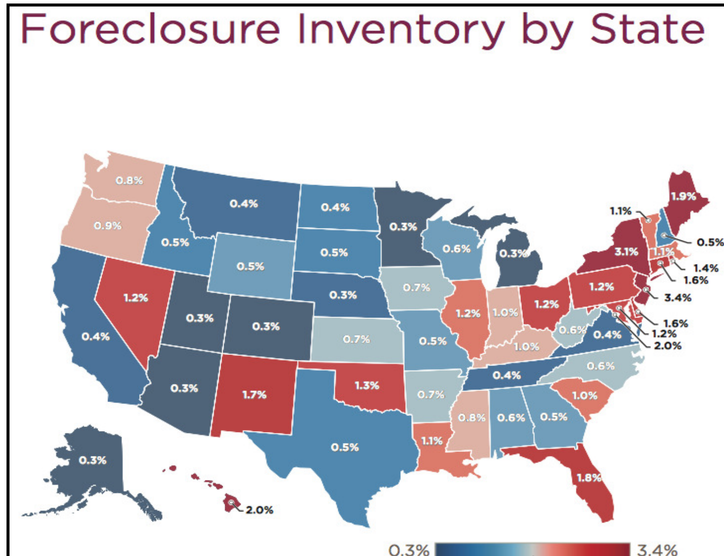
The Paper Source

The News Of The Note Business

September, 2016 Our 30th Year

The best states to find non-performing notes are, not surprisingly, those with the most foreclosures. So far this year they are Massachusetts, Ohio, Connecticut, South Carolina, Illinois, Florida, Nevada, Maryland, New Jersey, and — in the number one spot with a foreclosure rate of 1 in every 570 housing units, is — Delaware. **tinyurl.com/foreclosures-q2**



If you are in or near Delaware, be sure to take Phil Drew's note course. He's one of my best friends and one of the finest, most ethical teachers you could have. Email me and I'll put you in touch with him: wjm@PaperSourceOnline.com

As you know, if you buy or originate a mortgage you may have to follow certain requirements under Dodd-Frank. This is complicated. Here's a flowchart that might help: **tinyurl.com/zhh5kq4**

Does Dodd-Frank apply to notes on vacant land? Sometimes, and sometimes not. Go here for an in-depth analysis: **tinyurl.com/d-f-vacant-land**

Good news for investors in and houses: 90 days past due mortgages dropped 21.3% in the past 12 months. Foreclosure inventory is at its lowest point since August 2007. Affordable housing is behind demand. This leads to sustained rental demand for SFRs, rising rents and increased equity for investors in notes secured by SFRs. More at **bit.ly/2c5ra6z**

Summit Valuations has joined THE PAPER SOURCE family of "must-have" resources. Summit will help you in note purchases, collateral review, risk assessment, portfolio analysis, value reconciliation, funding decisions, servicing, asset acquisition, sale and trade decisions. To find out more, contact Randy W. Gregorek at 847-716-5464 or e-mail Randy.Gregorek@SummitValuations.com

"No one owns any land, however many titles and deeds you have, because in the US there's no such thing as allodial title anymore. The state has usurped your right to own land. If you think you own land, just refuse to pay the land tax one year and see if the REAL owner doesn't show up and take possession. There are NO property rights (save those the state finds it expedient to grant temporarily) if you do not indefeasibly hold the property, safe against all comers including the state. Eminent domain (where they take your house so some statist crony can build a shopping mall or pipeline or road) and property taxes kill property rights. The power to tax is the power to destroy, & thus the state has destroyed your right to own property. Through inheritance taxes and income taxes they can make sure, Mushrooms, that y'all never acquire an estate or property & keep you in your place. If you do, they'll steal it from your heirs soon as they put you in a box." — Franklin Sanders **the-moneychanger.com**

Franklin's reference to "Mushrooms" is a term some stock brokers use to describe how they rip off their clients; they "keep them in the dark and feed them shit."

