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My Most Unusual Note

Commercial Paper Niches With A Potential For Riches

Notes vs. Real Estate: Which One Wins?

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Who Gets What In Early Payoff Or Default

The note investor's yield jumped from 12% to 13.21%.

By Tom Henderson

The most frequently asked question when discussing partials with note sellers is: "What happens in the event of an early payoff or default?"

In the event of a default, the number crunching will be the same as an early payoff, except there will be added expenses added for the foreclosure process. In addition, the payoff amount will not come from an amortization schedule, but from the sale of the property at or after the foreclosure auction.

It should also be noted that in the event of default, depending on what the partial contract stipulates, there are different scenarios of the note sellers' participation should the note complete the foreclosure process. This is a topic for a later article. In this article, I am going to concentrate on the number crunching of an early payoff or default.

To begin, let's assume a note seller has taken back a note for $100,000 at 5% for 30 years with monthly payments of $536.82, but needs $20,000 immediately. A note investor desires a 12% yield, and has agreed to purchase 5 years of payments. Let's further assume that after 36 payments, the payors sold the property and the note will be paid off. The big question is: Who gets what?

There are three methods of determining how to distribute the proceeds of an early payout. In all three methods, the first thing we need to complete is an amortization schedule for the payor, which we will call the Payor's Schedule (often referred to as Schedule A).

The next step is to prepare an amortization schedule showing the present value of 60 payments of the original note at 5% with payments of $536.82, which we will call the Note Investor's Schedule (or payout, more commonly called Schedule B).

The last step is to prepare an amortization schedule showing how much the note investor will pay to purchase 5 years of payments and receive a 12% yield, which we will call the Note Investor's Schedule (or basis, which many refer to as Schedule C).

To calculate "who gets what" in the event of early payout or default you need TValue Software, and you can buy it inexpensively at the PAPER SOURCE store (www.store.papersourceonline.com/tvalue). TValue Software creates all of these amortization schedules with ease.

Remember, whether you are brokering or buying a partial, you will need to be able to explain all the "what ifs" to your note seller. If the note seller does not understand all the possibilities, chances are he/she is going to say "No" to your offer.

The final method of determining "who gets what" in the event of early payout is what I call Schedule D. We will discuss this method in a future issue of THE PAPER SOURCE JOURNAL, because it has its own unique circumstances.

To summarize, there are three methods of calculating "who gets what": Schedule B, Schedule C and Schedule D. No matter which method is used, the first amortization schedule we need to prepare is the Payor's Schedule or Schedule A. The Payor's Schedule will never change and is paramount in determining how much the note seller will receive in all three methods.

Payor's Schedule (or Schedule A)
N = 360
I/Yd = 5
PMT = 536.82
PV = -100000
FV = 0

Since the note investor is going to purchase the first 60 payments of the note, next we need to calculate exactly what the note investor is buying. In our example, we calculate the present value of a 5-year note paying $536.82 a month at 5%:

Note Investor's Schedule (or Schedule B) N = 60
I/Yd = 5
PV = -28447
PMT = 536.82
FV = 0

The note investor desires a 12% yield and has agreed to purchase the first 60 months of payments. This is the note investor's basis, as well as the schedule the investor will give to his or her accountant. This schedule is also referred to as Schedule C:

Note Investor's Basis (or Schedule C)
N = 60
I/Yd = 12
PV = -24133
PMT = 536.82
FV = 0

It should be noted that by subtracting Schedule C from Schedule B, the amount of the discount is revealed. In other words, if you subtract the amount the note investor paid for 60 months of payments to receive 12% ($24,133) from the PV of 60 payments @ 5% ($28,447), the discount is $4,314. When providing the note seller with a Schedule B, he will immediately see the amount of the discount; so don't get greedy. Many a deal has gone sour when the broker tried to take advantage of the note seller with a large commission. Moreover, when the deal goes bad because of a greedy broker, it deteriorates the broker's and institutional investor's relationship.

With that being said, let's calculate "who gets what" in the event of an early payoff. The method used by most institutional investors is the Schedule B, so let's start there. Remember, the note seller created a note for $100,000 for 30 years @ 5% interest and monthly payments of $536.82. The note investor immediately purchased 60 payments. In year three, the payor sold the property, and the note was paid off. The question is, how much does the note investor receive and how much does the note seller receive? The first step is to determine the payoff amount after 36 months from Schedule A:

N = 324
I/Yd = 5
PV = -95,344
PMT = 536.82
FV = 0

Next, we need to determine how much the note investor is to receive. Since there are 24 months remaining on the partial agreement, using the Schedule B amortization, we can calculate how much the note investor is due:

N = 24
I/Yd = 5
PV = -12,236
PMT = 536.82
FV = 0

The Schedule B tells us how much the note investor will receive. How much will the note seller receive? We simply subtract what the note investor will receive from the Payor's Schedule:

Payor's Schedule (Schedule A)	$95,344
Investor's Schedule (Schedule B)	- 12,236
Note Seller's Payout	**$83,108**

After the smoke clears, how did everybody come out?

