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16 Ways To Find A Good Note Teacher

By W.J. Mencarow

Have They Earned The Right To Teach?

How do you know which note or real estate investment teachers to trust? The litmus test is this: They must have earned the right to teach by years of success in notes or real estate -- not in selling seminars. Do an internet search for their name and company name(s) with words such as "fraud," "ripoff," "scam," etc. If what you find makes you even slightly uncomfortable, cross them off your list.

Here are 16 red flags:

1. Mass marketing. If it is by website ads, mass emailings, and/or (God forbid) infomercials, that's a sure sign that this person is in the seminar business, not the note or real estate investment business. Reputable teachers depend mostly upon referrals from satisfied students. A notice of their next class on their website is enough to fill it.

2. "Boot camp," "coaching," mentoring." Calling a seminar in a hotel a "boot camp" is an insult to veterans. The "mentors" and "coaches" are sales people whose job it is to convince you to spend more money.

3. Implying that you will make a lot of money quickly. The saying, "if it sounds too good to be true, it is" could have been written about many note and real estate seminars. If they tell you how much money you can make quickly, run away more quickly. This is a get rich slowly investment.

4. Claiming that no one else teaches what they do. Do they claim to be famous, successful, expert, etc.? Do they promise to teach you "secrets"? No legitimate teacher says such things. Their reputation precedes them.

5. Wealth displayed. Scammers often use mansions, luxury cars, yachts, etc. in their marketing to impress you with their wealth. These are leased or borrowed props.

6. A regular schedule of seminars. A full-time note or real estate investor has little time to teach, because they make a lot more money investing than in giving seminars. If they teach more than a few times a year, that's a red flag.

7. Free seminars. *These are the time share sales pitch without the complimentary hotel room.* The purpose is to beat on you to pay for the "real" seminar. You might learn a few things, but the upselling never stops. Legitimate teachers charge a few hundred dollars per day for seminars, and they never upsell.

8. Special discount. Honest teachers never use high-pressure tactics such as "normally $XXXX, but today only $XXXX."

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9. Claims of success. If they say they have years of experience in notes or real estate, ask them for the addresses of the properties and the name(s) of the entities on the titles. Then look up the properties on the internet to confirm their claims. If they refuse to tell you, stay away. It's a matter of public record, so privacy is not a legitimate excuse.

10. Reputation. What is their reputation among experienced investors? Go to a meeting of a local real estate investment club, find several of the most experienced investors, and ask them what they think of the teacher you are considering.

11. Never admitting mistakes. *"You don't learn to walk by following rules. You learn by doing, and by falling over."* — Richard Branson. An honest teacher admits their mistakes so you can learn from them. A dishonest teacher either doesn't admit them or claims they were smart enough to make them profitable.

12. Motivational language. Phrases such as "You can succeed!" and the like are marketing gimmicks. Motivational language has no place in an educational environment.

13. Advocating high leverage. Do they use terms like "nothing down," "low down," "creative financing"? These high leverage approaches all result in negative cash flow, a.k.a money out of your pocket every month, because the rent doesn't cover the mortgage, taxes, insurance, and maintenance.

14. Anonymous testimonials. People claiming they made windfalls with the training are often phony, especially if their names are incomplete ("B. W." or "John A." for example). Look up William McCorkle (https://en.wikipedia.org/wiki/William_J._McCorkle). He made some $50 million convincing people that if they bought his real estate courses they would get rich. In court his secretary testified that he used friends, employees and paid actors to falsely claim in testimonials that they made big money from what they learned from him. He was convicted on 82 fraud and money laundering charges and sentenced to 24 years in federal prison.

He's far from the only one; he just got caught. If those who do the testimonials are not lying they are not telling you the whole story when they say such things as, "I bought 20 houses worth $2 million with no money down!" That means they have 20 houses with negative cash flow (they have to dip into their savings to pay the mortgages and expenses every month), 20 roofs, 20 furnaces, 20 air conditioners, etc. to maintain and replace, 20 property tax bills, 20 insurance bills – all with no income from the houses. And they are $2 million in debt. Unless they have very deep pockets – and if they did they wouldn't have had to use high leverage – they will soon lose those properties. Bankruptcy court, here we come.

15. Access to a fund. Do they have a fund or offer to put you in touch with funds? I cannot count how many times I have talked with people who lost their money in real estate and note funds through mismanagement or outright theft. Did you know that the SEC can shut down funds that miss filing even one document and confiscate the assets – even if no investor has lost a dime? Have fun trying to get your money back.

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16. Selling to students. This is a huge red flag. Would you trust someone who told you that if you paid them they would teach you how to buy something at the lowest price – and then try to sell it to you? No ethical person would sell what they teach to their students or promise to give you access to a "secret list" of notes or properties for sale and/or offer to invest with you. A wise investor once said, "There is an inherent conflict of interest with any education program that offers investment assets as well. Someone can't be an impartial and expert educator and also offer assets for sale. The educator's fiduciary obligation is to teach discerning and quality due diligence (and to help one master the art of the negotiation) to maximize the student's profit from the acquisition of an asset. The seller's function is to maximize the asset's sale price. The two are, by definition, in conflict. If you expect a two-for-one deal, you're merely asking to get screwed."