Cheers,

Bill

W. J. Mencarow

Gift WRAPed

by Tom Henderson

In the past couple of issues of THE PAPER SOURCE JOURNAL we discussed different ways of purchasing wraps. In this issue we will examine the financial benefits of selling property using a wrap, as opposed to a second lien.

I call a wrap around mortgage (or wrap, for short) a gift, because you will be earning interest on money you do not lend. A great gift, don't you think? A wrap around mortgage is also called an All Inclusive Trust Deed (AITD) and a "Tootsie Pop" mortgage.

A wrap is nothing more than a junior lien that "wraps" around senior liens. **In essence, a wrap works like this:** The buyers make you a monthly payment for the wrap note. You then make the underlying payments and have a cash flow of what is left. Because your wrap lien includes the underlying senior lien(s), you will be collecting interest on the spread between your junior lien and the senior liens. Hence, the "all inclusive" term. By collecting interest on money you do not lend you will greatly increase your yield, as we will later plainly see.

For example, if you had a property worth $100,000 with a mortgage of $70,000 you would have equity of $30,000. Not taking the due on sale clause into consideration, the terms are at 7% with payments of $629.18 for 15 years. Bob and Betty Buyer have offered you $100,000 with 10% down and want you to finance the rest. You have two options to make this deal work. One is for you to take back a straight second with the Buyers assuming the 1st. The other is to take back a wrap around mortgage, where the Buyers would be paying you monthly payments, and you would be paying the underlying lien. Which would offer you the better yield? Let's look.

You are receiving 3% on $70,000 that is not your money!

If you structure the deal where the Buyers put their 10% down and assume the 1st lien of $70,000, you would then carry a 2nd of $20,000 at 10% interest with payments of $214.92 for 15 years. You would be receiving a 10% yield. Here is what the note would look like:
N = 180
I/YR= 10
PV = -$20,000
PMT = $214.92
FV = 0

Instead, what if you used a wrap around mortgage? You would carry a $90,000 note that would include the senior lien of $70,000 plus the $20,000. Your wrap note would look like this:
N = 180
I/YR= 10
PV = -$90,000
PMT = -$967.14
FV = 0

With the $967.14 payment, you would make the underlying payment of $629.18. Subtracting the $629.18 from the $967.14, you will enjoy cash flow of $337.96. By structuring the transaction as a wrap, you have increased your cash flow from $214.92 to $337.96. That is $123.04 more a month!

But how is this possible since both the 2nd lien note and the wrap were at 10%? In the first example, you are receiving 10% on only the $20,000. By using a wrap, you are not only receiving 10% on the $20,000 but also the spread of 3% (10%-7%) on $70,000, which is money you did not lend. YOU ARE RECEIVING 3% ON $70,000 THAT WAS NOT YOUR MONEY!

Let's see what your yield will be: Remember you have a $20,000 2nd and are receiving $337.96 monthly for 180 months. After we identify the variables, we will solve for I/YR:
N = 180
I/YR= 19.09
PV = -$20,000
PMT = $337.96
FV = 0

WOW! You will enjoy a yield of 19.09%, while Bob and Betty Buyer are paying only 10%. Do you understand why I call wraps a gift? There is a gift of an extra 9.09%.

There are several ways to structure wraps. This example is the least complicated, where you had N on underlying liens coinciding with the N on the wrap. You could also have the wrap longer than the underlying, where the underlying lien is paid off at some point, and you keep the entire wrap payment. That can be real fun. You could introduce

My Script For Note Holders

by Denny Stanz

Advanced Seller Data Services (notesellerlist.com) reported in a recent issue of THE PAPER SOURCE JOURNAL that 85% of all owner financed transactions in 2015 were Mom and Pop transactions. Many have no idea they can sell their note and cash out until they have contact with someone like me who is in the note business. They almost always ask “how does this work?” and/or “what is the process?” This is what I tell them:

"This is how it works. If you decide to sell your note to anyone in our business, your note will be discounted. You will get something less than the current principal balance. Are you aware of this? (It's 50/50 he knows.) The reason is very simple - **risk.** There is a big risk in carrying back a note like you did or in buying a note like we might. The biggest risk you and we face is that your buyer stops paying. And, when that happens, the possible nightmare begins. So we have to measure that risk, and based on that evaluation decide how much we are willing to pay.

