find.

The industry was created by the forces of supply and demand, and it has filled a void that has been left by traditional lending sources such as banks.

Never before has there been a more fascinating and low risk way to make an excellent full or part-time income from your home or office.

Don't worry about being a note broker you will merely be acting as a middle man between the buyer and the seller. I am going to help you by connecting you to the 'note buyer'. You are going to find the 'note seller'.

What is the Note Brokering?

Note brokering is the facilitating of the buying and selling of the cash flow or income stream typically from mortgage or lien holders to investors who want to purchase them.

A mortgage or other financial instrument that generates a cash flow over a period of time is called a "note".

Most notes are purchased by paying a **lump sum of cash** now for the rights to receive those regular future payments. These notes are always purchased at a discount, meaning they are purchased at less than the full value (balance) in other words a sum of money today (in cash) is exchanged for the right to the regular stream of income in the future.

A note Broker or Associate gets paid a fee or commission for facilitating the deal. By finding a 'note' that can be sold and offering it to an investor (a note buyer who will pay cash **today** for a future income stream.

Mortgages – 1st Position lien holders

Owner-Financed Mortgages, also sometimes known as seller-carry back are created when a seller of a home decides to “carry” a note from the purchaser in the sale of his or her home.

This was usually done when the property is difficult to sell or when the buyer cannot obtain traditional financing from a bank.

This usually happens because the buyer has bad credit or “too much debt” or maybe even because the property is in a rural location with a lot of land (banks typically do not like to lend on these types of properties).

However now even people with great credit cannot get traditional loans so many sellers are offering seller carry-backs.

There are literally billions of dollars of owner-financed mortgages in Circulation and that number is increasing.

Owner financing has been in existence for many years and is becoming more and more common today because of the growing number of individuals who fail to qualify for a traditional loan from a bank or mortgage company. Also, banks are becoming more conservative in their lending practices.

These factors prevent millions of families from being able to obtain home loans, thus reducing the number of potential home buyers. With this in mind, home sellers sometimes choose to offer owner financing in order to sell their homes. This is becoming more prevalent with real estate investors when ‘flipping’ properties

They usually request a small down payment (generally 5% to 10%) and demand higher than market rates of interest or an above market price to compensate for the carry-back

As is generally the case, immediately after the home is sold the seller is usually satisfied because he or she has sold his or her property and is receiving a good return on his or her investment. As time passes, the note holder might decide that having a lump sum of cash now would be better than waiting years to collect the balance, usually one month at a time.

Land contract, contract for deed, deed of trust, trust deed, and promissory note are other names given to 'mortgages' We have investors who will purchase all of these.

Finding and creating Owner – Finance or Carry- Back Mortgages

This is where you come in. You can help create a win-win-win situation for everyone involved by helping the note holder cash out his or her note.

The note holder will be happy because he or she will receive a lump sum of cash now instead of the low monthly payments over time.

The note buyer is happy because they will be receiving a favorable return on their investment. And you will be happy because you will earn a nice fee each and every time you close a transaction.

There are many good reasons for an individual wanting to cash in their note. Some of these are:

- Consolidating credit cards
- Paying for his or her children's college
- Taking an exotic vacation
- Purchasing a new home or second home
- Other investment opportunities.

Or if you are the seller you can create your own Seller financing or carry back mortgage making it easier to sell your own real estate in a downturn market. Knowing that you won't have to carry the loan for very long may make it more attractive to offer this type of financing to the buyer.

If you understand how to do this you can rapidly increase your personal income from either doing your own seller financing and cashing out or by helping others to do the same. You receive a fee for each successful transaction.

Shortly we will show you how to get further involved in this process and how we can connect you with our 'note buyers' and how you can make a commission from these types of transactions.

Note: If we pay you a fee we do not deduct any taxes from your check. You are responsible for your own taxes at the end of the year. This is going to be your own profitable business, with little overhead & expenses.

Promoting the Business & locating Notes

You do not need a degree in marketing and as long as you follow the some tried & tested simple techniques and use them in conjunction with common sense you will be able enjoy this wonderful business opportunity.

The key to success in this business is to focus.

The great thing about the note business is that you really don't have to sell anyone anything. As a matter of fact, most people will contact you and try to convince you to purchase their note. This is a wonderful position to be in and this is a great business for those who don't like to "sell."

In this section we will discuss how to locate individuals receiving payments from mortgages.

The absolute best way to attract clients with mortgages for sale is to place an ad in the classified section of a high-circulation newspaper.

This ad could run in the "Mortgage for Sale" section of the newspaper if you are only focusing on mortgage notes.

You could also try to attract clients from an ad in the "Money to Loan" or "Financial Services" section of a large circulation newspaper.

If your budget is limited, you should place your ad in so-called "throwaway papers" such as the Thrift Nickel or Penny Saver and other similar papers.

These companies will place your ad for you in a single paper, in regional papers and in papers all across the country, all with one single phone call.

The following are some sample ads that work well for mortgages:

ABC FUNDING COMPANY (or some name you have created)

We Pay cash for owner-financed mortgages

Professional service / Fast closing.

Ph: 555-1234

Absolute best price paid for mortgage notes, contracts, and deeds of trust.

Ph: 555-1234

Individual seeking to buy mortgage notes contracts & deeds of Trust. Ph 555-1234

How do I locate mortgage holders?

Another way to find potential mortgage note sellers is through research at the Courthouse. Almost every home sold is recorded at the county courthouse and is public record. You can actually go to your local courthouse and retrieve the names of individuals who are holding notes. You can also access public records through the Internet.

You may now go online and retrieve mortgage holders from the various court house websites. (Keep in mind that you may work this business anywhere in the country). Once you retrieve the note holders' names, send them a letter stating that you purchase mortgage notes (a sample letter can be found later in this manual) and ask them to contact you if they are interested in selling.

Another way to locate good mortgages for sale is to go to the library (and in some cases the Internet) and look up Sunday classifieds from newspapers six to twelve months old. Look through the "homes for sale" section and locate the ones that are listed for sale offering "owner financing". These are individuals who were selling a home and offering financing. Chances are good that they are now holding a note that they can sell. Call the telephone number in the ad and ask them if they have sold the home and if they would like to now sell the note too.

You can also find a continuous flow of notes by contacting local title companies and escrow agents. The people working at these companies may know of someone who has sold a home and taken back a note. Some of these companies actually process the payments for the note holder by collecting the payment and making sure taxes and insurance are paid.

Real estate agents are another great source of leads for mortgage note holders. Many agents come into contact with people that sell their homes using owner financing. You can contact these agents and tell them that you purchase mortgage notes and ask them if they know of anyone receiving payments from a note. You could offer them a referral fee (usually 10- 15% of your commission). This referral fee is paid by you directly to the real estate agent after the note is purchased.

Real estate agents also have access to multiple Listing Services and they might be able to obtain a list of homes that have sold using owner financing.

Another way to locate mortgage notes is by contacting local “Mortgage Brokers” These are people that actually originate loans for people wanting to purchase a home. The reason you contact them is simple. They are, from time to time, asked if they ‘purchase’ notes, and they most likely do not. At the same time, if you place an ad stating that you “buy” notes, you will get calls from people who will “want” a loan.

You and the mortgage broker can work out an agreement between the two of you whereby you can now refer these clients back and forth to each other.

Some thing to be mindful of is that typically note buyer will buy notes on the following types of properties:

- Single Family Residences,
- Duplexes,
- Condos,
- Town Homes,
- Apartment Buildings,
- Commercial Buildings,
- and Land
- and Mobile Homes with Land.

THEY DO NOT purchase notes on Mobile Homes without Land.

Answering calls and giving quotes

So, what do you do when a potential client calls?

People will actually respond to your ads and mail-outs. These people are looking to you for help in cashing out their note. For whatever reason, they are in need of cash now and you can help them get it.

You will need to know how to communicate with the caller and take down the information that we will need in order to make an offer on a note.

So here is what to ask mortgage note sellers when they call on the telephone.

All you do is ask the caller the questions on the Mortgage Quote sheet that is located on page 37 of this manual. You should have already made copies and have this quote sheet waiting by the telephone. It's that simple. Go look at the Owner Carry-Back Lender Information (if you are creating your own seller carry back for an investor see page 36). Or look at the Mortgage Quote Sheet if you have an existing note / mortgage in place.

On either sheet you will find the questions numbered in the order that that you should ask them. (see pages 36 & 37)

The note seller should have all the information that you are requesting. If they do not have the information, then ask them to fax you the details a copy of the Promissory Note on the property and we will be able to get the required information.

The questions are self-explanatory except perhaps for number 6 (Balloon Payment yes or no) and number 10 (Underlying Balance). A balloon payment is a full payment of the note on a specific date. For example, a note seller might sell the property and have the buyer pay the loan as if it is paid out over 20 or 30 years but then have them pay the entire amount off in 5 or 10 years.

An underlying balance is when the home seller still owes something on the property to the bank or a mortgage company and then sells to someone else on a Land Contract. We can purchase these types of notes just as long as we can pay off the underlying balance and be in the first position.