The payor paid off his $95,343 note. The note seller received a $83,108 payout PLUS $24,133 immediate cash (for the partial purchase) for a total of $107,240, which is more than the face amount.

How did the note investor come out? He paid $24,133 for the partial purchase; received $536.82 for 36 months; then received a payout of $12,236.

N = 36
I/Yd = 13.21
PV = -24133
PMT = 536.82
FV = 12236

The note investor's yield jumped from 12% to 13.21%. Why did the yield jump? In a nutshell, it is because the note investor got "more back sooner."

The Schedule B is the first and most common method of determining "who gets what" in the event of early payoff or default. I suggest you create different amortization schedules to practice all the "what ifs." When you fully understand how to complete a Schedule B you should have no problem in answering any questions the note seller might have.

In a future issue of THE PAPER SOURCE JOURNAL, I will discuss how to calculate Schedule C, along with the Schedule D; then compare all three methods. There can be substantial differences. Remember: Knowledge is Power.

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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$46K

$51K

$56K

Total Yearly Cost of Living

8 Washington $47.2K

10 Oregon $46.2K

3 California $53.2K

6 Alaska $48.7K

1 Hawaii $55.5K

4 New York $49.6K

Massachusetts $53.9K 2

9 Connecticut $46.9K

5 New Jersey $49.5K

7 Maryland $48.2K

U.S. Average $40.5K

Source: Forbes Advisor

My Most Unusual Note: A Textbook Case For Those Skeptical About Seller-Financed Deals

By Alison Mencarow

“Hello, I am hoping you can help me.”

That was the opening of an email I received. As publisher of THE PAPER SOURCE JOURNAL, I’m used to receiving a lot of requests to buy notes and make loans. They’re usually such oddball deals, I rarely get past the first perfunctory questions before ruling them out. But this one was different.

The email continued, the writer explaining his personal situation. He was disabled, his wife soon to be on dialysis. His credit was destroyed when he became disabled; a balloon of $6,500 on his home was due in 8 months, and the note holder refused to extend it. He was looking for a loan to pay the balloon. All of this was in the email he sent to me, a complete stranger he found on the Internet. I don’t make loans and didn’t want to get involved, but I felt so sorry for him that I asked for more details. He emailed the information, and I immediately saw that this was a horrible deal:

- bad house
- bad neighborhood
- bad credit

My husband, Bill, thought I was joking when I gave him the details. None of that stopped me. I offered to make my email friend (I’ll call him Jim) a low-interest loan to pay his balloon, pending my inspection of the necessary documents which I asked Jim to send, along with substantial personal information including six months of bank statements.

If Jim was a con man, I’d never hear from him again. But sure enough, everything I’d asked for arrived shortly. I felt the deal had to be legitimate: the settlement sheet from years before was a very simple had-typed document from the local rural title company (nothing like a HUD-1), and the note was only one paragraph long. A con man would have used standard forms!

In the meantime, I told Jim that I’d rather purchase the existing note, including the balloon, which would give me a good yield instead of making the loan. We would just modify the note to reflect new terms fully amortizing the balance. He said that the note holder (from whom he’d bought the houses) was 93, uneducated and hard to deal with; she wouldn’t be able to understand selling the note.

I explained to Jim that with the loan he would pay all closing costs, but if I could purchase the note, he would pay nothing.

Please Burn Down The House

Jim’s paperwork was OK with only a minor problem that could be easily corrected. I called and spoke with him for the first time; previously, our only contacts had been by email. I now learned that Jim had several problems with the note holder who had sold him the house (“Mrs. Seller”). It was obvious that she was doing her best to make him default on the note. She had moved at least twice and not given him his new address for mailing his payments. Most disturbing, her son had urged Jim to burn down the house and default on the note! (The land is more valuable without the house.) Jim was terrified they would eventually be successful in taking his home away, and he was immensely grateful that I was willing to make the loan.

The Payor Negotiates For The Note Investor!

Two months after our conversations started, Jim emailed to say that Mrs. Seller was in dire straits and might entertain my offer to buy the note. I asked him how to contact her, but Jim said she wouldn’t understand who I

was. I decided to ask Jim, the note payor, to make my purchase offer (no, I don't recommend that technique, but this deal was so bizarre anyway, I thought, what the heck...). I coached him on what to say, and what not to say, and gave him my bottom-line price.

After a few days, Jim emailed to say that Mrs. Seller didn't like my price, but he thought she would accept $500 more. Jim offered to pay the additional $500!

The offer was accepted. I used the local small town title company that had closed the property sale six years earlier. They were wonderful and got to work the day I called. After lots of phone calls, the deal was finally signed and recorded. (I applied Jim's $500 to his first payment.)

The Importance of Reading EVERYTHING

About that small paperwork problem I mentioned: The property was in Missouri, and since Mrs. Seller had moved away from the area, she had the General Warranty Deed notarized where she had moved. I noticed that the notary wrote that Mrs. Seller signed the deed on October 4, 1995; then the notary had written that her commission expired September 30, 1995! Because a title insurance policy had issued, I didn't really think this would be a problem, but I'd never run into it before.