“To give you an idea of where the market is today on pricing, note prices fall into a very broad range. Roughly, most noteholders get somewhere between 60%-85% of their current principal balance. Some people may get less because of all the risk factors associated with their transaction. Some people may get more than the high point because of the strong note terms, great property, big down payment, etc.

“The specific price for your note depends on a lot of factors - type and condition of the property you sold, size of the down payment, credit worthiness of your buyer, favorable or unfavorable terms for you, documents are in order, etc. When things look great, the pricing will be near the top range. If you have a little glitch or two, the pricing should be in the mid range, and if your situation looks pretty risky, the pricing will be towards the bottom range. Typically, nothing changes for your buyer - the note terms stay the same - he just sends his monthly payment elsewhere."

I will then ask a few basic questions to determine whether he has a note that is marketable. If he does, I will probably tell him in which of the 3 price ranges he falls. I will ask if he wants a specific price so he can make a decision. If he says yes, I will ask for a copy of the signed note and closing statement so I can confirm all the numbers, then ask some detailed questions. Lastly, I do a little research, put all the info together and get the noteholder some pricing. If he accepts the offer, we do our formal due diligence — run credit, order a property evaluation, collect all the documents, do a title search/update, and hopefully close in about 30 days. We typically close the transaction using the same title company that handled the owner financed transaction or we will send the closing documents directly to the seller with a cover letter if he is comfortable closing that way. Funds are released via a wire transfer to the seller's bank account.

Denny Stanz is a California note investor and president of CaliforniaNoteCompany.com. Visit the website to subscribe to his FREE newsletter or e-mail dennystanz@verizon.net

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Tom Henderson

balloons, graduated payments, or an endless amount of combinations. These combinations can give you even extra gifts.

A wrap note also gives the property seller a little more protection because he/she has full control in paying the underlying lien.

Yes, there are disadvantages to wraps, which is another topic for discussion. In this lesson I wanted to demonstrate how a wrap works and how you can use a wrap to increase your yield.

A wrap is another arrow in your “investment quiver.”

As always, obtain competent legal and tax advice when venturing into the world of owner financing, especially wrap around mortgages.

Tom Henderson has been buying notes and real estate since the 1980s. His “tell it like it is” approach has made him a much sought-after speaker, author and instructor nationwide. Contact him at hpNOTES.com *if you need help with structuring or selling your notes.*

21 Tips For Real Estate Note Investing

Part I

by Tracy Z Rewey

#1 – Learn From Others
There is no reason to reinvent the wheel. Learn and network with other investors to find the opportunity and minimize the risk.

#2 – Plan To Market
Speaking of wheels, your note investing vehicle won't be going anywhere without some marketing efforts. Some tried and true methods of finding notes are direct mail, referrals, ads, and online. Whatever your methods of choice – plan to grease those marketing wheels often.

#3 – Know Your Type
What is your risk tolerance? Are you investing with Vegas money or grocery money? For slow and steady think 1st position performing notes on residential properties with good equity. Higher risks deals (low equity, 2nd liens, and NPNs) come with more headaches and volatility, so get compensated accordingly.

#4 – First Refer A Deal
Before investing your own funds get some hands-on experience. Start by referring a deal to another note buyer and earn a referral fee. Once you understand the process then consider note investing for your own portfolio or with retirement funds.

Take a 10% return and turn it into 20% by incentivizing the payor.

#5 – Discover The Why
Get direct with the note holder to find out why the note is being sold. Does the seller need the money for another investment? Are their financial challenges? Is there a certain sum that will solve the seller's needs or wants? Understanding the why will provide insights valuable to both deal structuring and due diligence.