After you take down the information from the note seller, you can tell them that you need to "run some numbers" and also tell them that you will get back to them with a quote within 48 hours.

Some like to tell the note seller that they need to "check around for the best price" and will get back to them with the highest offer.

Then you simply fax or email the quote sheet to me and I will give you a quote within 48 hours from the time I receive it. I will get back to you with the cash pay price for the note and you then subtract your commission (I suggest \$1000 to \$2000) from our quote and quote the difference to the note holder. The fax number and contact details are found at the back of this manual

To explain this in detail, let's say that we offer \$50,000 for a note and you want to make \$2,000 on the deal. You would then quote the client \$48,000 for their note (\$50,000 - \$2,000 = \$48,000). Your client will never know what you are making on the deal because we will pay them \$48,000 and pay you the \$2,000 separately.

Once the client accepts the offer you have two choices as to how you want to handle the deal. You can either tell them that "someone from the home office will be calling them soon" or you can gather the documents yourself.

See page 36 for more details.

Check List

Mortgage Notes

- _____ Fill in the Mortgage Quote Sheet
- _____ Fax or email the information to us
- _____ Obtain a quote
- _____ Give your client the quote (less your fee)
- _____ Gather documents or allow us to do this for you

What do I do when my offer is accepted?

When your offer is accepted, you have three different choices as to proceed.

1. Refer the information about the deal to us and we will do everything
2. Gather the documents listed below and submit them to us
3. Combination of number 1 and number 2

Most beginners allow our buyer to complete the process .We have never seen anyone lose a deal because the note seller found out that he or she was a broker and not the direct buyer. You still get your fee no matter what you do because you get paid for finding the seller not the buyer.

There is no charge to you for me doing this part of the process it just enables you, when you learn how it's done to better serve your clients and get referrals from them because you are professional.

What to do if you want me to process the deal?

You will need to provide the following information:

1. Note holder's name and telephone number
2. Best time to reach note seller
3. Price accepted by note seller

What documents do I gather if I want to process the deal?

Mortgage Notes

1. Promissory Note: This is the actual document that we will be purchasing. This document states the terms of the note, including interest rate, length of payments, and monthly payment.
2. The Deed of Trust, Trust Deed, Contract or Land Contract: This is a recorded document that secures the property as collateral for the loan.
3. Title Insurance Policy: An insurance policy issued by a Title Company that guarantees that a property is free of any liens.
4. Settlement Statement: This document is issued at closing and shows the down payment amount on the property as well as taxes paid, etc.
5. Proof of Insurance: This is usually in the form of a Declaration Page. This shows the dates of coverage on the property and the covered amount.
6. Verification of outstanding balance: This is the current payoff balance on the note. We usually request an amortization schedule.
7. The payer's name, address, and social security number: We check the credit history on all note payers.
8. Seller's Social Security number: This is for tax-reporting purposes only.
9. Proof of payment history: This can be in the form of cancelled checks, check stubs, accountant's ledger book, etc. The purpose of this is to show punctuality of the payments.
10. Copies of underlying notes and balances (if applicable): We will need to pay off this note if there is one. We need the balance with a payoff date and who to pay off.
11. Signed Mortgage Purchase Agreement: You will find a copy of this agreement in the back of this manual. This agreement must be signed by the note seller before we will begin processing the transaction. We will be ordering a title and appraisal and we want to make sure the note seller is obligated by a binding contract to sell his/her mortgage note to the buyer.

Section II

Some often asked Questions

How we determine a pay price (“quote”) for a note

The pay price that we offer for a note is directly related to the amount of risk associated with purchasing that particular note.

On each type of note we have a predetermined amount of return that we are looking for on our investment. This return is often called a ‘*yield*’ on investment. We will now take a look at each type of note that we purchase and explain what determines the amount of risk for each.

1st Position Mortgages

There are many things to consider when purchasing a mortgage note. We purchase notes on single family residences, duplexes, town homes, condos, mobile homes with land, (no mobile homes without land), unimproved land, land with improvements (meaning utilities in place), and commercial buildings.

Each of these types of notes has a different risk associated with it. For example a note on a single family residence is a much better investment for us compared to a note on unimproved land. The reason is because if we had to foreclose on the home we could (on average) sell it much faster than the unimproved land.

Once we ‘categorize’ what type of note we are quoting on (single family residence, mobile home, etc.) the note buyers then looks at four main factors to determine the exact pay price on the note.

- The amount of equity in the property
- The amount of seasoning on the note
- The interest rate on the note
- The credit of the payer

Remember these **four determining factors** because when a potential note seller is talking to you on the telephone, he or she might ask you what percent (%) you will pay for the note.

Tell them that it is determined by those **four factors** and you will need to calculate the quote and then get back to them.

Credit often determines the pay price on a note. Usually when the note buyer gives us a quote they don't know the payers credit and they will base their quote on the information that you or the client provides.

If they then find the credit to be different, then the note buyer reserves the right to change their quote (either upwards or downwards). This is usually done once the deal is accepted.

Note: The Note buyer will almost always 'pull' a credit report without the consent of the payer. Many times clients want to know how they can legally do this. The answer is this: we are not offering this person a mortgage or a loan for their home. They already have their loan in place. They are doing due diligence on a business decision. Their credit score is part of the overall

Also the **Risk** involved with the purchase of the note, there is always risk, the same way that the appraised value of the home may not be what the market will actually pay. This is all part of the same risk equation and this is factored into the quote price of the note.

Note: When we price a mortgage note we always give you what is referred to as the '**retail**' quote. This is a quote that is '**net**' to you without any of your costs deducted. The note buyer has already calculated their yield and subtracted their expected costs. You now need to 'deduct' your fee from this 'retail' quote.

What about Business Notes?

Sometimes we are asked about business notes, Business Notes are the riskiest of all the notes that we purchase and are therefore discounted the heaviest. There are many factors that contribute to this high risk but the two most determining factors are;

- **High failure rate of small businesses**
- **No collateral to secure the note**

The first is the traditionally high failure rate of small businesses in the United States. We all are aware of the numbers of businesses that close their doors within the first year or two.

The second factor is that these notes usually have little to no collateral. When a note buyer purchases a business note, most of the time we are purchasing a note that is collateralized by the income the business is generating and maybe a personal guarantee by the payer.

If we have to foreclose, the payer will likely file for bankruptcy (so we can't get anything from them). If they sell the equipment we will only get pennies on the dollar.

What about Partial Purchase?

A partial is the purchase of a portion of an income streams remaining payments or the purchase of a portion, of a specific payment or any combination thereof.

There are many occasions when buying only a portion of the remaining payments makes sense. We can purchase partials on mortgage notes,

On many occasions we receive quote requests for new notes that have not been seasoned, have little or no down payment, and have poor credit by the payer. In a case such as this, we will still purchase the note but would only purchase a portion (Partial) of it. This is to reduce our risk in the event that the payer defaults on the note.

Let's look at an example of this:

- Sales Price: \$50,000 Down Payment: \$2,500
- Original Note Balance: \$47,500
- Payers Credit: Poor Seasoning: 2 months
- Appraised Property Value: \$50,000
- Term: 360 months Interest: 10%
- Remaining payments: 358

In this scenario, we would give the Contract Buyer a quote of \$35,000 for the next 200 payments. Purchasing a 'Partial' lessens the note buyer's risk.

This lessens the risk in the event we foreclose. If and when all the payments are made as scheduled, the note would then revert back to the seller following the 200th payment. Often times, note sellers do not know that they can sell just a portion of their future payments.

Purchasing Partial

When you take down the information on the Mortgage Quote Sheet, you should take the time to find out why the client wants to sell the note. Many times he or she is only looking for money to consolidate his or her bills, purchase a new car, etc., and he or she would not sell the entire note if he or she knew that was an option.

When you find someone who only wants to sell a portion of his or her remaining payments, you should write a note on the quote sheet and tell us how much money he or she is looking to receive. Then we can tell you how many payments he or she would have to sell in order to receive that amount.

The great thing about partials is that you will receive a commission now for doing the first transaction, and you will receive future commissions each and every time the note seller sells us more payments in the future from the same note.

This happens in over 50% of the partials that we purchase. Please be aware that we can also purchase a portion of the monthly mortgage payment as well. For example: If the monthly payment on a note is \$1,000, we could purchase \$200, \$500, \$700, etc. of the monthly payment. Sometimes this is a good selling point because it will give the seller of the note cash now as well as a monthly income from the note.

Settlements and Annuities

In the case of structured settlements and annuities, many times you will see that the annuitant (person receiving the payments) receives a combination of payments, such as monthly payments, as well as semi-annual, annual, and lump sum payments. Once again it is important to ask the annuitant how much money he/she is in need of at this time. We can be very flexible in structuring the purchase of the payments in a manner that best suits the annuitant. We can purchase any portion of any remaining payment just as long as it meets our minimum funding requirements

Just as in mortgages, you receive a commission for funding the deal the first time and also when the client comes back to sell more payments in the future.