For more red flags, read John T. Reed's "**Real Estate B. S. Artist Detection Checklist**" and his book "**Succeeding**"

Bill

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President, *The Paper Source, Inc*.

W. J. Mencarow spent most of his career on the staff of the U. S. Congress in Washington, D.C. He is a note and real estate investor, president of The Paper Source, and hosts an FM radio talk show with his wife Alison that covers the Texas Hill Country. Podcasts are at https://firstcoupleoftexasradio.com

Investment Return Table

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices Ranked in Order of Performance (2003–2022)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Emerging Market Equity 55.82%	Real Estate 37.96%	Emerging Market Equity 34.00%	Real Estate 42.12%	Emerging Market Equity 39.38%	U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%	Large Cap Equity 31.49%	Small Cap Equity 19.96%	Large Cap Equity 28.71%	Cash Equivalent 1.46%
Small Cap Equity 47.25%	Emerging Market Equity 25.55%	Real Estate 15.35%	Emerging Market Equity 32.17%	Dev ex-U.S. Equity 12.44%	Glbl ex-U.S. Fixed 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Dev ex-U.S. Equity 24.21%	U.S. Fixed Income 0.01%	Small Cap Equity 25.52%	Large Cap Equity 18.40%	Real Estate 26.09%	High Yield -11.19%
Real Estate 40.69%	Dev ex-U.S. Equity 20.38%	Dev ex-U.S. Equity 14.47%	Dev ex-U.S. Equity 25.71%	Glbl ex-U.S. Fixed 11.03%	Cash Equivalent 2.06%	Real Estate 37.13%	Emerging Market Equity 18.88%	Glbl ex-U.S. Fixed 4.36%	Dev ex-U.S. Equity 16.41%	Dev ex-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%	Dev ex-U.S. Equity 22.49%	Emerging Market Equity 18.31%	Small Cap Equity 14.82%	U.S. Fixed Income -13.01%
Dev ex-U.S. Equity 39.42%	Small Cap Equity 18.33%	Large Cap Equity 4.91%	Small Cap Equity 18.37%	U.S. Fixed Income 6.97%	High Yield -26.16%	Dev ex-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Glbl ex-U.S. Fixed -2.15%	Real Estate 21.91%	Glbl ex-U.S. Fixed 10.11%	Dev ex-U.S. Equity 12.62%	Dev ex-U.S. Equity -14.29%
High Yield 28.97%	Glbl ex-U.S. Fixed 12.54%	Small Cap Equity 4.55%	Large Cap Equity 15.79%	Large Cap Equity 5.49%	Small Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent 0.10%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Dev ex-U.S. Equity -3.04%	Real Estate 4.06%	Glbl ex-U.S. Fixed 10.51%	Large Cap Equity -4.38%	Emerging Market Equity 18.44%	Dev ex-U.S. Equity 7.59%	High Yield 5.28%	Large Cap Equity -18.11%
Large Cap Equity 28.68%	High Yield 11.13%	Cash Equivalent 3.07%	High Yield 11.85%	Cash Equivalent 5.00%	Large Cap Equity -37.00%	Large Cap Equity 26.47%	Dev ex-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Dev ex-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%	High Yield 14.32%	U.S. Fixed Income 7.51%	Cash Equivalent 0.05%	Glbl ex-U.S. Fixed -18.70%
Glbl ex-U.S. Fixed 19.36%	Large Cap Equity 10.88%	High Yield 2.74%	Glbl ex-U.S. Fixed 8.16%	High Yield 1.87%	Dev ex-U.S. Equity -43.56%	Glbl ex-U.S. Fixed 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%	U.S. Fixed Income 8.72%	High Yield 7.11%	U.S. Fixed Income -1.54%	Emerging Market Equity -20.09%
U.S. Fixed Income 4.10%	U.S. Fixed Income 4.34%	U.S. Fixed Income 2.43%	Cash Equivalent 4.85%	Small Cap Equity -1.57%	Real Estate -48.21%	U.S. Fixed Income 5.93%	Glbl ex-U.S. Fixed 4.95%	Dev ex-U.S. Equity -12.21%	Glbl ex-U.S. Fixed 4.09%	Emerging Market Equity -2.60%	Glbl ex-U.S. Fixed -3.09%	Glbl ex-U.S. Fixed -6.02%	Glbl ex-U.S. Fixed 1.49%	U.S. Fixed Income 3.54%	Dev ex-U.S. Equity -14.09%	Glbl ex-U.S. Fixed 5.09%	Cash Equivalent 0.67%	Emerging Market Equity -2.54%	Small Cap Equity -20.44%
Cash Equivalent 1.15%	Cash Equivalent 1.33%	Glbl ex-U.S. Fixed -8.65%	U.S. Fixed Income 4.33%	Real Estate -7.39%	Emerging Market Equity -53.33%	Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Glbl ex-U.S. Fixed -3.08%	Dev ex-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.57%	Cash Equivalent 2.28%	Real Estate -9.04%	Glbl ex-U.S. Fixed -7.05%	Real Estate -25.10%

Obtaining Obscene Yields With Small Money

By Tom Henderson

You can enjoy astronomical yields by applying the Annuity Due concept

When discussing concepts, it is important to know the definition of what we are discussing. Let's start with the word "annuity."