#6 – Talk To The Payer
Get permission from the note holder to talk to the person making the payments. You will be surprised the things you will learn. They might be in the process of refinancing (think early payoff), just lost their job (better rethink that ITV), or stopped making payments a year ago (funny the seller didn't mention that). Know the good and the bad before writing that check.

SAVE THE DATE!
April 27-29, 2017, Las Vegas
The Paper Source Note Symposium
Where The Industry Meets
www.PaperSourceSeminars.com
800-542-2270

#7 – Verify Everything
Some sellers lie. Sometimes it's on purpose, sometimes it's by omission, and other times they just don't know the facts themselves. Make it a practice to verify everything – taxes, insurance, payment history, property value, and terms to name a few.

#8 – Embrace The Boring
Due diligence can seem tedious and mundane. So can brushing and flossing every day. But we do it anyway. Why? Because it is essential to good health and preventing bad breath. Establish a transaction checklist and follow routine due diligence procedures to ensure a healthy investment (and to avoid the deals that stink)!

#9 – Plan For The Worst
If the note stops paying you get to take the property back. Of course, it takes time and money to initiate foreclosure, and there is inevitably some fix-up or back taxes. There are no TARP funds for private investors. Be sure to keep the Investment-to-Value (ITV) at a level that allows you to get out whole at the end of the day.

#10 – Partials Are Your Friend
You don't need to buy all the payments remaining on a note. Partial note purchases can be both the safest and most profitable transactions.

#11 – Master The Time Value Of Money
Learn how to run a financial calculator. Understand the 5 keys to

Promissory Notes As Tax Planning/Saving Tools

by Lawrence Tepper, CCIM

The scenario: The father's self-directed IRA account contains money taxable upon withdrawal. The father's goal is to transfer wealth to his son at reduced tax cost to both parties.

He loans $250,000 to his son's business, a Limited Liability Company, secured by real estate. The note comports with the Internal Revenue rules relating to intra-family loans. Intra-family loans must adhere to the prescribed minimum interest rates published monthly. These rates are called the "Applicable Federal Rates" (AFR) and are set very low. The interest rate used is 2.57%, the duration is nine years.

Applicable Federal Rate - AFR

Interest on loans should not be less than the AFR for the loan to be considered a taxable event and not a gift by the IRS. The IRS publishes these rates monthly in accordance with section 1274(d) of the IRS Code.

The unpaid principal plus accrued interest may overstate the value of a promissory note.

The son now has $250,000 available for investing that has not triggered a gift tax because it is a loan. He proceeds to invest the funds in his business. If he had borrowed from a bank his interest rate would be substantially more than 2.57%, perhaps 5.5 % to 7.0%, plus closing costs and origination fees. Assume his business earns 10.0% annually on the $250,000, he is earning an extra 7.43% on $250,000 or $18,575.00.

The Father's Next Step

The father's goal is to roll this note from his traditional IRA account into a Roth IRA account. Doing this is a taxable event. The IRS requires that the Fair Market Value of the promissory note be determined by an independent promissory note expert who is a "Qualified appraiser" that can provide a "Qualified appraisal report." The tax owed for doing the roll-over will be based on the note's FMV.

Fair Market Value Defined

The definition of "Fair Market Value", as defined by IRS Regulation Section 1.170A-1(c)(2), is "the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts."

Fair Market Value Differs From Book Value

Book value, cost, and unpaid balance owed are all accurate historical facts. Their accuracy is not in dispute. But, Fair Market Value (the IRS's preferred definition) is

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Tracy Z Rewey

cash flow calculations and how to structure deals to increase yield and ROI. Go to Go to **tinyurl.com/ calculate-cash-flows**

#12 – Encourage Early Payoffs

When you buy notes at a discount an early payoff can mean increased yields. Take a solid 10% return and turn it into a 20% return by incentivizing the payer. We've used discounted payoffs, lower interest rates, and even a TV to encourage the payer to accelerate the amortization.