There are documented cases of clients coming back for more money more than five times from the same annuity. You will receive a commission each time. In these cases, we will contact you and tell you that the annuitant has contacted us wanting to sell more payments, and we will tell you how much we can pay for the payments they want to sell. You can tell us how much you would like to make and we will quote the difference to the annuitant just as if they were coming to you for the first time.

Lottery Winnings

Lottery winnings are the same as mortgages and settlements. We can purchase any portion of any future payment. Since lottery winnings can be substantially large, most of our purchases are partials. You will receive a commission each time the lottery winner sells more payments.

It is important to note here that in every type of income stream, we secure the payments with a lien, UCC-1 filing, etc. If and when the client wants to sell more payments in the future, they are obligated to come back to us to sell the remaining payments.

Business Notes

The purchase of a Business Note is the riskiest of all the income streams that we would consider purchasing. This is due to the fact that there is very little collateral on most of the Business Notes that we purchase. For example: If we purchase a note on a restaurant that has a balance of \$95,000, we may only have \$20,000 in assets (furniture, fixtures, and equipment) that we could sell if we had to foreclose. Because of the risk associated with Business Notes, most of them are purchased as partials.

Partials Summary

So as you can see 'Partials' are an outstanding way for you to close more deals as you can make more than one commission on a note purchase. Remember to always try your best to find out how much money the note seller is trying to obtain and we can customize a purchase that creates a win-win-win scenario.

Second Position Mortgage Notes

This is a note that is second in line to another existing note (the first lien position) on the same piece of property.

As you work this business you will oftentimes come across notes that are considered a Second Position Note. There are two basic types of Second Position notes. The first example is one in which our note buyers **do not** purchase and the second example is one in which we will purchase the note.

1. A Traditional Second - This is usually a very small note in relation to the value of the property. This type of note is usually created when the home buyer doesn't have enough money for a down payment. An example of this would be as follows:

A home is sold for \$100,000 and the buyer can obtain a regular loan from a bank for 80% of the value of the home. The home buyer still needs to come up with \$20,000 to pay the seller. If the home buyer only has \$10,000, then the home seller can take back a second position note for \$10,000 to make this work.

- Bank Loan (First Lien Position) = \$80,000
- Down payment = \$10,000
- Loan from Seller (Second Position) = \$10,000
- Total Sales Price = \$100,000

In this scenario, the home owner is carrying a note for \$10,000 but the bank owns the first position for \$80,000. Therefore, the note buyer **WOULD NOT** purchase this type of note.

The reason for not purchasing this type of note is simple: if for whatever reason the home buyer stops making payments on the second position note, there is nothing that can be done to force them to pay. As long as they pay the first position note (to the bank), then the property cannot be foreclosed on. The only recourse we would have would be to report the negative account activity to the credit reporting agencies.

In a default situation (meaning the buyer doesn't pay either the bank or the second position note), the holder of the second is literally second in line to claim his or her funds.

In the above scenario, if the bank has to foreclose they will incur expenses such as maintenance of the property, repairs, realtor's fees to resale the property, late fees, penalties and interest, etc. The bank will want the balance that the buyer owed them plus all of the other expenses.

Let's assume that all of this adds up to; \$90,000 (outstanding balance plus fees) and the bank only sells the home for \$92,000. Then the second position note holder would only receive \$2,000.

2. Land Contract, Contract for Deed, or sometimes a Wrap-Around Note or simply a "wrap" - These types of notes are usually created when the home seller takes back a note after selling the home but also is still making payments on a note. An example of this is as follows:

Let's assume that the home that we are referring to is worth \$100,000 and that is what the seller is going to sell it for. Let's also assume that the home seller is still paying the bank for a note that he owes on this property, and the balance of that note is \$20,000.

In this scenario, the home seller would sell his home to the buyer using a Land Contract or Contract for Deed, and the sale would be for \$100,000. Let's also assume that the home buyer pays the seller \$10,000 down. Now we have a note that is being paid by the new buyer for \$90,000 (\$100,000 minus the \$10,000 down payment) and at the same time the home seller is still paying on his note to the bank that has a balance of \$20,000.

We could purchase this type of note because we would purchase the \$90,000 Land Contract at a discount and pay off the \$20,000 existing note and would give the remaining balance to the note seller. This places us in the First Position because we are the only one that is owed any money.

- Home Sales Price = \$100,000
- Down Payment = \$10,000
- New Note (The Wrap-Around Note) = \$90,000
- Seller owes to bank a balance of \$20,000

We purchase the \$90,000 note at discount, pay off the \$20,000 note, and give the difference to the note holder.

Note buyers often purchase these types of notes. The guidelines are simple: there must be enough of a spread between the two notes so that we can discount the 'wrapped' note and pay off the other note.

You will come across these types of notes, and you should be familiar with them so that you will know that they can be purchased and you don't pass up potential business.

Simultaneous Closings

This is the name given to a transaction where we could be interested in purchasing a note simultaneously (at the same time) as the home is sold.

An example of how you can benefit from a Simultaneous Closing is as follows:

- An individual is looking to sell his or her property and is not getting a lot of interest.
- You can approach the seller and explain to them how listing his or her property, with the option of owner financing, will double the amount of interest in his or her home.

It is a fact that many people today will not qualify for a home because of less-than-perfect credit or because their "debt ratios" are too high. When a home seller offers owner financing, this opens the door for a larger number of home buyers who wouldn't normally qualify.

Explain to the seller that we will purchase the note at the same time the home is sold (at the closing through the title company). The frustrated home seller will most likely agree with you that you are offering a great service to them.

Once the home seller agrees to work with you and they have found someone who is interested in purchasing the property, just follow the easy steps below.

Obtain the proposed terms of the note

This can be easily accomplished by filling out the Mortgage Quote Sheet.

Provide a Credit Report on the buyer(s)

If a credit report is not available, then give us an estimate of the buyer(s)' credit score or credit rating and we will make an offer based on that information.

Fax the above two items to me

Once I receive the two items I will evaluate the entire deal.

The note buyer will look at the credit of the proposed buyer, the sales price, down payment, property value, etc. we will then propose the best possible option for you to offer your client so they will get the best possible pay price for their new note.

Below is an example of how we can structure this type of transaction.

- Home seller is asking \$100,000
- Buyer has decent credit and has \$10,000 for a down payment
- The note will usually only feel comfortable with a Loan to Value ratio of 80% - This means they only want to buy this note with a value of \$80,000

Therefore in this example ($\$100,000 \times .80\%$) – Then we would recommend that the seller take back a second for \$10,000 to make up the difference.

This is how the deal will look:

- Home is sold for \$100,000
- Buyer pays down payment of \$10,000
- Seller takes back a second of \$10,000
- New note to be bought at closing is \$80,000

We then have a new note for \$80,000 that we can purchase -- we suggest the following terms for the new note based on the buyer's credit, etc.

- Note value: \$80,000
- Interest rate: 10%
- Term: 30 years with 7 year balloon
- Monthly Payment: \$702.06

- We get our note buyer to purchase this note for \$72,162
- You subtract your commission from that price (say \$2,000)

Here is how the complete deal looks to the home seller.

- He or she receives ($\$72,162 - \$2,000$ for fee on new note) = \$69,162
- Down Payment = \$10,000
- Second Position note = \$10,000
- Home seller receives \$79,162 at closing plus a note of \$10,000 with interest

The home is sold (home seller actually receives a total of \$89,162 plus interest on his second position note).

SECTION III

TECHNICAL DETAILS, NOTE BUYING SPECIFICS AND PROCESSESS

**Techniques for Courthouse Research of
Mortgage Notes**

The purpose of bringing this up again is to give you a basic understanding of how to effectively research your local courthouse to find names of individuals holding mortgage notes. The courthouse can become your own personal goldmine if you are willing to spend the time and effort it takes to look up the names of mortgage holders and to properly send out professional looking letters.

One of the best things about courthouse research is that you are targeting individuals who may not know they can sell the note they are holding, or they may know they can sell but don't know whom to sell to.

Before you head to your local courthouse, it is a good idea to call the courthouse and make sure that you know exactly where to go to find the records. You will probably want to ask for the Land Records Department or the Recorder's Office.

It should be mentioned here that all courthouses are not the same and they all use different methods of categorizing and storing documents.

Once you get to the correct location, it would be wise to spend a little time visiting with the staff so that you can become familiar with the 'filing' system that is used there. Some courthouses have index files and books with actual records, others use computers for everything, and some have these records on microfiche.

Regardless of how the courthouse is set up, you should first locate the index files. These files list every recorded document in the courthouse and, most importantly, tell you where to find the actual document within the courthouse.

The actual documents you are looking for are Recorded Deeds of Trust or Trust Deed, Mortgage, Land Contract or Contract for Deed. Every state is either a Trust Deed or Mortgage state and most every state allows for Contracts. Check with the courthouse personal to find out which ones apply to the state you are working in.

