THE PAPER SOURCE

Journal

December 2023

www.papersourceonline.com

In this issue

The Idea of the Year!

By W.J. Mencarow

University students who score low in trustworthiness in a simple game are more likely than others to end up working in finance, according to a study published in the journal Management Science.

Those in room A were given $10. They were to decide how much of it, if any, to send to an anonymous counterpart in room B. They were told that each dollar sent will triple by the time it reaches room B, and that those in room B will be asked to send some of it back to them. Those in room B are to decide how much of the tripled money to keep and how much, if any, to send back to their respective counterparts in room A.

The decisions made in room A are said to reflect trust and those in room B trustworthiness. That is, the more money one sends to room B from room A the more trusting one is, and the more money one returns from room B to room A, the more trustworthy that person is.

Those who were highly interested in finance returned just 15.5% of the money, while those with low interest in finance returned 24.3% of the money.

The old saying about how to make money is: “Buy land by the acre, sell it by the lot, buy whiskey by the bottle, sell it by the shot.”

If the smaller the lot the more money you make, what's the smallest type of lot you can think of? Cemetery plots? (A good investment, but only if they are owner-occupied.) But what lot is even smaller than standard cemetery plots?

Answer: PET cemetery plots.

You can subdivide one acre of land into about 1200 4'x6' pet plots (even more for smaller pets). Pet cemetery owners charge about $200 per plot. That's *over a quarter of a million dollars per acre.*

This may be the best idea you have heard all year!

Cheers!

Bill

How I Turned A 10% Note into A 44% Yield

When you understand how to apply the time value of money, the deals just appear.

By Tom Henderson

Once you learn the concepts of the time value of money and how to utilize a financial calculator, deals will fall into your lap. Not because anybody is in dire need of cash or the note is going bad, but because you are armed with knowledge and can recognize how to improve your note portfolio.

One axiom I teach is “the more the merrier” and “the sooner the better; more is better than less and sooner is better than later.” Trading notes is just one tool where you can apply this axiom to increase your yield.

Let’s look at a simple example of trading notes that illustrates this concept. Even though this is an actual case study, I did change the terms and balances for simplicity.

I was presented a note with a present value of $10,000, with 10 years left at 10% and the seller needed $5,000. Here is what the original note looked like. (I always put a minus sign in PV because I am in a “buying” mode. It also makes me feel warm and fuzzy to see the PMT as a positive.)

N	I/YR	PV	PMT	FV
120	10	-10,000	132.15	0

I purchased this note for $5,000. What is the yield?

N	I/YR	PV	PMT	FV
120	?	-5,000	132.15	0

You know 4 of the 5 variables. Now solve for the yield. Did you get 30.09%?

Not bad. Not bad at all. Can it get better? When you know how to tweak the variables of the time value of money, of course it can get better.

At a note convention like *The Paper Source*, I discovered that one of my associates had a note with a balance of $10,000 at 9% that is going to last only 5 more years. She really liked the above average yield this note brings, and wished this note could last longer.

Immediately my wheels start turning, and the lights and sirens start going off. “Tell me about your note,” I asked. “Ching, Ching,” goes the mental cash register in my head.

Here is what her note looked like:

N	I/YR	PV	PMT	FV
60	9	-10,000	207.58	0

Should I trade my 10% note for a 9% note? Sounds like a sucker trade, does it not? We shall see.

If you I trade my 10% note for her 9% note, how would I stand? Remember, you purchased my $10,000 note for $5,000.

N	I/YR	PV	PMT	FV
60	?	-5,000	207.58	0

What did you get as a yield? Did you come up with 44.11%?

By trading my higher yield note for a lesser yield note, I increased my position from 30% to over 44%

How can this be? Remember the axiom, “The more the merrier; The sooner the better.” If you did this trade, are you not getting the best of both worlds?

You are getting more money ($207.58 instead of $132.15) and receiving it quicker (60 months instead of 120 months). The same concept is used in *The Note Professor Notebook* example of turning a 7% note into a 75% yield. When you know concepts, the deals just appear. (*The Note Professor Notebook* is at hpNOTES.com)

What makes this deal so grand is that she now has a note that is paying her 10% instead of 9%, and it will last longer. This is what she wanted. Remember, she was looking for yield and extended terms, not increased cash flow. From her point of view, she merely traded a 9% note for a 10% note, with longer terms.

Because I was armed with knowledge of how to apply the concepts of the time value of money, I increased my yield to over 44%. This is a WIN/WIN situation for both; not to mention that I gained credibility with my peers as the "go to" guy for notes.

Assuming the collateral of both properties are good, are there any drawbacks to this trade? What would happen if there were early payoffs? I will leave you with this exercise to play with. Have fun!!! See you at the Paper Source Note Convention April 27-29, 2024.

Tom Henderson earned a BBA degree in finance and economics. He entered real estate in 1980 during times of turmoil and crisis. Tom mastered the skill of acquiring and disposing of real estate using owner financing and notes, as well as buying and selling notes to achieve astronomical yields.