Annuity: a specified income payable at stated intervals for a fixed or a contingent period. Annuities come in two forms: Ordinary Annuity and Annuity Due.

What is the difference between the two annuities? In a nutshell, the payment of an Ordinary Annuity is applied to the pay period, which precedes the payment date. A real estate note is nothing more than a form of an Ordinary Annuity. In other words, the mortgage payment you made on May 1 is for interest you accrued in April. For real estate notes, interest is paid in arrears. When you are setting your calculator for ordinary annuities, make certain your HP-12C calculator is in the END Mode.

Contrast an Ordinary Annuity with an Annuity Due. Again, in a nutshell, a payment for an annuity due is applied to a pay period following the payment. Leases and rents are examples of an Annuity Due. Unlike a note, the payment you made on May 1 for a lease is not for the month of April, but rather for rights to the property for the month of May. In as sense, you are "prepaying."

When you are setting your calculator for Annuity Due, make sure your calculator is in the Begin mode.

We have now set the scene where you can enjoy astronomical yields by applying the Annuity Due concept. In **THE NOTE PROFESSOR NOTEBOOK**, I outline different techniques in applying these techniques with very small amounts of money.

For example, one of my students gets her hair done once a month for $100. On one of her visits she offered her hairdresser, whom she has used for years, $270 now if she prepaid for three months. Did you notice this was only a 10% discount? The hairdresser agreed. Since this is an example of an Annuity Due, put your calculator in BEGIN Mode for a little calculator practice.

N = 3 (Months)
I/YR= 138.65 WOW!!!
PV = -270 (3 Cuts with a 10% Discount) PMT = 100 (Cost of Cut)
FV = 0

In other words, if you paid $270 AT THE BEGINNING of a payment of $100 a month for three months, your yield will be a whopping 138.65%. If you discount the payments by 10% for 3 months in the BEGIN mode, your yield will always be 138.65%. If you can get the discount larger, your yield will increase tremendously. (But remember: Pigs Get Fat, Hogs Get Slaughtered.)

Scenarios like this can be found everywhere if you are looking. For example, a national hair cutting franchise which cuts hair for $15.00 advertises you can purchase a card to receive the same hair cut for $10.00 per cut if you purchase 5 haircuts in advance. If you got your hair cut once a month, what do you think your yield will be?

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Remember: BEGIN Mode.

N = 5
I/YR= 308.15
PV = -50.00 PMT = $15.00
FV = 0

308.15% isn't a bad yield for only $50.00, is it?

Another one of my students had a tenant who wanted to purchase his daughter a $150 bicycle for her 8th birthday, but he was short of funds. My student was at a police auction that weeken, where he picked up a brand-spanking new girls bike for $75. He sold it to his tenant for $120 at $10 monthly, with the first payment made immediately. Remember to put your calculator in BEGIN Mode. What did you come up with as the yield? 119.80%?

WOW!!! I LOVE AMERICA!

You can apply this concept to rent, yard work, or anything that you pay on a regular basis, including the seller-financed mortgage you are paying on. Can you think of anything else where this technique might apply?

Do me a favor: Try this technique and let me know how you came out. I love success stories.

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. Tom is considered by many as "the best-kept secret in note education."

He is president of H&P Capital Investments, LLC, which buys, sells and trades owner financed notes. Visit his website to sign up for Tom's free Note Professor Real Estate Note Newsletter to stay ahead of the economics of the real estate market and learn time-proven financial techniques to increase your wealth.

Patience in the Note Business

By Jeff Armstrong

"Good judgment comes from experience. Experience comes from bad judgment."

It may be a cliché, but there is truth behind the line "Patience is a virtue," especially in the note business. Running a note business is not for the faint of heart, and not for the impatient either. Even if you have the best service and a great process, your note business will require you to stay committed for the long-term. In this article, we will discuss the importance of patience in the note business and how it can help you succeed.

Good Things Come to Those Who Wait

Yes, that is a cliché, but even scientific studies suggest that people are more willing to wait for larger rewards rather than going for an instant, petty gratification. Apparently there is a circuit in at least some people's brains which persuades to delay seeking immediate gratifications. Those who have this circuit can resist an instant reward and delay it for months, or even years, if it means a better reward in the future.

In a business context, patience can reward us with positive recognition, better sales, increased note holder)satisfaction and a stronger bottom line. By working towards our business goals in a dedicated fashion, we will be able to sustain our pace, allowing us to realize the fruits of our labor sooner than expected.

Better Judgment

A wise person once said, "Good judgment comes from experience. Experience comes from bad judgment." Judgment and patience are two sides of a coin. In the race to gain an advantage over their competitors, note business owners often think that sharp business plans and excellent talents are the values needed to guide the business on the right path.

However, one of these values is patience. Being patient helps us get rid of thoughts that can cloud our judgment. Thinking of "what-if" long-term might ruin your capacity to make sound judgments, which can also affect the future of your company.