CONTINUED NEXT MONTH

Tracy Z. Rewey has been buying and selling notes for over 25 years. She helps people master the financial calculator for increased profits with step-by-step tutorials in her **How To Calculate Cash Flow Notes** *online training.*

Tracy's new course is *How to Calculate Cash Flows* — the most complete calculator training you can get. With it you can learn the secrets of calculating cash flows to maximize profits and return on investment. Go to tinyurl.com/calculate-cash-flows for all the details.

There is a real estate broker I might want to sign with as a licensed agent, and she believes her errors and omissions insurance does not cover her liability for my activity in note brokering. Unless it does, she is not interested in being my broker.

Any insights on E&O insurance as it applies to note brokering? — Robert Oberhand

Answer by Jeff Armstrong

In the early 1990's I did some research on E&O insurance for a note broker, and at that time I found some for $5,500 per year. I DID NOT get it, for a couple of reasons.

First, as a note broker I am not filling out any legal forms that anyone is going to sign, nor am I creating any legal documents.

Second, the note investor is the one that prepares and creates documents for the note holders to sign, and any errors and omissions would be on their part, which I have nothing to do with.

Third, there was no way I was going to spend $5,500 (nor did I have it to spend) before I even closed my first transaction.

With that said, I have never had a reason in 26 years of doing the business to have E&O insurance.

Lawrence Tepper

(Continued from page 5)

concerned with the note's *"market value," its current salable value, not its historical cost or its unpaid balance.*

Valuation Discount Factors

The interest rates on the note is below comparable market rates; the notes is signed by the LLC; the nine year duration is longer than a typical private note; the payments are annual, not monthly; the annual payment are based on a 30 year amortization schedule; a large balloon balance will be owed in nine years; no default penalties are provided in the note; no financial information relating to the LLC's is provided.

These deficiencies and defects caused the Fair Market Value of the note to be significantly discounted. A typical note investor would not buy this note because it does not provide reasonably periodic income, at a market rate of interest, with a low probability of default, and supporting financial information. Only a note speculator would be a potential buyer for the note.

A note speculator assumes a large risk if he perceives a potential large profit. A note speculator will pay thirty cents on the dollar for this note; the discount would be 70%; the Fair Market Value of a $250,000 note would be $75,000. ***The taxable Roth roll-over event was reduced by $175,000 based on the Fair Market Value appraisal.***

Conclusions

· The Fair Market Value of a promissory note is usually less than its unpaid balance plus accrued interest.

The IRS calculates many taxes on Fair Market Value, not on cost or book value.

Many CPAs and attorneys are unaware that promissory notes are not "valued" at what they appear to be; often they over-value the note and over-pay the tax.

An experienced, qualified promissory note appraiser can produce a Fair Market Value report that comports with the IRS definition and regulations.

Lawrence (Larry) Tepper specializes in appraising promissory notes nationally. He has more than 35 years experience in buying, selling, brokering, and appraising notes nationwide.

He holds a law degree with an accounting minor, is a licensed Colorado real estate broker and holds the prestigious Certified Commercial Investment Member (CCIM) from the National Association of Realtors.

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Why A Slow Start Is Better

by Jeff Armstrong

During my professional life slow wins and uphill fights have been the norm. It's difficult in the moment, but I wouldn't want it any other way. Fun, fast, and easy may be tempting, but becoming successful too quickly is usually detrimental. A slow start offers the time and testing it takes to build the right infrastructure for success in the note business. Without it our skills, resources, and character will all come up short eventually — usually sooner than expected and sometimes to disastrous results.

If you find yourself coming out the gate more sluggishly than you want, consider these blessings of a slow start:

It forces us to rise to the occasion. Obstacles force decisions. Do we go on or not? Do we play full out or quit the field? If we answer the right way, a challenging start makes for a better win because it forces us to give our best.

We find weaknesses we otherwise wouldn't notice. Testing exposes fault lines. Whether it's our systems, our offering, our team, or our own character, the challenge of a slow start can help us locate areas in need of improvement. We all have them, but we rarely go looking for them on our own.