Tom is president of H&P Capital Investments, LLC, which buys, sells and trades owner financed notes. He can be contacted at www.hpNOTES.com if you need help with structuring or selling your notes.

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Tom Henderson

New Topics Tom Has Never Covered in Prior Workshops

- **In-Depth Examination of the Partial Contract** Tom Uses Which Details the Different Methods to Determine "Who Gets What" in the Event of Early Payoff or Default (Hint: Are You Buying or Selling a Partial?)
- **Thorough Guide to Negotiations** When Buying or Selling Notes (Note Negotiations Are Different Than Real Estate Negotiations)
- The **8-Word Question You Always** Ask The Note Seller (This Alone Can Save You the Price of the Workshop)
- Achieve Yields from **18%, 254% to Infinity** (Easy)
- How Tom Purchased **Two Houses for the Price of One**

WHEN: Feb. 29 - Mar. 2, 2024 **WHERE:** San Antonio, TX

COST: $495 Advance, $695 at the door

EVENT SCHEDULE

Thursday 2/29	8:30am - 5:30pm
Friday 3/1	8:30am - 5:30pm
Saturday 3/2	8:30am - 3:00pm

Tom will be available for private consultations and will stay after 3:00pm Saturday until ALL questions are answered.

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Every Note Professional Should Do This Before the Year Ends

Written by Jeff Armstrong

Nobody at the top is winging it.

Do you want more out of your note business 2024? Here's a huge secret any successful note professional will tell you: Nobody at the top is winging it. Nobody closing transactions every month is waking up each day without a plan. The note holders and money and opportunities you want are NOT coming to you—EVER. It's your job to go get them.

I'm a huge believer in preparation, planning, and effort. I don't teach tricks or shortcuts in my courses or to the note professionals who work with us - I teach what got me where I am today: Hard work and proven techniques that get results. If you're ready to really step things up and crush your goals in the year ahead, you need to plan. Here's a short to do list to complete by the end of the year that will set you up for success in 2024:

1. Reflect on your growth. Did you hit your goals for 2023? Why or why not? What regrets do you have or lessons did you learn?

2. Use tonight to plan tomorrow. Every day actually begins the night before; That's when you get ready to hit the ground running. If you wait until you wake up each day to think about what you need to do that day, you're already wasting time! Planning is simple, but it works; Think about the mom who sets her kid's outfit out the night before for picture day, or the bodybuilder who meal preps for the week ahead to avoid eating bad things—those people are planning ahead for success. Some people consider December one big Sunday, why not use it to plan what you need to do in the year ahead.

3. Create markets. Great note professionals don't react to the market, sometimes they create one. If you have ever gone to a note convention, event or seminar you probably found out there are many, many, many different niches within the note industry. Keep trying different you figure out what works for you. Don't give up to soon, effort, persistence and consistency rule.

4. Begin consistent outreach. This is one of the big ones. Set a goal number of new note holders to communicate with every week and stick to it. Leads don't come to you, you find them. When you multiply your weekly goal number by 52, it's easy to see how this simple task can completely transform your business over the course of one year.

5. Spend on Marketing. Pop quiz: Which of the 3-5 marketing methods that you should be utilizing have the most ROI for your target market and target note holders? If you don't know, find out! Don't just throw money out there without doing the research. Spend money on the things that matter, in the places that matter. Be the one who people think of because they received your letter, saw your ad, came across your website, found you on a social media platform or even if you happened to meet them face to face.

What's yours? Do you want more out of your career in 2024? Here's a huge secret any successful real estate agent will tell you: Nobody at the top is winging it. Nobody closing note transactions consistently is waking up each day without a plan. The note holders, note investors and note opportunities you want are not coming to you—EVER. It's your job to go get them.

Remember success demands action, keep on marketing, it's going to work! TWITA! (That's What I'm Talkin' About!)

Jeff Armstrong has been in the note industry for over 32 years. www.ArmstrongCapital.com

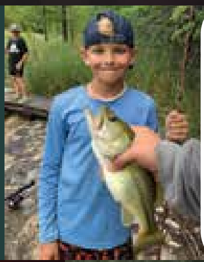
On the next two pages you'll read about Echo Hill Gold Star Camp. It's an all-volunteer nonprofit that is worthy of your support. Contributions are tax-deductible. If you contribute by December 31, you can deduct it from your 2023 income tax.

Thank you for your support of this cause that is so close to our hearts.

~ Bill & Alison

The choices we make lead up to actual experiences. It is one thing to decide to climb a mountain. It is quite another to be on top of it. — Herbert A. Simon

Children ages 8-14 are welcome to apply. Ages 15-17 are welcome to apply for our leadership program. Ages 18 and over are welcome to apply as counselors or staff.