Patience helps us to have the mindfulness to stop for a while and reflect on the present moment. We can take the small and big picture into consideration so we can make better decisions.

Build A Stronger Reputation

One of the major virtues that set a successful note business owner apart from the rest is patience. By being patient, we can work progressively toward our goals. People know and respect those who strive consistently to reach their goal, regardless if the goal requires a year or even decades to be accomplished.

Building a note business that stands the test of time requires us to be persistent despite the odds. If we know that something could potentially become a great success, then we need to dedicate ourselves to a long, hard determination. Be the last man standing in your industry, and people will respect and choose you as their first choice to do business with.

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Improve Self-Control

Another essential element to achieving a goal is self-control. When we are patient, we allow ourselves to know how to properly react to a given situation, rather than get carried away with our emotions. Patience helps us maintain our composure, regardless of whether we're facing an irate note holder or facing online brand crisis.

Lack of patience also means we don't have control of ourselves. Lack of self-control implies a lack of understanding, and lack of understanding means we don't have the capacity to plan, communicate, and set realistic expectations. But having a tenacious grasp of these issues will help us claim the rewards that our patience can deliver.

Increase Your Level of Tolerance

Challenges are a natural part of running a note business. We need to have a high level of tolerance to accept and face these challenges diplomatically. When we accept that challenges are always just around the corner, we can respond more effectively. When we understand that being in the note business can be very painful sometimes, we will be able to face the challenges with no extra suffering and bitterness.

Being patient means we treat other people with high regard. They will respond with loyalty and admiration for your brand.

I say it and write it all the time: It takes time to build a successful note business. It starts with being patient and committed to everything you do to achieve excellence that people and other business leaders will always look up to. You may have heard the saying "It's often the last key in the bunch that opens the lock." Take your time and plan very well, and lastly, never give up.

Be kind, keep safe and stay healthy. Remember success demands action, keep on marketing, it's going to work! TWITA! (That's What I'm Talkin' About!)

Jeff Armstrong of Armstrong Capital has been a note investor specializing in the performing seller financed note industry since 1991 as well as a professional appraiser of promissory notes since 1999. For more information on how he can help you with your note business, note investments, note appraisals or to request pricing options on a note, visit Armstrong Capital to email him and subscribe to Jeff's Weekly Training & Tips Newsletter.

You can also follow him on Instagram and Facebook @TwitaJeff

Questions You Should Ask Before You Buy A Non-Performing Note

By April Smith

> "Not all BPOs are created equal."

Thinking about purchasing delinquent or non-performing notes (NPNs)? Here are key questions you must ask:

PRE-PURCHASE DUE DILIGENCE QUESTIONS

The amount and quality of information provided to a prospective buyer varies widely. A seller, agent or auctioneer is apt to provide as little data and detail as possible. Here are some initial questions:

What does the data tell you about a particular pool? When you scan the data, does anything in particular jump out at you? What could it mean? Is there any way to further investigate possible anomalies? Is there anything unusual (good or bad) that could affect the bid price, representations and warranties or other considerations? How many servicers are involved? How many lenders? Where are the properties located? How homogeneous is the pool?

PROPERTY QUESTIONS

Determining the current market value of the property is a huge task in today's market. Real estate values are the elephant in the room. Current BPOs (Broker's Price Opinions) are the beginning of your research. Zillow.com will show you asking prices of comps in the area, but sale prices are what you need. Ignore zillow's estimate of market value.

Also important is the validity of the original appraisal. Did the property exist when the mortgage was made? Is the appraisal on the correct property?

The use of a trusted BPO company is paramount. Not all BPOs are created equal. Don't scrimp in this area.

Equally important is turnaround time, ability and willingness to answer questions and provide feedback, and additional services such as occupancy checks. Occupancy is an important factor in determining the likelihood of a workout. There are a number of ways to determine whether the borrower is occupying the property as his primary home. This information is invaluable in determining how to proceed once you own the mortgage.

BANKRUPTCY QUESTIONS

Has the payor filed for bankruptcy? When? What type? What is the current status?

Perform your own bankruptcy search; the payor may have filed yesterday. In any case, you may not yet have the servicer's records, or they may not be current when you do get them.

What if every payor in the pool has filed bankruptcy? Not likely, but worth thinking about.

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LEGAL QUESTIONS

Does the chain of title run to the entity who is selling the mortgages? Are the mortgages recorded and valid?

Buyers of mortgages have a tendency to take this for granted. It could cause you a problem. Courts all over the country are invalidating foreclosures because the holders of the notes cannot prove ownership of the mortgages.

Imagine that you purchase a pool of distressed mortgages. You foreclose on some of them only to find at the last minute that your interest is not perfected and that the chain of title is invalid. Chances are you won't be able to move forward, and you will have to spend time and money to correct the problem.

SERVICING QUESTIONS

Has the collection, default and foreclosure process to date been in statutory compliance? Be sure to review servicing and collection records to determine whether state, federal and even city and county mandates have been complied with. Many states, counties and municipalities have enacted mortgage servicing requirements that, if not followed precisely, could have grim consequences.