You are now ready to look through the index files and record information so that you may reference the actual document. Be sure that you bring along a pen or pencil and some paper to write on. The index files usually have 5 to 6 columns with information such as the mortgagor (person

making payments), the mortgagee (person receiving payments), a reference to the book and page number where the actual document can be located, document type (Trust Deed (TD) or Mortgage (M), etc.), recording number and the recording date.

As you look through the files you will see all different kinds of documents from Power of Attorney documents to deeds. You are obviously looking for documents that relate to mortgages. Write down the book and page numbers of the deeds of trust, mortgages, and contracts that you find. After you have accumulated 20 to 30 names (depending on how much time you have), you should then go to the actual “book” where these documents are located. As was mentioned earlier, these “books” can be in the form of actual books, or on computer or microfiche.

Look through the books until you locate the page number that you are looking for. You will then find the document that you have been searching for. On this document you will find the name and address of the person who is receiving payments on the note. For Deeds this is the Trustee or Beneficiary, and on Mortgages it will be the Mortgagee. On Land Contracts you will find the full name and address on the Contract.

The next step is to simply write down the name of the person who receives the payments along with his or her mailing address. Continue the process of looking through the records until you have written down all of the names of the note holders that you want to gather.

Tips for obtaining the best response from your mailings

First you must have a professional-looking letter that you can send the note holder. You will find a copy of one located towards the back of this manual.

Next it is suggested that you hand-write the note holder’s name and mailing address on the envelope. Using this method will increase the chance your letter is opened and read. People tend to throw away what they perceive to be ‘junk’ mail.

Many successful researchers will also try to locate the note holder’s telephone number and give them a follow-up call within a week of the mailing, or they will send out a post card as a reminder within a couple of

weeks of the initial mailing. If you still haven't heard from the note seller, then it is advised that you send out another mailing within 2 to 3 months.

Continue with the follow-up mailings until they respond. Circumstances change for everyone and someone who doesn't want to sell now many want to or need to sell within 6 months.

It is best if you do not send out mail-outs during the Christmas Holidays or on or near other holidays. August also tends to be a slow month because of families going on vacations and children going back to school. The fall months seem to be the best because people are always trying to get cash for the holidays or sell their note before the end of the year.

Courthouse research can be an excellent way of locating note holders. Many people assume they simply don't have the time to spend doing this type of work, but the rewards can be enormous.

Processing the transaction

- What goes on behind the scenes?

- **Mortgages**

When the price is agreed upon the note buyer will ask that the note seller sign a note purchase agreement and fax it to them along with the items that are required. The first thing they will do is obtain a credit report on the payer if they haven't already done so. The price that will be paid is influenced by the payer's credit. After this is done, the note buyer will immediately order an appraisal on the property.

In most cases this "drive-by" appraisal (this is an appraisal that is done using three comparable properties that have recently sold in the same neighborhood). The appraiser does not actually go inside of the home but instead calculates a value for the property based on three recent sales in the same area, known as comparables or comps.

At the same time as the appraisal is being ordered, the note buyer will check and see if there is a title policy (a guarantee that there are no liens on the property) issued by a title company. If there is not a good title policy in place then the note buyer will then order this as well.

They will also check with the local taxing authority where the property is located and make sure that the taxes are paid and current. If they are

delinquent, they must be brought current or they will be paid pay them out of the seller's proceeds at closing.

The note buyer will also verify that there is insurance in place on the property and for the correct amount. As the file gets closer to being finalized, the note buyer will then send an estoppel letter to the payer(s).

You will find a sample in the back of this manual (page 49). This document confirms the balance of the note with the payers and obtains their personal information for our records.

In every case the note buyer will need to confirm the balance with the payer(s) of the note prior to the closing. If they don't receive the estoppel letter back from the payer(s), then they will have to call the payer(s) before closing to get a verbal confirmation of the balance of the note.

When the title and appraisal are received then they prepare the closing paperwork, commonly referred to as "closing docs." At this time they note buyer will always confirm with the note seller that they are in possession of the ORIGINAL NOTE. This is what we are actually purchasing and a copy will not suffice. The note seller must assign this note over to the note buyer at closing.

The closing documents that are prepared are as follows:

- Receivable Sale and Purchase Agreement,
- Transfer of Lien,
- Insurance Transfer Letter,
- Goodbye Letter to Payers from note seller,
- Payer Information Letter.

The Closing is then set up to take place in one of the following ways:

- 1) at a Title Company (chosen by the Seller),
- 2) at an Attorney's office,
- 3) through overnight mail.

If the note buyer has requested a new title for the transaction, then most likely the closing at a title company. If not, then the closing will be held at a local attorney's office. Sometimes the option of doing the closing through overnight mail is available however most clients prefer the two previous options.

When the note buyer is ready to close, they will then send the documents to the closer (the Title Company or Attorney) and at the same time will wire the money to the closer's escrow account.

A time is arranged for the note seller to go in and sign the documents and receive his or her money. If we are doing the transaction through the mail, the client will sign and notarize the documents and give us wiring instructions to their account. In either case, the note buyer will fund the note seller as soon as the documents are recorded by the Title Company or Attorney.

You are then wired your commission check or sent a cashier's check via overnight carrier. This entire process generally takes about two to three weeks to complete. It can be done faster or slower depending on how long it takes for us to receive the title commitment and appraisal.

- **Structured Settlements**
(These are usually insurances payouts etc)

The sale of a structured annuity must now be approved by a state court.

Following are the steps a note buyer would take to purchase annuities.

The first thing they will do when the offer is accepted is to request the items listed on page 38 of this manual. Once those items are received, The note buyer will begin processing the transaction. This includes having Their legal people review the state laws that apply to this particular case, and they will also check with the national data base offered by the *National Association of Settlement Purchasers* to see if the client has ever sold these payments before or is trying to sell payments that have already been sold to someone else.

They will also check to make sure the annuitant doesn't have any unpaid judgments or outstanding child support payments. They will then generate a court-mandated disclosure letter for the client. This letter details the rate the client is charged, how much money they are giving up over time, etc.

Once this is received this back from the client, they note buyer must wait 10 days and then send the contract to the annuitant. This contract is the legal binding agreement that outlines the payments that the note will be purchasing. When the contract is signed, notarized and returned, an a attorney is hired to represent the client in court.

Typically the note buyer chooses an attorney that they have worked with before - unless the client has an attorney that he or she prefers to use.

The note buyer will send the attorney the petition that they must use to obtain the court order. The attorney will then request a court date to have the judge approve the transaction. The approval of a settlement is a formality in most cases. Once the court date is confirmed we then must wait 20 days to give the insurance company an opportunity to respond to the order. In most cases the insurance company will not contest the order. If they do, the case can go on for over a year and may not fund at all.

Once the order is signed and approved by the judge, then we wait for the insurance company to confirm that they will abide by the order and begin sending payments to our note buyer. Once this takes place the annuitant is funded and you get your commission. The entire process is now taking 60 to 90 days on average and is even longer in certain situations.

- **Lottery Winnings**

Once the required documents are received from the winner, the note buyer will then generate a contract for the winner to sign. When the contract is received, they will check and make sure that the winner has never sold payments before or sold the payments that is going to be purchased

They also check for personal liens or judgments as well as unpaid child support payments. In other words, the note buyer will want to make sure that no one else has any claim to the funds. Then they have an attorney petition the court so that the payments can be legally assigned to the note buyer.

When this process is completed, the note buyer will fund the lottery winner you get paid. The entire process takes about 30 to 45 days to complete in most cases.

- **Business Notes**

As we have mentioned before, business notes are the riskiest notes that are purchased due to the high failure rates of small businesses. Therefore, they require more due diligence than all of the other types of notes purchases.

After receiving the required documents from the note seller, the note buyer will do the following:

- verify that all of the documents are real and valid documents,
- contact the landlord to make sure that the rent is always paid on time,
- contact the payer's bank and see if they have problems with the account (such as it being overdrawn on a regular basis),
- verify that there is a valid lease in place that runs the duration of purchase.
- make sure there are no liens on the business or the building that it occupies,
- check credit on both the note seller and note payer,
- verify tax returns on the business for the two previous years
- and contact the payer to make sure the business is everything the seller promised him/her
- and also to confirm the balance on the note.

When all of these things are completed, the closing will be arranged. The closing is similar to that of a mortgage note and can be done at either;

- 1) a title company,
- 2) attorney's office,
- 3) or through overnight mail.

The timeframe on a business note is usually around 3 to 4 weeks.

Marketing your new business

Make no mistake you can actually make this into a really great full or part-time business where you get to set your own hours and time table.

There are many great methods that you can use to market your new 'Note Brokering Business'. There is no reason why you cannot make a lot of money from this business. You just need to stay focused.

Below we will have identified some different ways that successful people have located note holders.