June	July
19th - 28th	Mon – Wed
Wed – Fri	1st - 10th
Session I	Session II

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Gold Star Camp is a 501(c)3 nonprofit.
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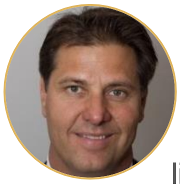
Buying in Detroit and Other Exciting Places

Written by Gordon Moss



The government-sponsored lending agencies are now the largest holders of defaulted real estate notes and distressed properties, and they will liquidate these swollen assets through Bulk REO (Real Estate Owned after foreclosure) sales and selling of the non-performing notes over the next several years. Investors seeking to buy these defaulted assets should be fully informed of the risks as well as the opportunities in this speculative game.

What are the myths and realities of Bulk REO, and what perspectives can be gained that might assist us in the acquisition of non-performing notes and other related real estate investment opportunities? Remember that any non-performing real estate note is one step away from foreclosure (REO status) and needs to be evaluated with that in mind.

What is Bulk REO?

Let's start at the beginning – What is Bulk REO? What are some of the challenges of acquiring it? And most importantly, what are the real exit strategies that might leave you with a profit?

A lending institution with non-performing properties will first list them on the local MLS. What doesn't sell will be put up for auction, and the portion that doesn't sell becomes the Bulk REO.

What are some of the challenges of acquiring Bulk REO?

A very seasoned Bulk REO buyer who has traded thousands of these properties over the last five years describes the buying process as an "all cash, 48-hour turnaround time (minimal time for due diligence) process" to become a winning bidder on a pool of Bulk REO. These pools are traded in an "all or none" bidding process (you must buy the entire pool with no exceptions to pick and choose), which inevitably leads to a 10% or more "shrinkage factor" for burnouts or houses that just do not exist anymore.

Trailing quit claim deeds are the biggest challenge facing Bulk REO buyers. The weakest form of transfer of real estate is the quit claim deed — it only assures the new buyer that the seller has "quit his claim" in any interest in the property — and nothing more. This is the way Bulk REO is traded, and this "trailing deed" might not arrive for months afterward. This has been a huge problem in cities like Cleveland which have developed aggressive policies to levy multi-thousand-dollar daily fines against entities that buy these distressed properties. Imagine buying an REO in Cleveland for a dollar and having tens or hundreds of thousands of dollars in levied fines against you by the time the "trailing deed" arrived at your door.

Where are the majority of these Bulk REO properties?

The most economically-challenged parts of the country dominate the demographics of national Bulk REO buying: Examples are the "rust belt" cities of Detroit and Cleveland. In 1942 Detroit had a thriving population of 2 million. Today the population is 900,000. The unemployment rate is 27%, and the "underemployment" rate of low paying subsistence-level jobs is 50%. Detroit is a shrinking city where the mayor has plans to consolidate the city from the existing 26 to 7 zip codes to reallocate the over-stretched police, fire, school and other city services. The lots that these homes and buildings occupy are better served to be plowed under and returned to the farmland they once were. Many aggressive investors looking to profit from this economic downturn and mortgage meltdown have been tempted by these "nearly free" REO opportunities. They think, "how can I possibly lose when I'm paying so little?"

Well, read on…

It doesn't take much imagination to predict what might be the condition of a house no one bought after an MLS listing, an auction, and finally relegated to the Bulk REO pile. After months or years of sitting empty in a "challenged" (read: scary) neighborhood where the locals notice these kinds of "empty house opportunities" — well, the end result is never a good thing. For one, the copper plumbing and copper electrical wiring can be stripped and sold for about an $80 black market profit. Additionally, the roofs and foundations are typically a problem, which makes these houses "un-financeable" to a retail owner-occupant buyer.

Who then can buy these distressed Bulk REO houses?

Enter the "buy and sell" or "buy and hold" real estate speculator.

I want to emphasize that I added the "buy and hold" category because many of these properties – even after a complete rehabilitation – cannot be sold or financed with a conventional loan. The lack of buyers and or bank financing will quickly turn you into an "accidental landlord/lender" if you are not careful.

Managing low-end properties from across the country (or even close to home) is a skill that is not for most — and especially not for amateurs.

Here is a story from a friend who manages several thousand of these long-distance REO's and has cracked the code on this management issue (this may help you evaluate if this type of investment / management is for you):

Pretend that you are now the owner of a $5,000 bank REO that looks very similar to the humble home that you or your parents grew up in. You invest $10,000 to fix the roof, foundation, and replace the stripped wiring and copper plumbing and plan to beat the "losing landlord trap" by actually creating an owner financing arrangement with your new note payor, terms as follows: $500 down, $400 a month until this newly valued (by you) $30,000 house is paid off. This gives the new very marginally-qualified occupant a pride of ownership interest in the property for a very low-down payment and a mortgage payment that is actually hundreds of dollars below the monthly rent of the surrounding rental properties. The numbers here appear to be very interesting – a total of $15,000 into a single-family home investment with almost $5,000 per year in income gets all of your investment income back to you in 3 years, and many more years of cash flow.

Break out your calculator and run the numbers on that one – The projected return? Off the charts!!

Beware of people who are masters of the financial calculator and make financial investment projections. A projection is just that and nothing more – they have not yet developed a calculator with an "R" key to accurately measure RISK – the most important factor in any investment.