In addition, what is the status of each mortgage? How far into the process is the mortgage, and what are the remedies? Is a mortgage that's represented as 90 days delinquent really 90 days delinquent?

These issues can be expensive; a servicing review alleviates the possibility of a costly surprise down the line.

It could be that your servicer is overwhelmed and unprepared to meet today's challenges. Servicers are encountering volumes of additional work and responsibility the likes of which were never anticipated. It is your responsibility to make sure that the status of each of your mortgages is what you think it is.

WORKOUTS

This is the biggest challenge facing investors and servicers today. Much has been published about extraordinary methods of communicating and negotiating with payors. These methods wouldn't have been needed or even anticipated a year ago.

Each investor has a different philosophy about how the communication issue should be approached. Your ability to convey that philosophy to counter parties, and their willingness to carry out your wishes, is vital.

In addition, it may be up to you to determine which mortgagors are worth approaching after the purchase and which are not. Remember that it is illegal to have any contact with the defaulted mortgagor before you own the mortgage.

April Smith is the owner of *April Smith & Associates, Inc*. She has over three decades of multi-layered experience in the field of mortgage finance. She founded the firm in 1988, and she continues to provide hands-on strategy and planning for both new and established clients.

She is an active speaker and educator in the industry. April is a recognized authority on mortgage due diligence.

www.aprilsmith.com

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COMPLIANCE

Suppose you buy a pool of mortgages and begin to work with the payors to modify the notes that warrant it, at the same time proceeding with foreclosure on those where modification is not possible. One of the mortgagors decides to have a “forensic audit” performed on his mortgage.

During the audit, it’s discovered that at the time of origination, a violation of the Truth in Lending Act occurred. The mortgagor obtained a cash-out refinance of his primary home, and the right to cancel (commonly known as the right of rescission) was not executed correctly. The validity of the mortgage from the time of origination is in jeopardy; the right to rescind may be deemed still open, even years after the mortgage was closed.

Now go one step further and imagine that the attorney who ordered the forensic audit assembles a class. He initiates a class action lawsuit against the originators, servicers and owners of this pool of mortgages. You get the idea. While this is an unlikely example, today’s news is full of situations nobody thought would ever occur.

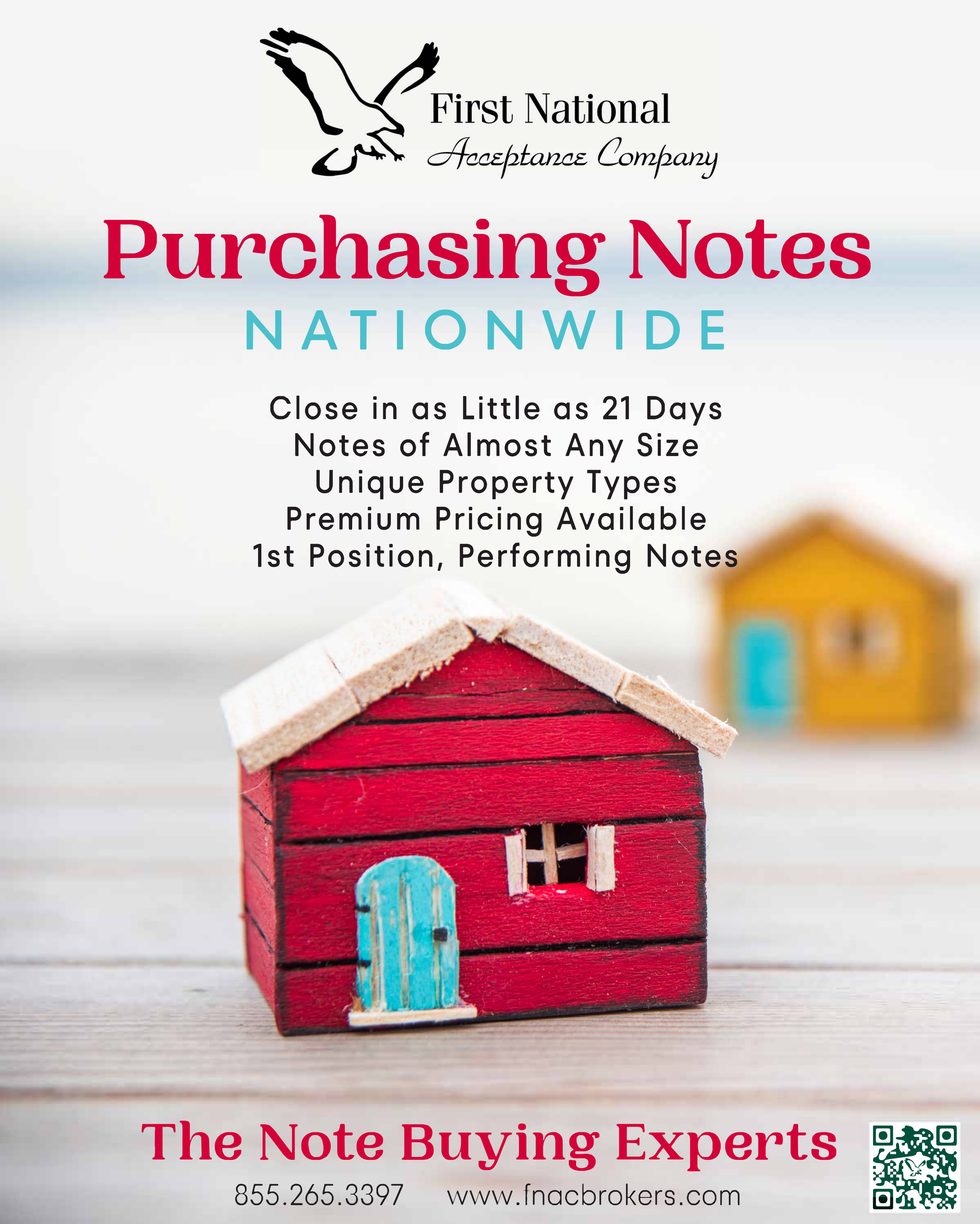
They say knowledge is power. In this case, knowledge is *money*.