○ **Classified Newspaper Advertising**

This is still the preferred method of advertising for many and the one that we suggest for those associates wanting to get immediate results and income. Classified advertising in newspapers has been used for years by many successful business owners. The cost of placing these ads can be as little as \$30 a month for a small 'throw-away' newspaper like a Thrifty Nickel or Penny Saver and up to thousands of dollars per month for large national papers like The Wall Street Journal or USA Today.

You must decide on your advertising budget before placing any ad, but it is important to note that the best results will come from leaving your ad in the newspaper every day of the week and every week of the month.

As repetition is a proven formula for success.

If you decide that newspaper advertising is right for you, then you must be sure that you place your ad in the appropriate section of the newspaper.

- **The Money to Loan or**
- **Financial Services or**
- **Mortgage for Sale** (Not all papers have this section)

Some people wanting to specialize in trying to locate business notes will place an ad in the **Business for Sale** section of the newspaper.

The Internet

The Internet is a fabulous business tool that has revolutionized the way the world does business. Many people are realizing the importance of having a web presence. You may develop a website and market your business online or use your website as an information source that you can direct your clients to so they can download information, learn about the process of selling their income stream, or obtain a quote online.

You may also place "free" ads on the Internet so that millions of people can find out about your services. You may also submit your website to hundreds of search engines and hope that you will be listed for free and hopefully towards the top of the search engines list.

You can even pay to have your website listed and also pay for each keyword that you want people to know about, including *mortgage notes*,

settlements, lottery winnings, etc. There are also sites that you can visit on the web where note holders list their notes for sale and you can try to get their business by offering them the best price.

The Internet can be beneficial because it gives instant credibility and it gives you a place where you can post important information about your company and the types of services you offer.

- **Mail Campaigns**

Many people use mailings and postcards as a successful way of attracting note holders. The most popular example of this in the industry is seen in the Mortgage Note area. Many mortgage contract buyers purchase lists of names, pay individuals to retrieve names of mortgage holders from local court houses, or even research the courthouse themselves.

We also suggest you do mail-outs to Business Brokers (individuals that list and sell businesses for a living) to obtain business notes. You can also send letters to personal injury attorneys. These attorneys all know of someone who has settled a personal injury settlement and who is now receiving payments. You will find sample letters in the back of this manual.

- **Networking / Word of Mouth**

Networking is one of the absolute best ways to find clients. The only catch is that networking takes time. Networking is an art and it is something that needs to be developed by some individuals. Others are just naturals at it. One way to get started is to join your local Service Club Rotary Club or Chamber of Commerce. Meet-up Groups are also very popular. You can even speak in front of some of these groups if you desire and tell them about what you have to offer. You will be surprised at how many notes you can find this way. You can also start telling everyone that you know and meet about your business and what it has to offer. Carry your business cards with you at all times.

Many businesses offer a “referral fee” to anyone who refers a client to them, you might do the same. This can be a small amount around one hundred dollars. You will be surprised at how much business this method can bring you. However networking is not something that you should depend on to bring you all of your business when you start because it takes time to develop your referral base.

You should make networking a part of your overall marketing strategy.

In the business of note buying however, word of mouth advertising is used on a limited basis, but still it is effective. The reason is because most people that hold notes probably don't know other people that do.

You must remember in your dealings with your clients that you must be professional at all times and offer the best possible service. When you do this it is most likely that if your client knows of someone who has a note to sell they will refer that person to you.

This is most evident in the structured settlement industry where you might deal with a client who receives an annuity due to a wrongful death claim. Your client might have three siblings who receive the same claim because their father was killed in an accident and now they all receive lifetime annuity payments. There are documented cases of contract buyers making up to 5 or more commissions from one family.

Sometimes a simple thank-you card to the client when the deal has been completed reinforces the fact that you appreciate their business.

- **Referrals**

Referrals can be generated in other ways as well. It is to your advantage to work out agreements with other professionals so that they will be motivated to refer business to you. Take them to lunch on a regular basis or, of course, offer them money for referrals. A standard referral fee is usually 10% to 15% of whatever your commission is on a deal.

Also do not forget that you can set up reciprocating agreements with individuals in fields closely related to the note buying business. An example of this is between a person who brokers mortgage notes and one who originates mortgage loans. The contract buyer receives calls from individuals wanting a home loan and the mortgage broker receives calls from individuals wanting to sell a note. Just refer these leads back and forth to each other.

- **Radio, TV, and Billboards**

These are grouped together because they all have two things in common: they reach a large number of people and they are all relatively expensive. The most important thing to remember when using one of these types of media is that repetition is the key word. You must be able to have the ads run many times and this can be costly.

At the same time, these ads will pay off handsomely if you can afford to do them. There are many examples of successful business that have done national television advertising campaigns and made tons of money. You may have even seen these ads. However I highly recommend that you **DO NOT** start your business by placing these types of ads. You will first need to learn the business before placing these ads because there is no room for error.

- **Research**

Court research is one of the oldest techniques used in locating note holders. It really is most prominent in the mortgage note sector of the industry. Many mortgage contract buyers will spend time at their local courthouse researching names of people who have sold a property and who are carrying a note.

The good thing about this technique is that you are locating individuals who may not know they can sell their note, and if they do, they may not know who to sell to. This is beneficial to you because when there is less competition for a note, and you can make a much larger commission.

The downside to courthouse research is that it takes a lot of time and energy to do.

Multiplying your marketing efforts

(This is the key to getting rich in any business)

When you begin your advertising program and you are using a paid form of advertising (such as newspapers), and you should commit to this form of advertising in the beginning (if you want to do this full time) for at least two months so that you can measure your results. If you have written a good ad you should see some positive results. When you have developed an ad that **WORKS** then make it work harder, don't change it because you are sick of it.

Once you begin getting paid for your efforts, and have a great ad the best thing you can and should do is to reinvest some of your commissions into marketing your business. The secret to riches in this business is to place as many similar ads in as many additional newspapers as possible so that you are "*Multiplying your marketing efforts*"

If your commission was \$2,000 on your first deal, you should take half of this commission (\$1,000) and place three more similar ads. Now you will have four ads running and you should have similar results times four.

Once you begin duplicating your ads, you must keep in mind that you are not limited to any geographic region. This means that you can begin placing ads anywhere in the United States. When you place ads where clients must call you via long distance, we suggest that you have a toll-free telephone number for them to call. You can sign up for toll-free long distance service on our website or by calling your local telephone company.

Most successful businesses started with a small budget and grew their business, by duplicating their positive results. We recommend that you do the same. The also stayed focused on what was working. This doesn't mean don't try anything new, it means don't stop doing what works..

Funding Guidelines

These will help you determine what we already know the note buyers will purchase without having to waste time presenting deals that they won't be interested in.

- **Mortgage Notes:**

Minimum Funding Amount: \$20,000
Maximum Funding Amount: \$500,000+
No Maximum for Commercial notes
First Position Notes only -- **No Seconds**

- **Structured Court Settlements and Annuities:**

Minimum Funding Amount: \$20,000
Maximum Funding Amount: No Maximum
All Transactions require a Court Order
No Workers' Compensation Settlements, Retirement Plans, Disabilities, Judgments, Divorce Settlements, Social Security Payments, IRAs

- **Lottery Winnings:**

Minimum Funding Amount: \$100,000

Maximum Funding Amount: No Maximum

Some States require Court Orders

Some States non-assignable therefore most likely cannot purchase these

- **Business Notes:**

Minimum Funding Amount: \$20,000

Maximum Funding Amount: Case by case (usually \$250,000)

Personal guarantee by payer and good credit

Minimum three (3) months seasoning

Section IV

Quote Sheets

Owner Carry-Back Lender Information

Please provide the following information for the Seller so that lending can be expedited

Applicants Name: _____ Current Occupation _____

Street Address _____ Applicant's Employer: _____

City: _____ State _____ Zip _____ Address: _____

Home Telephone: _____ Cell _____ Phone: _____

How long at Current Address _____ Annual Income: \$ _____

Drivers License No: _____ State: _____ SSI No: _____

Date Of Birth: ____/____/____ Birth State: _____

1. Original Selling Price _____

2. Down Payment _____

3. Original Note Balance _____

4. Months / Years Financed _____ Interest Rate _____

5. Monthly Payment _____

6. Balloon Yes or No? If yes Date _____ Amount _____

7. Date of First Payment _____ Current Appraised Value _____

8. Current Balance _____

9. Owner Occupied? Yes or No

10. Underlying Balance Yes or No - If yes, Amt. _____

11. Credit of Payer ___ Excellent ___ Good ___ Bad ___ Unknown

12. Property Type

___ Single Family Res. ___ Duplex/Four-plex ___ Condo/Townhome

Other _____

13. ___ Deed of Trust ___ Mortgage ___ Land Contract ___ Contract for Deed

14. Title Policy Yes or No

15. Property Address: _____

16. Legal Description: _____

17 Comments: _____

MORTGAGE QUOTE SHEET

Your Name _____ Phone _____ Fax _____

Date _____ E-mail _____

How did they find you? _____

1. Original Selling Price _____

2. Down Payment _____

3. Original Note Balance _____

4. Months / Years Financed _____ Interest Rate _____

5. Monthly Payment _____

6. Balloon Yes or No? If yes Date _____ Amount _____

7. Date of First Payment _____ Current Appraised Value _____

8. Current Balance _____

9. Owner Occupied? Yes or No

10. Underlying Balance Yes or No - If yes, Amt. _____

11. Credit of Payer __ Excellent __ Good __ Bad __ Unknown

12. Property Type

___ Single Family Res. ___ Duplex/Four-plex ___ Condo/Townhome

___ Mobile Home: ___ Single ___ Double ___ Age ___ Commercial

___ Land Only ___ Land with Improvements (utilities) ___

13. ___ Deed of Trust ___ Mortgage ___ Land Contract ___ Contract for Deed

14. Title Policy Yes or No

15. Property Description and Location /

Comments: _____

SETTLEMENT QUOTE SHEET

Your Name _____ Phone _____ Fax _____

Date _____ E-mail _____

How did they find you? _____

Name of Insurance Company paying the settlement? _____

State client lives in? _____

What type of settlement?