Felon management of your tenants/borrowers

How are you going to find that local property manager to collect those payments that regularly do not show up in the mail? An expert in this market thinks he has the solution — he hires a local ex-felon who knows "the hood." You supply your new ex-felon property manager with a truck, a cell phone, and a local house (he supplies his own weapons), and he completes all repairs, collects and distributes your cash and oversees your management operation.

This is the real world. This is the reality of what it takes to manage these types of properties.

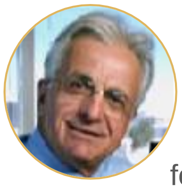
You need to be crystal-clear BEFORE you make your real estate or non-performing note investment that you have the stomach and the nerve to succeed in this market.

For some great video on bulk REOs, do an Internet search for "Odell Barnes" and watch some amazing stories of the bulk REO game.

Gordon began his career in real estate in 1985 as a commercial real estate broker in Orange County California. He has been an avid student of the masters of all facets of the real estate and investing business for over 25 years. He now owns and manages a portfolio of properties and notes full time and today is very passionate and active in what he believes is the best real estate and note investment opportunity we will see in our lifetimes. www.realestateandnoteinvesting.com

Buying A Distressed Commercial Mortgage Note

Written by Alex Nackoul



By practical definition, a distressed commercial mortgage note is typically a loan that is not being paid per the contract and that is either in default or in foreclosure. Along with these characteristics, a distressed commercial mortgage note is typically secured by a distressed commercial parcel of real estate.

Many note brokers ask us if we buy distressed commercial mortgage notes. In concept, we always answer yes. In reality, the answer is much more involved.

Let me explain by an example of a distressed commercial mortgage note we recently purchased.

The call came in one late afternoon. The caller owned a commercial mortgage note and stated that no payments had been made by their borrower for over eight years. Would we be interested in buying it? My answer: Yes, we would be interested in buying it; please tell me more.

Over the next 30 minutes and then several subsequent phone calls, a title investigation and a property inspection, the following facts were finally pieced together:

The commercial property was an auto repair shop in the Los Angeles area. It was a small lot of about 5,000 square feet. It had two below ground auto bays. There was a small building in the rear of the property in poor condition and unusable. There was an open canopied work area. Debris, neglect and possible oil spillage and environmental issues were evident upon inspection.

The property was sold for $375,000. The seller carried back a $300,000 first mortgage. The scheduled payments were yearly. The amount was $100,000 plus accrued interest for 3 consecutive years. None of these yearly $100,000 payments had been paid. The note holder had filed a Notice of Default — and then rescinded it.

The borrower had sent a check in 2012 to the note holder for $300,000. The note holder gave me a copy of the check and said that the check was never cashed because there were no moneys in the borrower's account to cover it. The borrower confirmed the issuance of the check and vaguely confirmed that it had not been cashed.

The note holder told me that the borrower had become difficult and adversarial. The note holder implied that there might be possible legal troubles if another Notice of Default was filed.

It came out that the person I was dealing with was a family member of the note holder of record. The note holder was going to 'give' my contact person ownership of the commercial mortgage. This was a complication that added to the unusualness of this distressed note.

A review of the county tax assessor verified that the property taxes were paid and current.

This last fact — that the property taxes had been paid by the borrower for 8 years — was the diamond in the rough I had been looking for. This confirmed to me that there was some user value in this property. It also led me to conclude that the non-payment of the note was due primarily to the unwillingness of the parties to re-negotiate the payments. I was now interested in buying this very "distressed commercial mortgage note secured by a very distressed commercial property."

So, now the big question was: how much would I pay for it? To review, here are the negative issues of this note:

- Small commercial lot of 5,000 square feet
- Environmental contamination
- Deferred maintenance and repairs of a minimum $25,000 to $50,000

- Legal and foreclosure fees could reach upwards to $50,000.
- Government zoning and Conditional Use Permit issues.

Here are the positive issues of this distressed commercial note:

- Auto repair shop
- Urbanized and densely populated neighborhood
- Good location of the property within the commercial district of the neighborhood
- Property taxes were paid
- Non-payment of the note due to failure to re-negotiate

Negotiations with the note seller went back and forth for some time. I offered very little for the whole Note. The note seller came back with a big number. We were very far apart in price to buy the whole note.

So, I thought: what would be a way to limit my loss and maximize my gain and still be able to strike a deal with this note seller?

In the end, this is what we agreed to:

I would form a new single asset LLC which would buy the whole note from the family member who actually owned the commercial note. My corporation would buy a controlling percentage in the LLC for an appropriate amount. I would process the foreclosure. I would lend moneys to the LLC for legal fees, maintenance and repairs. In addition, my company would manage the property. The assigned note seller would own a minority percentage in the LLC and would not have to actively manage the property if we took it back.

So, we had a deal. It was fair and it balanced the risk and reward for both the note seller and me, the note buyer. More importantly, it met the needs of both parties.