A compliance check to substantiate conformity with RESPA (settlement procedures), TILA (disclosure of APR, right of rescission) and a review of the title to determine the status of the lien and exceptions to the title may be money well spent.

REPS AND WARRANTIES

Right now you may be saying to yourself, “But I’ll have representations and warranties for some or all of this.” Now may be a good time to remind yourself that reps and warranties are only as strong as the seller who makes them. In the recent past, we’ve seen that no institution is safe from takeover, bankruptcy or oblivion. A prudent investor will proceed as if his reps and warranties may be limited or non-existent in the future.

Many opportunities exist to gather and process valuable information. It’s up to you to decide how extensive your research will be. If you are armed with as many tools as possible, you can move forward with confidence that you’ve done everything possible to protect your investment and make money going forward.


First National
Acceptance Company
Purchasing Notes
NATIONWIDE
Close in as Little as 21 Days
Notes of Almost Any Size
Unique Property Types
Premium Pricing Available
1st Position, Performing Notes
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The Tragic Disintegration of Life & Freedom in San Francisco

By M Dowling | Published by *The Independent Sentinel*

Life in San Francisco is rapidly changing. The quality of life and freedom are disintegrating under the Progressives. From families with children to landlords to first responders, Progressives are destroying the once-beautiful city. The entire state is not what was. They are ruining paradise.

THE LANDLORDS

San Francisco landlords are finding their properties and incomes losing value due to constant regulations and people leaving.
If apartments are vacant for more than six months, they have to pay San Francisco up to $20,000 per year per unit. Since people can work at home or move, it's getting hard to get renters.

The manager of one building with 25 apartments is owned by his dad and his brother. They've had it for 20 years. They began with a one-page lease, and now it's 20 pages without the disclosures about fire and alarm systems. There are many tenancy advocacy groups, and over the past 10 to 15 years, they've made landlords into "greedy, money-making people" – the "big bad wolf."
The applicants just aren't there anymore.
During COVID, people were working from home, apartments went vacant, and the fines were exorbitant. There are many punitive levies on landlords.

Tax Proposition M passed in 2022 and begins in January 2024.

"What this proposition does is if you have a vacant unit for over 182 days, six months basically, they will start fining you."

The fine is based on whether you're commercial or residential. If it's residential, if it's 1000 square feet or less. The first year, you're going to get taxed 2500 a year…second year, it goes to 5000 a year…third year, it will be $10,000 a year under interpretability, so it's three years on. Then you have the second level, which is 1000 to 2000 square feet, and then above 2000 square feet in the third year, it could be up to $20,000 per year per unit."

"So I look at it this way. It's a great business plan that the city has conjured up, right? So they created the problem with the increase in violence and everything else that has made people leave the city; their authoritarian lockdowns on COVID. They created the problem. They found the solution, and now they will profit off of that solution because I don't believe that the money that's going to be taxed taken from the landlords and taxpayers is going to go to help anybody.

TRIPLE THE AMOUNT OF HOMELESS AND REGULATIONS

"They'll tell you it is, but why is it now we have triple the amount of homeless than we did ten years ago? There's no profit in the cure now, is there? A lot of vacancies in San Francisco. You have this challenge to find the tenants but are there other people that are not renting their homes out because they just don't want to.

Values of property in this once-idyllic place are going down quickly.

"About three years ago, I was talking with my uncle and dad and brothers. I said, look, let's get this thing looked at, let's get the value assessed. Maybe it's time to go into a more landlord-friendly environment, and we had. It was just about $10.5 or eleven million, right around that for the property.

(Continued)

Two weeks ago, my brother called up and had the broker reassess it, and it's now between six and seven million. So it's dropped significantly. Single-family homes are not dropping in price, but our type of business or our type of property is dropping.

Landlords used to be able to pass increases to tenants on things like rising garbage collection costs or water increases, or inflation. They no longer can...they can only raise rents by 1 to 1 ½ percent.

They have so many regulations, like mandating a seismic retrofit for $120,000 or pillow alarms that cost $55,000.

"The value of the building has gone down about 30% to 40%. His dad and uncle worked their butts off to make it happen and pass it on to us."