___ car accident ___ personal injury ___ wrongful death ___ other, explain

Was this work related? Y or N **If yes, we cannot do this deal -- stop here**

Have you sold payments before? Y or N **If yes, to what company?**

What payments? _____

How are payments paid out?

___ monthly ___ quarterly ___ annually ___ combination

Monthly Payment Amount _____

Paid on what day of month _____

Do payments increase? Y or N If yes,
date and amount of increase _____

If client receives lump sum payments, when are they due and how much?

Date _____ Amount _____ Date _____ Amount _____

Date _____ Amount _____ Date _____ Amount _____

Date _____ Amount _____ Date _____ Amount _____

Date _____ Amount _____ Date _____ Amount _____

How many payments would you like to sell? _____

How much money would you like to get by selling these payments?

LOTTERY QUOTE SHEET

Your Name _____ Phone _____ Fax _____

Date _____ E-mail _____

How did they find you? _____

State Lottery ___ IGT Casino Winning ___

Other (specify) _____

Have you sold any payments before? Yes or No **If yes, to what company?**

What was the Win Date? _____

Were you the only winner? Yes or No

If no, how many other winners _____

What % did you win? _____

What was the gross amount won? _____

What is the gross annual payment amount? _____

What is the net annual payment? _____

What state was the prize won in? _____

What state do you reside in? _____

How many payments would you like to sell? _____

How much money are you looking to obtain? _____

BUSINESS NOTE QUOTESHEET

Your Name _____ Telephone _____

Fax _____ Date _____ Email _____

Business Information:

Type of Business _____

How long in business _____

Asset Value Breakdown: Equipment _____ Inventory _____ Goodwill _____

Is operation a Franchise? Yes or No

Is the note personally guaranteed? Yes or No

Business location is leased? Yes or No

Street Address of Business _____

City/State _____

Note Information:

Sell Price of Business _____

Down Payment _____

Original Note Balance _____

Months Financed _____

Interest Rate on Note _____

Date of First Payment _____

Monthly Payment Amount _____

Number of Payments Remaining _____

Balloon Payment Yes or No? Current Balance of Note _____

Credit of Payer

_____ Excellent _____ Good _____ Marginal _____ Bad _____ Unknown

Section V

**Sample Solicitation
Letters**

SAMPLE MORTGAGE LETTER

Dear Mortgage Holder

“We would like to purchase your mortgage payments”

ABC Funding Company is a national leader in the purchase of

- Owner Financed Mortgage Notes,
- Deeds of Trust,
- and Land Contracts.

Would you like to have a lump sum of Cash Now instead of waiting years to collect the money that is owed to you? Perhaps you might use the money for an investment opportunity, to consolidate bills, to send a child to college, or even to purchase a new car. The choice is yours!

Did you know that you can sell a portion of your payments as opposed to liquidating the entire note? Inquire about our ***Partial Purchase Program*** and find out how you can receive a lump sum of cash now for a predetermined number of future mortgage payments.

There are many good reasons to sell a mortgage note, and one great reason for selling to ABC Funding Company: we pride ourselves on paying the highest price in the industry. Also, we conduct ourselves in a professional manner and have the ability to fund your deal quickly.

Please call today for a free no-obligation evaluation of your current note. I personally guarantee you will be glad you chose to do business with the Industry Leader.

Remember: **“A dollar today is worth more than a dollar tomorrow”**

Sincerely,

SAMPLE ATTORNEY SOLICITATION LETTER

Smith, Jones and Anderson Law Firm
John Smith
1111 Avenue A
Anytown, USA 56789

Dear Mr. Smith,

The purpose of this letter is to acquaint you with ABC Funding Company and how your clients or yourself may benefit from the services offered by our company.

We are in the business of purchasing future cash flows that are generated from structured settlements and annuities. As you know, many lawsuits are settled by awarding plaintiffs annuities. Our program allows your clients to sell future payments for a lump sum of cash now.

Often, attorney fees are also paid over time. We can also provide you with cash now for future payments you may be entitled to. We have no maximum transaction amount and all transactions are handled in a confidential and professional manner.

Should you have any questions or if we can be of assistance, call us at the number on the enclosed business card. We would be happy to discuss any situation and provide you with a quick, no-obligation quotation.

Sincerely yours,

SAMPLE ANNUITY OR LOTTERY LETTER

January 1, 2009
Mr. Annuitant or Lottery Winner
123 Main Street
Anytown, USA 12345

Dear Mr. Annuitant or Lottery Winner,

Our company, ABC Funding, is in the business of purchasing future payment streams that result from ***personal injury lawsuits/lottery winnings***.

We specialize in providing a lump sum of cash now for future payments paid by ***insurance companies/lottery commissions***.

We have helped numerous individuals reach their financial goals by selling future payments. These individuals have been able to purchase new homes, buy new cars, send their children to college, consolidate bills, and purchase many other necessities and luxuries.

We offer you the option of selling all or part of your remaining payments. We will tailor a buyout that benefits you, the client.

Our records indicate that you are currently receiving payments from a ***structured court settlement/lottery winning***. If you are interested in receiving a lump sum of cash now, please call one of our customer service representatives today at (555) 123-4567.

We will be happy to give you a free, no-obligation quote of your ***annuities/lotteries*** present-day value. Call today!

Sincerely,

Business Note Solicitation Letter

January 1, 2009
Mr. Business Broker
ABC Business Brokers
1111 Main Street
Any Town, USA 12345

Mr. Business Broker,

The purpose of this letter is to introduce my company (ABC Funding) to you.

We are in the business of purchasing privately-held business notes. We provide a lump sum of **CASH NOW** for the rights to receive future payments from these types of notes.

As you know, many businesses are sold with some form of seller financing. Our program allows these note holders to cash out their note. This allows these individuals the opportunity to perhaps purchase another business through you.

We have found that many times a business will not sell because it is difficult for potential buyers to obtain financing and at the same time a business owner will not finance because he wants all of his cash up front.

Our program allows you to do more business by providing the owner the option of selling his note once the deal is completed. This will result in more commissions for you.

As is the custom with all good business people, we are more than willing to offer you a referral for each business note that you refer to us.

Please call me today at (123) 456-7890 so we can discuss how we can form a mutually beneficial relationship. I look forward to hearing from you soon.

Sincerely,

Section VI

**Mortgage Purchase
Agreement
&
Mortgage Estoppel
Letter**

MORTGAGE PURCHASE AGREEMENT

This Purchase Agreement made and entered into this _____ day of _____, in the year 200_, by and between, _____(SELLER) and _____(note buyer),and/or assigns (PURCHASER), whereas SELLER is the owner of a certain deed (DEED) which secures a certain promissory note (NOTE).SELLER agrees to transfer said DEED and assign said NOTE all upon the following terms and conditions as set forth herein:

Now therefore, for and in consideration of the value to be paid and mutual benefits derived the SELLER agrees to grant the PURCHASER and/or assigns the exclusive right to purchase the note and security instrument, and the parties hereto agree to as follows:

1. PURCHASER PRICE: SELLER warrants and represents that the balance due on the above mentioned NOTE, as of _____, 2004 is the sum of \$_____.

PURCHASER shall pay to SELLER \$_____ for all remaining payments.

2. COSTS: PURCHASER will pay for the cost of the Appraisal and Title Policy.

3. SELLER warrants that all real property taxes that are due and payable have been paid. In the event, at the time of closing, there are real property taxes due and payable, then PURCHASER shall pay said taxes and deduct the amount paid from SELLER proceeds.

4. SELLER shall escrow the original DEED and NOTE to the mutually agreed-upon closing agent at the time of closing. In the event SELLER refuses to transfer the DEED or endorse the NOTE to PURCHASER at the time of closing, or SELLER cannot produce the original DEED and NOTE, then PURCHASER may terminate this agreement and SELLER agrees to pay PURCHASER liquidated damages equal to 1% (one percent) of the outstanding note balance or \$500, whichever is greater, plus any and all legal fees associated with collection of said damages.