Once the escrow of the note purchase closed, I immediately filed a Notice of Default and my work began. I had numerous conversations and a meeting with the borrower. We tried to negotiate a settlement with the borrower, in good faith, but to no avail. I met with the tenant and assured him that he could stay after the foreclosure. I made inspections of the property with my contractor. There were no legal delays or challenges to our foreclosure. On schedule, the Trustee's sale was conducted and the property reverted back to our LLC, the beneficiary.

Our newly formed LLC was now the owner of this commercial property. I loaned the LLC money to cover the cost of repairs and improvements. We have renovated the once unusable building inside and out. The plumbing and electrical have been repaired and upgraded. This building is now being used by our tenant as an office, customer waiting room and employee rest area. The customer bathroom in the building is completely remodeled and usable now. We replaced the existing perimeter chain link fence and entry gates. The property is now secure and safe as well as clean and free of debris.

The tenant is currently paying us below market rent but will soon be paying us, on a stepped-up basis, what I consider to be market rent. In the future, I plan to add a car joist/lift to the property and an overhead canopy so that the tenant will have a third auto bay. These future improvements will add value to the property in order for us to again increase the rent.

Conclusion

Structuring the purchase of a distressed commercial mortgage note is critical to the deal's success. In this deal, forming a single asset LLC addressed the environmental and potential legal issues. Purchasing a majority interest for a nominal amount hedged our investment exposure. Providing property management and remodeling expertise relieved our minority partner of this burden. And being able to lend money to the LLC to pay for the remodeling costs relieved our minority partner of this burden as well.

Buying a distressed commercial mortgage note is a world apart from buying a distressed single-family note. However, both have their challenges. In mortgage investing, it is what we don't see or anticipate that increases the risk of the deal.

Alex Nackoul is the Managing Director-CEO of Brownstone Mortgage Capital Corporation. He is also the author of the book *Secrets to Successful Mortgage Investing*. BrownstoneBuysLoans.com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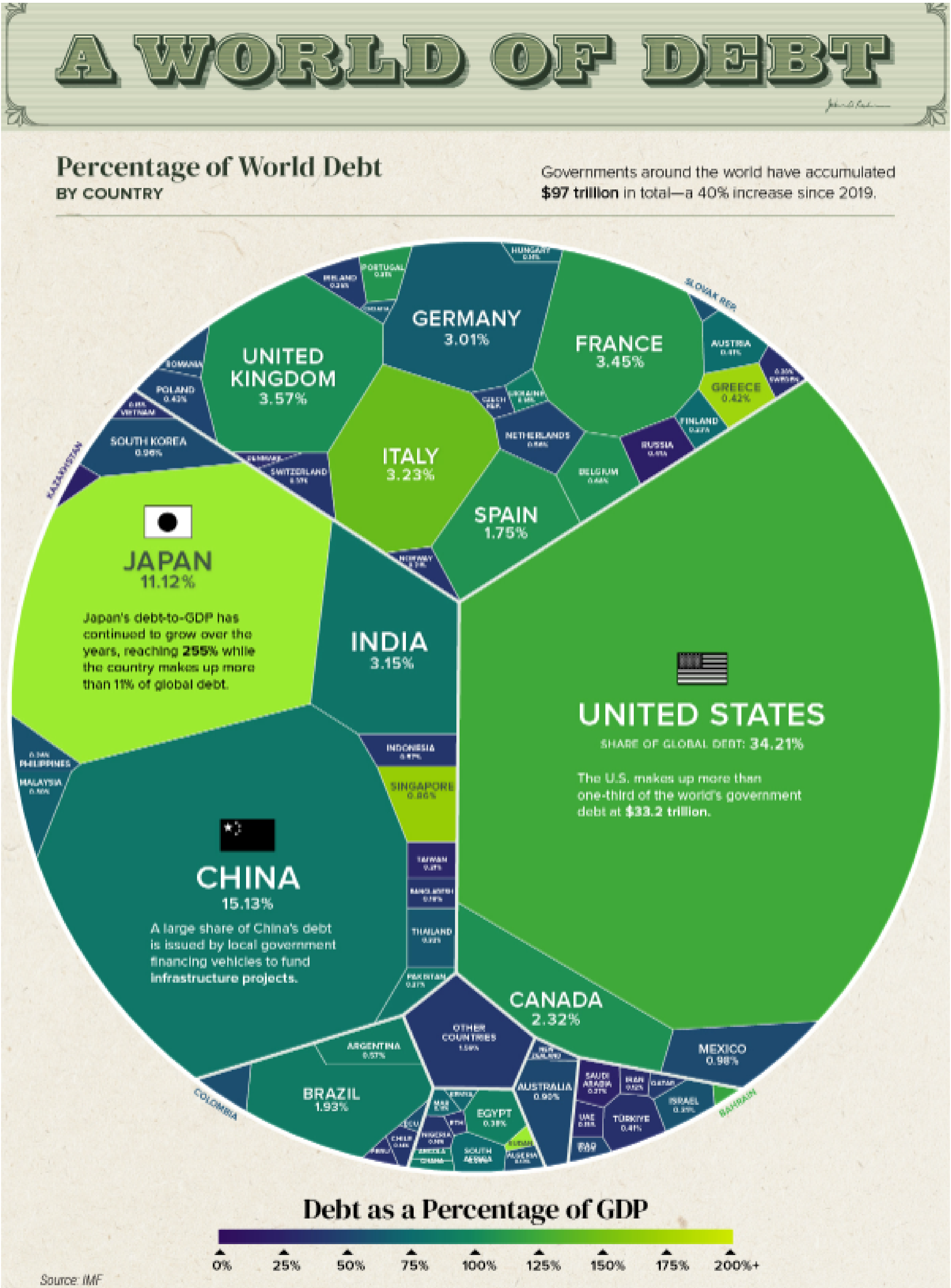