We discover resources we didn't know we had. Tough times put our creativity, endurance, and courage to work in ways easy times don't. When Heather Kampf fell down in the 600 meter dash and still caught up to win the race, she said, "I hit a gear I never knew I had." We only become aware of what's possible when we try to do what seems impossible.

We come up with unique solutions we wouldn't otherwise have. Julian Simon called human creativity the ultimate resource, but sometimes— oftentimes — it takes outside circumstances to maximize that resource. When Armstrong Capital moved slower than I wanted, I had to come up with several strategies that drove better results, but the circumstances inspired the extra creativity.

We forge new relationships. That extra reliance inside a team can fortify those relationships, but the same goes for external partnerships. As we seek to push through the slog, we often rely on outside help. But it's get and give. And the more you give to help others in the same situation, the stronger those bonds become.

It's an opportunity to grow our leadership. Everything I've listed so far speaks to leadership. As we push past a slow start, we develop our leadership intuitions and skills — and not just leadership of our teams, partners, and affiliates, but our self-leadership as well.

We develop resilience. The more times we overcome difficulties in business and life the more capable we are at overcoming whatever comes next. Long-term success requires resilience, self-confidence, and personal fortitude. Every slow start is a chance to develop the traits that will root us down deep and help us stand through life's storms.

Whenever we're tempted to fume or badmouth a slow start, it's important to remember that the very challenges we face help us build the personal and organizational foundation we need for long term success in the note business. Without it, we're all tree and no roots. When a straight-line wind hits us, we'll eventually topple. Remember, success demands action! Keep on marketing, it's going to work! TWITA! (That's What I'm Talking About!)

Jeff Armstrong of Armstrong Capital has been a note broker and investor specializing in the seller financed note industry since 1991. He can be reached by email at info@armstrongcapital.com. For more updated and current information on how he can help you with your note business, your note investments or to request a quote on a note you currently have visit armstrongcapital.com.

> *"For the preaching of the cross is to them that perish foolishness; but unto us which are saved it is the power of God." — I Corinthians 1:18*

Tale From A Remainderman

by Dana Barnes

One of the benefits of being a note broker is that you can set up residual income by holding onto pieces of notes throughout your regular course of business.

The following is one such deal that was 20 years in the making: it began in 1995 and came to a head in late 2015:

Back in 1995, I was contacted by a Realtor who was trying to sell a single family house that needed work. She had an offer from a pastor who was interested in turning the house into a church. The house was on a relatively large parcel of land within a neighborhood, and the pastor hoped to someday build a new church building on the front part of the parcel with this existing house becoming the rectory. This buyer could not qualify for bank financing so they were asking the seller to hold the first mortgage.

The house was owned by an estate, which had three beneficiaries who were not getting along with each other. In fact, one of the beneficiaries would not talk to the other two without an attorney present.

Clearly, the house had to be sold, and the sellers only wanted cash. After some negotiation, a deal was structured to satisfy all parties:

The Mortgage Is Created

The parties negotiated a price of $95,000. The buyer would put down $7,000, and the seller would hold the first mortgage of $88,000. The mortgage would be written over 30 years at 10.00% (there were higher interest rates back in 1995!) with a 20-year balloon of $58,438. The mortgage would be sold at the closing for cash.

Try to build these remainderman interests into your business model. Earning residual income on a regular basis is a great way to enjoy the benefits of your note business.

As the note broker, my job was to negotiate a price to buy the mortgage as well as package the loan to sell it to a note buyer.

How I Maximize My Profit

At that time, one of the largest note buyers in the country was Metropolitan Mortgage and Securities of Spokane, Washington. They agreed to buy this mortgage at a 12.25% yield with a 75% ITV limit.

From my standpoint, I was interested in maximizing my proceeds at the closing, but I realized that with the ITV limit, I would have to hold some of that 20-year balloon payment in order to maximize my profit (or just let Metropolitan have it).

I ended up buying the entire note at the closing for $66,000. I sold the 20 years of payments and $20,000 of the balloon to Metropolitan for $70,787. I earned $4,787 at closing and retained $38,438 of the balloon payment due 20 years later.