5. CONTINGENT: This purchase shall be expressly contingent upon the following conditions:

A. The real property securing the above described DEED and NOTE shall be of sufficient value to secure the investment. The determination of sufficient value shall be the sole discretion of PURCHASER.

B. PURCHASER shall have 30 days to fully examine the SELLER'S title, original note and mortgage, mortgaged property, payment history, credit

and financial status and shall have the right to cancel this agreement if any of the same is found to be unsatisfactory to PURCHASER

6. If any of the above mentioned conditions of sale are found to be unacceptable to PURCHASER the PURCHASER shall notify SELLER and this contract shall become null and void.

7. SELLER shall keep and maintain documentation of any mortgage payments that are paid during the processing of this transaction. The purchase price that PURCHASER is paying is for all remaining payments. Any payments that are received by the SELLER during the processing of this transaction will be deducted from the agreed upon price.

8. This agreement shall be in full force and effect for a period of 30 days from the date of the PURCHASER receiving all of the documentation requested below.

- A copy of the PROMISSORY NOTE
- A copy of the DEED of TRUST, MORTGAGE, LAND CONTRACT
- A copy of the original Title Insurance Policy (if applicable and available)
- A copy of the Settlement Statement or Closing Statement (if available)
- A copy of Proof of Insurance (declaration page)
- Verification of the outstanding balance (amortization schedule)
- Payer's name, address, and social security number (if available)
- Seller's social security number (for tax reporting purposes only)
- Proof of payment history (only if note is less than one year old)
- Copies of underlying notes and balances (if applicable)

9. SPECIAL PROVISIONS _____

Seller's name _____

Buyers Name _____

SAMPLE ESTOPPEL LETTER

Mr. Note Payer
123 Main Street
Anytown, USA 12345

Property Address: 567 Broadway, Anytown, USA 12345

Dear Mr. Note Payer,

We are in the process of purchasing the interest of Ms. Note Seller, from who you are purchasing the above-referenced property. The terms of your mortgage note will not change. We are only taking an assignment of the interest of Ms. Note Seller in the subject mortgage.

To enable us to set up your account with the proper balance, payment dates, and next payment due, we ask that you review the figures noted below. If they are incorrect, please change to the correct figure and initial.

After making changes or verifying that the figures and dates are correct, please complete the phone numbers, employment information, previous address information, insurance information, and then sign where indicated.

- Principle Balance: \$59,238.70
- Interest Paid to: November 10, 2004
- Interest Rate: 8.0%
- Next Payment Due: December 10, 2004
- Payment Amount: \$621.17
- Reserve Payment/Balance: 0

Your Telephone Number: Work _____

Home _____

Your Employer & Occupation: _____

Social Security Number: _____

Hazard Insurance Company: _____

Agent's Address: _____

Agent's Telephone Number _____

Current Binder/Policy Expiration Date: _____

Premium _____

Please continue to make your payments in the normal manner until further notice.

Should we finalize this purchase, you will receive additional instructions regarding where to make your future payments.

Your prompt return of this letter is requested to enable us to properly set up your account should we finalize this purchase. If we have not received the signed copy of this letter within 5 days from the date of mailing, we will consider the information to be correct.

If you have any questions, please do not hesitate to contact us at (123) 456-7890. RECEIPT OF THE ABOVE ACKNOWLEDGED THIS _____ Day of _____, 2004.

Ms. Note Seller _____

Mr. Note Buyer _____

Section VII

Settlement and Lottery Applications

Application for Sale of Annuity Payments

Applicant's Name _____

Street Address _____

City _____ State _____ Zip _____

County/Parish _____

Home Telephone _____

How Long at Current Address _____

States and Counties resided in last 10 years?

Years States Counties Year(s) States Counties

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Current Occupation: _____

Applicant's Employer: _____

Address: _____

Phone: _____

Annual Income: \$ _____

Driver's License No.: _____ State: _____

Social Security No.: _____ - _____ - _____

Birth Date: ____ / ____ / ____ Birth State: _____

Marital Status /Single / Married

Since _____ / Widowed / Divorced

Maiden Name (if different) _____

Have you been divorced since the settlement? yes no

Divorce Attorney's Name _____

Address _____

City _____ State _____ Zip _____

Next of kin not living with you:

Name _____ Relation _____

Address _____

City _____ State _____ Zip _____

Phone (include area code) _____

Two Non-Family References

Name _____ Phone _____

Address _____

City _____ State _____ Zip _____

Name _____ Phone _____

Address _____

City _____ State _____ Zip _____

Settlement Attorney's _____

Name _____

Address _____

City _____ State _____ Zip _____

Telephone _____ Fax _____

Please detail below the reason you are entering into this transaction.
Be specific as to why this funding is important to you.

Phone number _____

SPOUSE (Place former spouse's name if divorced or deceased)

Spouse's Name _____

Maiden Name (if different) _____

Driver's License No.: _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Address (if different) _____

City _____ State _____ Zip _____

Annuity is a result of: (Check one)

Court Judgment / Out of Court Judgment /

Please list all sources of income.

Do you depend on the Annuity payments for medical necessities?
/ Yes / No

If Yes, please explain.

Describe the payments you wish to sell.

Specify the amount of money you need to raise to satisfy your financial need.

Do you have any tax liens or unpaid taxes: Yes / No

If yes, please explain.

Do you have any unpaid child-support obligations?

Yes / No To Whom: _____

If yes, please specify amount and term remaining.

Do you have any liens or judgments against you? Yes / No

If yes, please explain.

Have you ever filed bankruptcy? Yes / No

If yes, detail when and where and attach proof of discharge.

Can you maintain your standard of living after selling your annuity payments? Yes / No

Do you have a disability that prevents you from working? Yes / No

If yes, please explain.

Has your annuity ever been garnished? Yes / No

If yes, please explain.

Have you ever sold, assigned, pledged or borrowed against your annuity payments? Yes / No

If yes, please explain.

Annuity Information

Insurance Company that makes your payments

Name _____

Do you have an Account Representative? Yes / No

Name of Account Representative _____

Telephone _____

Policy Number _____

Are you currently involved in litigation? Yes / No

If yes, please describe.

Have you ever been convicted of a felony? Yes / No

If yes, please explain.

To what address or bank does the Insurance Company now send the payments?

Name _____

Address _____

City _____ State _____ Zip _____

Home Attorney's Office Direct Deposit

For monthly payments, what day of the month do you usually receive your annuity payment?

What is the date of the final guaranteed payment?

Do payments continue after the guaranteed period for the life of the Annuitant? Yes / No

Was your settlement the result of a workers compensation claim? Yes / No

Besides the Annuitant, were others listed as plaintiffs in the original Settlement Agreement? Yes No

If yes, who? _____

Policy Owner's Name _____

Who is listed as the Annuitant on the policy? Yes / No

Who is listed as Measuring Life on the policy?

Who is listed as Payee on the checks?

In the event of the Annuitant's death, who is listed as Beneficiary on the policy?

Name _____

Address _____

City _____ State _____ Zip _____

Phone Number _____

Does the Settlement Agreement specifically allow for a change of Beneficiary? Yes / No

Have you every changed the Beneficiary? Yes / No

If yes, from whom to whom and when was the change made?

Do you have a Will? Yes / No

If yes, who is the named beneficiary of your Annuity Payment?

Where did you first hear about us?

Required Information for funding.

PLEASE ATTACH TO APPLICATION

- The Annuity Policy
- The Executed Release / Settlement Agreement
- A copy of your most recent Annuity Check or Check Stub. If direct deposit, attach copy of bank statement showing deposit
- A copy of front forms of identification (one must be clear photo I.D.)
- A copy of Marriage License (if applicable)
- A copy of Divorce Decree(s) / and property settlement(s) (if applicable)
- A copy of Will and Probate Papers if you are receiving payments as the result of a probated estate
- A copy of the Court Judgment (if applicable)

- Copies of any Assignments, Revisions, or other important papers related to the Annuity or
- Settlement Agreement, and Bankruptcy discharge papers, if applicable

Authorization to Conduct Credit and Criminal Background Check

I hereby authorize the designated representatives to conduct any and all criminal background checks and any and all credit history reports, searches, or checks which it, in its sole discretion and judgment, deems necessary or advisable.

Authorization to Release Information

I hereby authorize the designated representatives or any of their successors, assigns, designees, agents or administrators to disclose, make available and furnish to them any and all information pertaining to my settlement as set forth. I specifically direct that the Annuity Issuer and Annuity Owner or any of their successors, assigns, designees, agents or administrators cooperate with the purchasing company listed below regarding disclosure of information pertaining or related to my settlement.

Please provide copies of any and all documents requested by the company listed below regarding my settlement.

This also authorizes The note Buyer to contact next of kin for date resources.

Acknowledgement of Fraud Prevention System Inquiry

I hereby acknowledge that the National Association of Settlement Purchasers maintains records of individuals who sell, assign or otherwise hypothecate structured settlement annuity payments.