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An interview with William L. Exeter, CSOP, NDG

By William Mencarow

Bill, thanks for taking the time to teach us about notes in IRAs. My first question is, what should be considered when deciding what notes to put in a retirement plan?

Obviously, the highest quality notes are good candidates, for a number of reasons. If there is a loss in an IRA account you cannot deduct the loss on your income tax, so the lesser quality notes should be in your personal portfolio.

A note that is bought at a discount makes sense in an IRA, since the entire capital gain is tax-deferred. Notes that are of better quality, that are producing higher income and capital gains, are the best candidates for IRA accounts.

Also, if you buy a partial or a fractionalized note with other investors in your IRA and something goes wrong, it's more difficult to process the foreclosure transaction and get the others to agree on what to do. What the others may want to do may not be in the best interests of a tax-deferred IRA account. We recommend that you only put whole notes into your IRA so that you have full control over it.

How should a note be serviced in an IRA?

That's a good question. When someone is shopping around for an IRA company to handle their account, they are going to get a lot of buzz-words thrown at them. Just about everybody says, "Sure, we service notes." What they typically mean by servicing a note is that they will accept the checks and post it to the account. That ends the "servicing they provide."

Note investors using their own IRAs should not service the notes. They should have an IRA company that has the ability to really service the notes. The company should have an in-house servicing center that does everything from A to Z: collecting the payments, posting the income and principal, monitoring for delinquencies, sending out late notices, filing notices of default and foreclosures if required, providing 1098 and 1099 tax reporting…all that should be provided to the client. Very few companies offer that, although they don't tell the client that, so a couple of years later when the client calls the IRA company and requests a printout of the payments, he's told that he's received monthly statements, look it up. A good servicer will print out all the note activity and fax it to the client immediately.

When notes are put into a retirement plan, where are the original documents physically kept?

That depends on the plan. If it's a self-directed IRA or a SEP IRA and the client is buying 100 percent of the note as opposed to a partial, we like to take physical possession of both the note and the underlying collateral. It is kept in a dual-control, fireproof safe, which means it requires two employees to access it. If it is a partial or fractionalized note, then typically the investor will hold all the original documents.

Do note brokers face any potential liabilities when selling notes to a retirement plan?

Brokers face a much higher level of liability when dealing with a regular ERISA account, which means a 401(k), profit-sharing or pension plan that typically has multiple beneficiaries, a corporate trustee or several trustees. You have many people who are charged with the fiduciary responsibility for that type of plan, and the underlying beneficiaries don't have the ability to monitor each individual investment as it happens. This situation can really get a broker into trouble.

It's much simpler to sell notes to a self-directed IRA, where you have one beneficiary who approves their own transactions and actually selects the investments through the broker. The liability for the broker still exists, but it drops significantly because the beneficiary has approved and authorized the investment transaction, and the presumption is that the beneficiary has done the necessary due diligence.

If a retirement plan owns a real estate note that defaults, and there aren't enough funds in the account to pay the costs, what can be done?

That's a very big problem, and it's very difficult to handle. If there is little or no cash in the account, and if you interpret the IRS regulations very strictly, you cannot use personal funds to help cure the note or process the foreclosure transaction. That would be considered a prohibited transaction. You cannot lend funds to your IRA or SEP-IRA either. That means if you want to be completely conservative, there is nothing you can do.

In reality, nobody wants to walk away from a note like that. Some process the foreclosure with personal funds and then at the sale try to get the funds back. But there is a potential risk in doing that. If the IRS ever audited that plan it could be disallowed as a prohibited transaction, because you've commingled IRA funds with personal funds.

What is the difference between an IRA trustee, custodian and administrator?

The trustee typically has more responsibility. When the word "trustee" is used, that usually means that the institution is actively managing the client's account — they make the investment decisions. A custodian is used with a self-directed account. We do what the client asks us to do.

Our plans are completely self-directed, and the clients give us written instructions as to what to do.

An IRA administrator is an expert on IRAs and SEP-IRAs. They know the business, they do the administration, which means they handle the paperwork, but they are not licensed by any government agency to handle the custodial work or actually take possession of the assets. Typically, an IRA administrator would do all the work but they have to hire a custodian, such as a trust company or a bank, to actually hold the assets. The risk is that assets have to go through the IRA administrator first and then to the IRA custodian.