A friend was selling his building and couldn't get rid of a tenant. Due to the regulations, the landlord had to give him $80,000, three months of free rent, and a letter of recommendation.

Without a suitcase full of money, immigrants can't come in and make money.

He talked about the stark increase in the homeless and how it's a profitable business for some people. The property is too expensive. In Richmond, there are tents in the divide.

IT'S UNSAFE FOR CHILDREN

If some stranger comes up to you and says they want to go to the hospital, you are required to do it.

The crime is "outrageous." Everything in Walgreens is behind locked glass doors, including toilet paper.

It's hard to raise a family in San Francisco. Most neighborhoods are not safe for children, and they cannot walk outside. The schools are "not very good at all."

They're bussing children and putting poor kids in expensive neighborhoods and vice versa. He sent his son to private school, costing $22,000 a year. When he was in school, children could go anywhere. There is too much violence now. The homeless can become violent or sexually assault children and others.

There are needles on the ground downtown, but it's not just happening downtown. There is a big problem with crime against Asians, although they'll deny it.

(Continued)

THEFT AND RACE ARE BREAKING DOWN SOCIETY

They steal whenever there is an opportunity. The police can't do anything. He had an incident with a homeless person defecating in his building. The slob wouldn't leave until he was done defecating so the landlord got a baton. The slob warned that if he came closer, he'd throw the excrement at him. The landlord called the police, and they didn't come.

The police told him if the person is a protected class – they won't come. If the landlord defends himself, the DA will come after the landlord, not the offender.

The emphasis on race and things like that have ruined the city. If you are not far left progressive, they'll cancel you. People are afraid, even liberals and people in the center won't express their views.

The change is drastic.

For paramedics, it's very hard to maintain civility and empathy. Their health is deteriorating. They are seeing an increase in PTSD and increasing suicides for 1st Responders.

Progressives are taking away everyone's rights.

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Good relationships are the key to your long-term success!

How did you get started in notes?

Fresh out of college in early 1993, I was hired by Metropolitan Mortgage to work in the Servicing Department. At the time, Metropolitan was the largest institutional buyer of seller- financed notes.

Over the next 14 years, I had the opportunity to work with several leading investors, building a solid base of knowledge about many aspects of the note life cycle: Property Management, Acquisitions, Underwriting/Due Diligence, Secondary Marketing, and Branch Management, to name a few.

In 2007, my business partner, Matt Reilly and I started Proficient Note Buyers, and we're still going strong today.

What changes have you seen in the note industry over the past 30 years?

The changes over the past 30 years have required, at times, a complete shift in our approach to the business. When institutional funding sources started drying up as a result of the real estate crash 14-16 years ago, our focus turned to non-performing notes and bank-owned REO. Many of our colleagues who didn't make that shift, or at least didn't add these products to their repertoire, had extreme difficulty staying afloat with more stringent underwriting requirements and fewer dollars chasing performing notes.

What are the 3 most important things you have learned about the business?

1. Never sell out your integrity. Your knowledge and expertise may get your foot in the door, but your character will decide whether you have a long, successful career in the industry.

There's a line from a country song that says, "Word gets around in a small, small town." This industry is a small town; everyone talks, and lies, half-truths, and lying by omission will be quickly exposed, and the offender will get run out of town in short order.

2. Never underestimate the power of relationships. Over the past ten years, roughly 80% of our completed transactions have been with people I've known for 15 years or more. The level of trust we have with each other makes doing business easy. Everyone does what they say they are going to do, and that results in mutual success. This rings true with the borrowers on the notes we hold, and when dealing with individual note sellers as well: Good relationships are the key to your long-term success!

3. Learn as much as you can. If you are going to build a career in the note business (especially if you plan to build your own portfolio of notes!), you need a knowledge base of the entire mortgage life cycle. This includes origination, underwriting/due diligence, processing, closing, servicing, default management, loss mitigation, bankruptcy, note modification, forbearance, foreclosure, property management, property preservation, and ultimately the resale of the property.

(Continued)

What do you think of non-performing notes?

Considering they have been what paid the tuition for all three of my college-aged kids, as well as comprising a substantial part of my livelihood, I love them. IF you have the proper due diligence training, IF you can think outside the box for solutions to problems, and IF you have the patience for non-performing notes, they can be outstanding investments.

Since we also broker larger pools of non-performing, I will say the transactions are far more efficient to close than performing pools, since there is virtually no underwriting of the borrowers. (We already know they aren't paying and their credit is shot, right? So we just need to focus on the property and the 'story' behind how the borrowers got in the predicament they're in.)

Should someone start as a note broker or as an investor?

Start as a broker unless you are already well-steeped in the nuances of real estate investing. A lot can be learned by simply tuning in to what is important to the different institutional investors you work with.