I authorize you to check the records of said association for such activity.

By signing below, I / we certify that all of the information provided above is true and correct.

I / we understand that any intentional misrepresentation on my / our part will result in the immediate cancellation of the assignment.

Applicant's Signature _____

Date _____ / _____ / _____

Spouse's Signature _____

Date _____ / _____ / _____

Lottery Application

Winner's Information

Winner's Name: _____

Street Address: _____

City: _____ State _____ Zip _____

County/Parish: _____

Home Telephone: _____

Driver's License No.: _____ State _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Current Marital Status

Single / Married Since _____

Widowed / Divorced

Maiden Name (if different) _____

Have you ever been divorced or widowed since you won the reward? Yes / No

If yes, former spouse's name _____

Current Spouse:

Spouse's Name: _____

Maiden Name: _____

Driver's License No.: _____ State: _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Address (if different) _____

City: _____ State: _____ Zip: _____

Lottery Information

Winner's Name: _____

Date of Drawing: _____

Total Prize (before taxes): \$ _____

Gross Amount of Your Check: \$ _____

Net Amount of Your Check: \$ _____

Date of Initial Payment: _____

Frequency of Payments: _____

Date of Final Payment: _____

Date Each Payment Received: _____

Was the winning ticket shared with others? Yes / No

If yes, how many winners? _____

Are the payments being made to a trustee? Yes /No

If yes, who is the trustee? Name: _____

Address: _____

Have you ever sold, assigned borrowed or garnished from your lottery payments?: Yes /No (If yes, explain)

Have you paid all of your federal, state, and local taxes derived from your lottery payments? Yes / No

How did you hear about us?

Radio / TV / Internet / Friend / Advisor / Newspaper

-If Newspaper, which one? _____

Comments:

Documents required for funding:

- Lottery Award Letter (from state lottery commission)
- Option Agreement (signed)
- A copy of your most recent Lottery Check or Check Stub
- If direct deposit, attach copy of bank statement showing deposit
- A copy of front page of most recent tax return
- Copies of two forms of identification (one must be clear photo I.D.)
- A copy of Marriage License (if applicable)
- A copy of Divorce Decree(s)/ and property settlement(s) (if applicable)
- A copy of the will and Probate Papers if you are receiving payments as the result of a probated estate
- Copies of any Assignments, Revisions, or other important payments related to your lottery winnings
- Copies of all important papers related to your bankruptcy discharge (if applicable)
-

Authorization to Conduct Credit and Criminal Background Check:

I hereby authorize the designated representative to conduct any and all background checks and credit history reports, searches, or checks which it deems necessary or advisable.

Authorization to Release Information:

I hereby authorize the designated representatives or any of their successors, assigns, designees, agents or administrators to disclose, make available and furnish to them any and all information pertaining to my lottery award as set forth. I specifically direct that the Lottery Commission or any of their successors, assigns, designees, agents or administrators cooperate with the purchasing company listed below regarding disclosure of information pertaining or related to my lottery award payments. Please provide copies via fax or otherwise of any and all documents requested by the company listed below regarding my lottery award payments. This also authorizes the note buyer to contact next of kin for data resources.

Applicant's Signature _____ Date ____ / ____ / ____

Spouse's Signature _____ Date ____ / ____ / ____

Section VIII

Commonly Asked Questions

Q: Am I an employee

A: No, you are an independent contractor with no quotas to maintain.

Q: Do I need to you a W-9 Form?

A: We encourage you to do so, but it is not mandatory until you get your first deal.

Q: How do I register my company name?

A: You can do that at your county courthouse - ask for an Assumed Name Certificate.

Q: Do I need a license to purchase notes?

A: No, currently there are no licensing requirements in any State for note buyers.

Q: Do you purchase other income streams in addition to the ones listed?

A: We will consider other notes on a case-by-case basis.

Q: Can I market my business anywhere in the United States?

A: Yes, we do not have restrictions or geographical boundaries / territories.

Q: May I set up my own web page on the Internet?

A: Absolutely. We encourage you to do so.

Q: How soon will I get paid after a transaction closes (funds)?

A: You are wired your funds (or sent a cashier's check) within 24 hours of closing.

Q: Do you have any helpful hints?

A: Yes: always conduct business in a professional manner. Answer the telephone with your business name. Do not let children answer this line or let them be heard in the background. If you do not have enough money to set up a separate telephone line, call the phone company and request a 'distinctive ring' on your existing line. This will allow you to know when you have a business call and only costs a few dollars.

Q: What is the biggest key to success in this business?

A: Perseverance. Don't give up! Sometimes it takes a while to get established and for your advertising to pay off. We recommend that you start with small classified ads or free Internet adverting and get comfortable conversing with potential clients. Then build up to larger classified advertising and a website of your own. We believe in investing commissions to increase advertising and exposure.

GLOSSARY OF TERMS

Amortization Schedule : A month-by-month breakdown of principle and interest to be paid on a note, as well as the balance after payment is made.

Annuitant : The person receiving payments from an annuity.

Annuity : Income stream paid over time by an insurance company.

Assumed Name Certificate : A name that a contract buyer registers with his/her local courthouse that allows him/her to do business using that name.

Balloon Payment : A lump sum payment that pays off a note in full.

Beneficiary : A person who is designated to receive a payment or payments.

Credit Score : A number that is assigned to an individual's credit report that rates their likelihood of repaying a debt.

Collateral : Something that is used to secure a loan or note.

Debt Ratio : An individual's total debt in relation to their income.

Discount : Purchasing a note for less than the face value.

Estoppel Letter : A letter that is sent out to the payer of a mortgage note prior to funding the transaction. This letter asks the payer to verify the balance, interest rate on the note, payer's work numbers, etc.

Equity : The difference between what a property is worth and how much is owed on it.

First Position Note: Refers to a note that takes precedence over all other liens and notes. Note Buyers will only purchase first lien position notes.

Hypothecate : The process of buying a property with borrowed funds, using that very property to secure (collateralize) the loan.

Income Stream : Any kind of note that is paid out over time: same as 'payment stream'

Loan To Value : Also referred to as LTV. This is the ratio of the loan amount to the value of the property.

Mortgagee : The person or investor who receives the payments from a mortgage.

Mortgager : The person who owes (makes the payments) on a mortgage.

Owner Financing (Seller Financing) : When the seller of a property or business finances the sale of that home or business.

Paper : A slang term for notes.

Partial : The purchase of a portion of an income stream's remaining payments, or the purchase of a portion of a specific payment, or any combination thereof.

Retail Quote : A quote that is net to the you. Neither you nor note seller is responsible for any closing cost or processing fees for that transaction.

Seasoning : Refers to the length of time a mortgage note or business note has been in place and paid on.

Second Position Note : Refers to a mortgage note that is 'behind' another note on the same property.

Sole Proprietorship : An individual operating a business as a business entity.

Time Value of Money : A financial concept that addresses the way the value of money changes over a period of time. It determines how much a future payment is worth in today's dollars.

Title Insurance : Insures that a piece of property is free and clear of any liens.

UCC-1 : Uniform Commercial Code Form One. This document is filed at the county courthouse and lists items that secure a business loan. For example: On a restaurant note, you would find items such as tables, chairs, dish machines, etc. This filing places a lien on those items so that the buyer of the business cannot sell them. This lien is released when the note is paid in full.

Underlying Note Balance : This occurs when a note holder of a mortgage is still making payments on another note (the underlying note). For example: If a person sells a property for \$100,000 and takes back a note but still owes a mortgage of \$20,000, then this balance is the 'underlying balance'. We must pay this balance off at the time the deal is funded so that we will be in the first position.

Contact Details

As the 'note buyers' that we use may vary from time to time depending upon the type of note being offered. If you fax or email the quote sheet directly to me and I will then negotiate the best possible price from the various note buyers and give you a quote directly from the appropriate buyer within 48 hours from the time I receive it from you. I will then forward to you the cash pay price the note buyer is prepared to pay and you then subtract your commission (I suggest \$1000 to \$2000) from the quote that you receive and then quote the difference (the lesser amount) to the note holder.

Remember that you don't necessarily have to do the legal ground work yourself (refer page 10 -11) When your offer is accepted, you have three different choices as to proceed.

1. Refer the information about the deal to us and we will do everything
2. Gather the documents listed below and submit them to me
3. Combination of number 1 and number 2

The Note buyer is happy to complete the process and you still get your fee no matter what you do because you get paid for finding the seller not the buyer. You will however need to provide the following information:

1. Note holder's name and telephone number
2. Best time to reach note seller
3. The Price accepted by note seller (after deducting your fee)

The fax number and my contact details are below. I suggest you copy off the various quote sheets and have them handy so you can get the right details when required. You can email the quotes directly to me if you wish (as an attachment) as that will speed up the process. Feel free to contact me any time.

All the best, for your future financial success.

Peter V Crisp



Peter V Crisp AREINZ MPINZ
Master Property Studies
International Real Estate Trainer & Investor
Speaker & Author

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