A trust company, on the other hand, handles everything. The administration and the custodial function are all under one roof. It is licensed by a government agency, which means they are monitored, regulated and audited. Typically, their bonding levels and their equity capital levels are much higher — Security Trust, for example, has a $50 million fidelity bond and $10 million in errors and omissions insurance — so the clients are much better protected. Clients should always inquire into the bonding levels and request verification or proof of the bond or insurance policy.

Trust companies also fall under the fiduciary laws. The corporate assets are definitely segregated from the clients' fiduciary assets. If the state or the federal government were to take over the company for some reason, the clients' funds would not be affected. In the case of an IRA administrator, if the government were to take it over, there could be a problem in segregating the clients' fiduciary funds from the corporate assets.

People need to make sure their retirement funds are with a trust company or a bank with a trust department.

What should someone look for when evaluating an IRA company?

The first thing to look for is strength in bonding. We've seen a number of instances where that was lacking and the companies have gone under for a number of reasons, and the clients' funds were lost.

If the bonding is adequate, go to the next level, which is whether the company is licensed or regulated by any kind of government entity. Is there anybody looking at them, at least annually, to determine if their operation is complying with the law?

Third is the question of with whom they are associated. Are they part of a strong family of companies that understand the business? Or are they a local shop, and if something goes wrong, they will just shut down and put the client in jeopardy?

The next issue is level of service. What kind of service do they provide to the client? Service is more important than fees, because two years down the road you want to be sure your account has been handled adequately, all the tax reporting has been taken care of competently and such. You don't need surprises. Of course, you need to examine and understand the fee schedules and choose the best company for your circumstances.

William Exeter is the President and Chief Executive Officer of Exeter 1031 Exchange Services, LLC, Exeter Fiduciary Services, LLC, Exeter IRA Services, LLC and their affiliate companies.