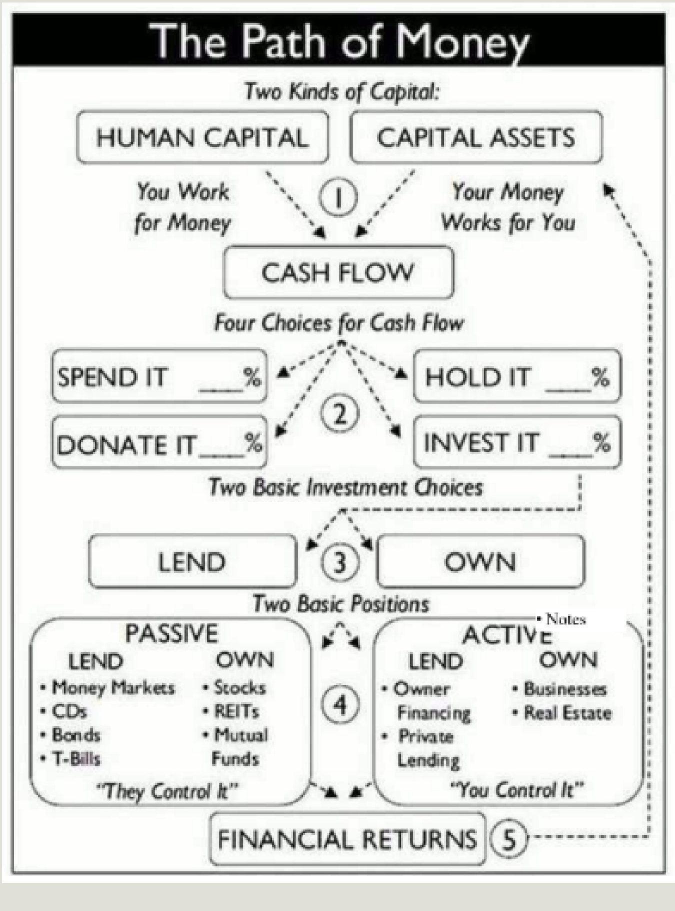
Any tips for note brokers?

Go in with the mindset that what you are planning to do today may not be what you're doing tomorrow. In other words, don't ignore other opportunities because you didn't account for them in your business plan.

If you do what everybody else is doing, you'll get what everybody else is getting. When we started PNB in 2007, we never dreamed non-performing notes would be our meal ticket. When the opportunity presented itself, we shrugged and said "Why not?" and jumped right in. Scary? Sure it was. Regretful? Not for a second!

Final words of advice?

The ability to connect with people on a personal level may not be the most important skill you need to succeed in this business, but you will not have success without it. Build rapport with your customers, investors, and note brokers first, then follow through with everything you say you are going to do. Once you've given them a reason to put their confidence in you, they will come to trust you. That's where relationships are made, that's where deals are made, and that's where a long and successful career resides.



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WI: appletonreia.com, MadisonREIA.com, wiscoreia.com

Tools and Resources: 2023

Bankruptcy Records

pacer.psc.uscourts.gov, ndc.org/home

Commercial Real Estate Tax Reduction

sgettler@costsegregationservices.com

Credit Reporting Agencies, Scores & FICO, etc.

Equifax.com, Experian.com, TransUnion.com

Down Payment Assistance for Rehabbers

emdfunding1@gmail.com

Find House Values & Comps

Redfin.com, Zillow.com, Trulia.com, Realtor.com

Foreclosure Properties and Information

realtytrac.com, foreclosurefreesearch.com, foreclosurelistings.com

Joint Venture Funding, nationwide for wholesalers (notes and properties)

emdfunding1@gmail.com

Guide: Real Estate Negotiations & Beginner's Guide to Real Estate Investing

biggerpockets.com/real-estate-investing

Hard Money Lenders

biggerpockets.com/hardmoneylenders

Mortgage Calculator

moneychimp.com/calculator/mortgage_calculator.htm

Mortgage Note Investing Advice

papersourceonline.com/free-e-course-2/

Tools and Resources (Continued)

People Searches

intelius.com, skipease.com, zabasearch.com

Private Lenders

aaplonline.com

Professional Loan Associations

mbaa.org, namb.org

Property Reports (Chicago Title) Become a member (usually for free) and look up properties all over the US

premier.ctic.com

Public Records Search, Property Finders

courthousedirect.com, searchbug.com, propstream.com, propertyradar.com, batchleads.io, onlinesearches.com

Real Estate Abbreviations, Glossary

abbreviations.yourdictionary.com/articles/real-estate-abbreviations.html

Resources for newbies and old hands in the REI biz

connectedinvestors.com, crepig.ning.com, nationalreia.org, realestatefinance.ning.com, smarterlandlording.com, realestateinyourtwenties.com, investfourmore.com, compstak.com, thebrokerlist.com, apartmentvestors.com, creoutsider.com, parkstreetpartners.com, mobilehomeinvesting.net, adventuresinmobilehomes.com, landhub.com, thelandgeek.com, landthink.com, retipster.com, rentpost.com, rehabfinancial.com, rehabberpro.com, houseflippinghq.com, houseflippingschool.com, 123flip.com, flippingjunkie.com, bawldguy.com, themichaelblank.com, rei360.net, justaskbenwhy.com, joecrumpblog.com, joefairless.com, revestor.com, fortunebuilders.com, myrenatus.com, realestateguysradio.com, astudentoftherealestategame.com, realestateinvesting.org, biggerpockets.com, gowercrowd.com

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Tax Records Search

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