Although I assigned the entire note to Metropolitan, I did record a 'Memorandum of Interest' at the land records putting title searchers on notice that I did have an interest in the balloon payment. I was the remainderman in this 20-year balloon payment.

Track Your Partials!

I do recommend checking on your remainderman interests periodically. I checked on this one at about the 10-year point, and it was still performing. I kept it in the long-range file and checked again in November 2015 when the balloon was about due. I searched the land records to see if the mortgage had ever been assigned. As it turned out, Metropolitan had sold the loan to The Associates in 2000 (Metropolitan had gone out of business). The Associates sold the loan to Mortgage Funding in 2004 (The Associates got out of the note investing business too). Mortgage Funding still held the loan in 2015, and there were no foreclosure filings, etc. The loan seemed to be performing, and the balloon was now due.

The Mortgagor Refuses To Pay

I then contacted the pastor (the buyer of the house in 1995) to re-introduce myself and to find out where they were regarding selling or re-financing the property. The pastor informed me that they did not know

that there was a balloon payment, and subsequently their attorney informed me that the loan would not be paid off as agreed. Further, they were demanding that we take out the balloon payment so they could continue to make the monthly payments.

This was not the answer I was looking for!

I then contacted Mortgage Funding to see what their plan was. I was put in touch with Rob Guice (more on him at the end of this article) who agreed to research the file and get back to me. He informed me a few days later that they really were not sure what they had as the files they took over from The Associates were mostly incomplete. He asked that I forward all of my documentation in order to prove to them that what I was saying was true.

Three Remedies

After doing so, and after he spoke to the pastor's attorney, he left it up to me to decide what to do next. We could commence foreclosure proceedings, I could buy out Mortgage Funding, or the loan could be modified to extend / take out the balloon and allow the pastor to keep paying on the loan until Mortgage Funding was paid in full.

In my opinion, I had waited long enough, and the pastor had had more than enough time to refinance. Rob and I agreed that the best course of action was to commence foreclosure proceedings.

After a couple months of posturing by the pastor, we were told that the town where the property is located was actually considering buying the property and combining it with an adjacent town-owned parcel in order to make a town park. The property was appraised by the town, and the town was willing to proceed to buy the property within a couple of months.

Partial purchase contracts that some institutional investors used stipulated that if they could not find you as the remainderman, your interest became theirs.

In the end, the town did buy the property. The remaining balance of the loan (the balloon of $58,438 plus some default interest) was paid off in 2016. Shortly thereafter, I received my check from Mortgage Funding for just over $40,000.

Lessons To Be Learned:

1. If you are a remainderman, record a 'Memorandum of Interest' or similar document so that title searchers will find you in the event of a pending sale or foreclosure.

2. Be sure to keep your remainderman records in a safe place until the loan is paid off or foreclosed. You may have to prove your position as the end note holder might not be the same party who initially bought the partial from you.

3. Try to do business with reputable people. Rob Guice and Mortgage Funding are just that. He could have fought me on this remainderman interest, but he did not. He was thorough in his due diligence, and, in the end, followed through and did the right thing.

4. Whether it is by necessity or by design, try to build these remainderman interests into your business model. Earning residual income on a regular basis is a great way to enjoy the benefits of your note buying business.

I found it very interesting that back in the 1990's (I'm not sure how it is today), many of the contracts that the institutional investors used to buy partials stipulated that if they could not find you as the remainderman, your remainderman interest became theirs. How ironic that it was the institutional investor who disappeared before the note broker!

Happy note hunting!

Dana Barnes began buying notes after taking Mike Meeker's class in Orlando FL in 1990. Over the years, he has transitioned into real estate investment and development. Today, his company, Concord Equity Group, owns and operates commercial real estate projects in multiple states. He does buy the occasional performing and non-performing note, usually for his company's profit sharing plan.

Dana has a Masters Degree in Business Administration and is a long-time member of the Society of Exchange Counselors.

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