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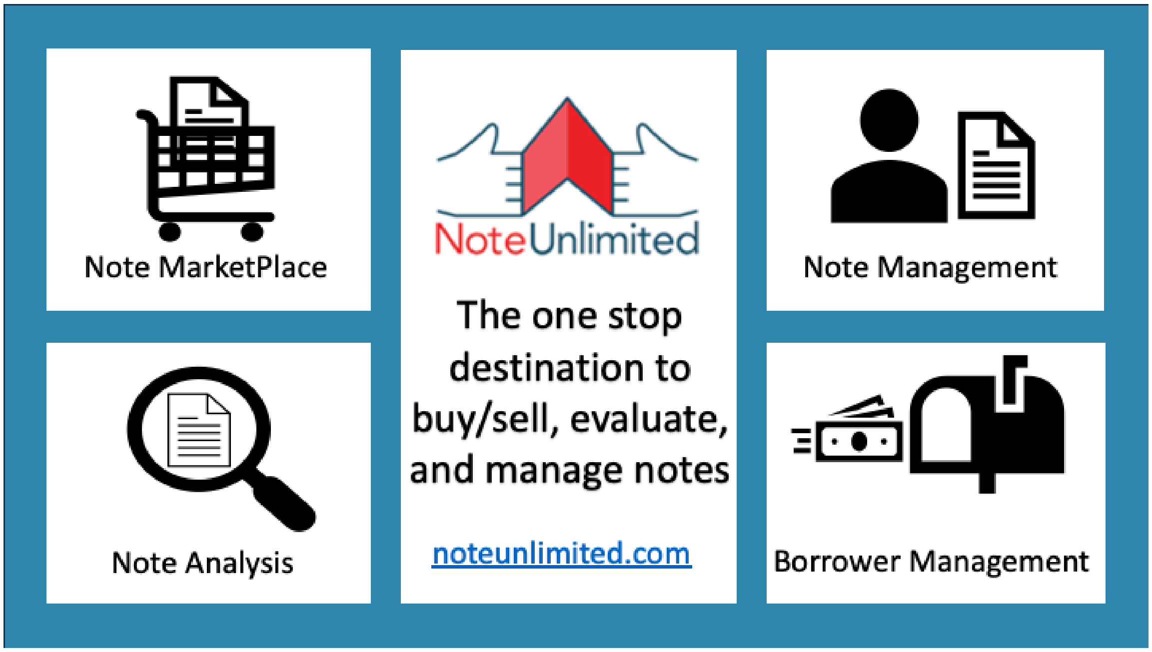
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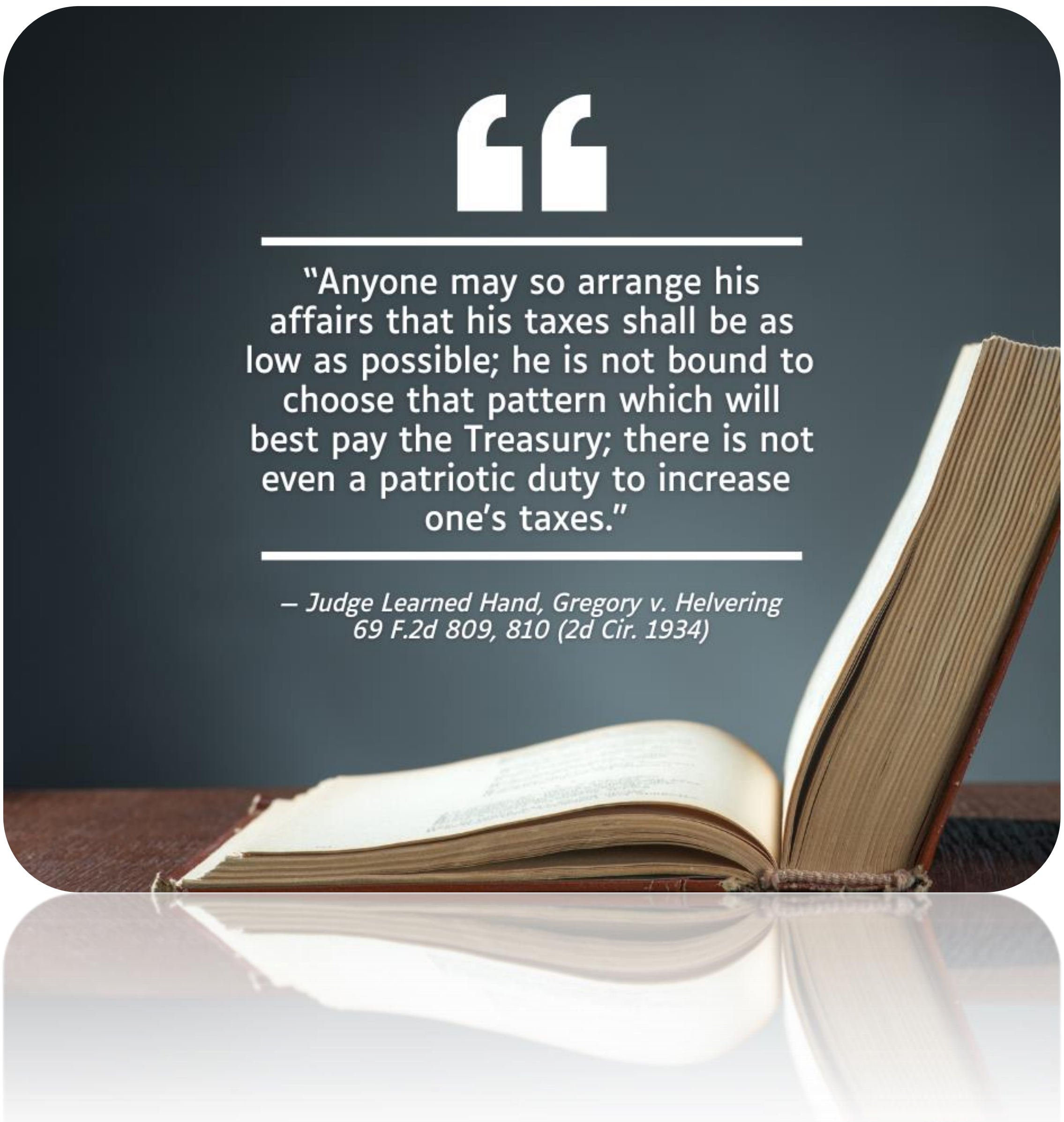
"Anyone may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes."
– Judge Learned Hand, Gregory v. Helvering 69 F.2d 809, 810 (2d Cir. 1934)


MERRY
Christmas


YOUR HOME AS SEEN BY
YOU
BUYERS
APPRAISER
TAX ASSESSOR


You know you're getting old when you watch Home Alone and wonder how much their mortgage is....
Backtothepast


2024
Happy
New Year

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MI: michiganrealestateinvestors.com, REIAofOakland.com, reiawaynecounty.org
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MO: comohome.net, fasterhousebuyersclub.com, ilreia.com, marei.org, REInvestorGroup.com
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NC: charlotteREIA.com, MetrolinaREIA.org, triadreia.org, treia.com
OH: acreia.org, greatlakesreia.com, GDREIA.com, mahoningvalleyREIA.com, investinstark.com
OK: okcreia.com, tulsareia.com
OR: ORREIA.net, rarebirdinvestors.com
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SC: MidlandsREIA.com, upstatecreia.com
TN: joinknoxreia.com, MemphisInvestorsGroup.com, reintn.org, tnreia.com
TX: 1REClub.com, AlamoREIA.org, austinrenc.com, DallasREIG.com, elpasoinvestorsclub.com, ntarei.com, dfwreiclub.com, sareia.com, txreic.com, contrarianclub.org, TheWealthClub.org, WestDFWREIGroup.com
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VA: trigofva.com, TractionREIA.com
WA: northwestreia.com, reapsweb.com, REIAwa.com
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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