I've since talked to many long-time note buyers, and no one has seen an expired notary signature. (I didn't let Jim know about this, because it might scare him.) I informed my title company of the error, and they drew up a quitclaim deed for Mrs. Seller to sign, stating in it that the purpose was to perfect the title, referring to the notary's error. She signed it. Problem solved.

Well... problem almost solved. My Missouri title company recorded the documents, including the quitclaim deed. Anxious to make sure the transfer of lien had been recorded, Jim went to the courthouse to check on it. He was sharp enough to discover in the quitclaim deed that Mrs. Seller's new notary's commission had expired five months earlier!!

After a few more phone calls, my title company discovered that the new notary had just written the date wrong and her commission was still valid. The quit claim deed was corrected and recorded once again.

Deeds to Jim's property are now recorded three times, two of them correcting problems in the previous deeds!

Throughout this entire transaction, I only spoke with Jim once; all our correspondence was via email. I had no contact with the note seller whatsoever.

How did things turn out? What I initially offered as a low-interest loan instead turned into a note purchase with a very good yield. Jim saved money, because he didn't incur the costs of a new loan. Plus, his note is now fully amortized with payments he can afford, so he doesn't have to worry about a balloon coming due.

The story is a textbook case for those skeptical about seller-financed real estate deals. Jim's bad credit disqualified him for a conventional loan (and for most seller-financing). The house he wanted to buy wasn't in very good shape, so it wasn't attractive to many buyers. This was a perfect match.

Jim was able to purchase his home because of seller financing. Mrs. Seller was able to sell an undesirable house and then sold her note with a balloon several years later for a small discount. I, the note investor, made a good return on my investment.

How well did Jim pay? The same Jim with credit so bad I didn't even bother to check it? (When someone admits upfront that their credit is terrible, you can be sure they are being truthful!) The first payment he made to me was in cash that he took to the title company (his $500 for the note purchase), before it was due, without being asked. Before his next payment was due, he emailed asking if I wanted a personal check, bank check, money order? Did I want it sent registered, certified? (Although I told him a personal check via regular mail was fine, he sent a bank check by registered mail.) When the mailing labels I had promised to send him hadn't arrived, he anxiously emailed to remind me that he needed them to send his payment.

His payments always arrived early. Unlike a lot of note payors, Jim understands the importance of making timely mortgage payments.

Jim is like a lot of us, like a lot of our friends. He is well-educated and had a good paying white-collar job: that is until an accident and several surgeries rendered him unable to continue working. Medical bills used up all of his savings. Eventually, Jim, his wife with kidney disease, and their children ended up on the street. They were living in their car when they found their current home.

He appreciates his home in a way that most of us can't. Jim knows what living on the street is like — and he's determined he will never end up there again.

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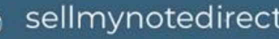

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Notes vs. Real Estate: Which One Wins?

By Jamie Bateman

Investing in non-performing notes can help banks and hedge funds to clean up their books. It really can be a triple-win scenario.

Most people are generally familiar with the concept of investing in real estate. Many of us have rented housing, or we have been landlords either accidentally or intentionally. Note investing, on the other hand, can seem a bit more nebulous. When comparing these two strategies, you may wonder which investment approach is better.

As such, I will articulate a few key differences between the two and declare a "winner" for each category. For simplicity's sake, we will frame our discussion around renting or lending as it relates to single-family residences.

Property Control vs. Property Ownership

When you invest in a rental property, you own the physical real estate. When you buy a note, you have a lien on the physical real estate. In one scenario, you own the asset; in the other, you control it.

While determining the winner for this category could be debated incessantly, I am going to give the slight nod here to notes. The main reason for this is that, as the note investor, you still have considerable influence over the asset, but you incur a lot less responsibility and potential liability.

Round 1 Winner: Notes (Scorecard: Notes: 1, Real Estate: 0)

Leverage

While it is possible to obtain financing using a note as collateral, traditional financing is much more common in the world of physical real estate. When buying a rental property, you can typically obtain bank financing as long as the collateral and your credit position make sense for the lender.

The world of notes, however, can be more cash-intensive. That may mean you are using your own money or that of a joint-venture partner. Acquiring leverage from a traditional lender to purchase a note is not the norm.

Round 2 Winner: Real Estate (Scorecard: Notes 1, Real Estate: 1)

Deal Flow

While the market has tightened in recent years for both real estate and notes, it is easier in most scenarios to source real-estate deals than it is to find notes. Note investing is very much a niche strategy. Finding notes to purchase is generally not as easy as finding hard real estate. While online note portals do exist, you really have to network with banks, hedge funds, and other note investors to have access to good deals.

Round 3 Winner: Real Estate (Scorecard: Notes 1, Real Estate: 2)

Effort and Time Required

While neither strategy is truly passive, note investing certainly requires fewer active components to manage. As a note owner, contact with the borrower is typically handled by a third-party servicer. Yes, rental-property owners can hire a property manager to interface with tenants, but let's face it, your borrower is not calling you in the middle of the night about a leaky toilet or problems with the next-door neighbor. Managing rentals, from my experience, requires more time and hands-on attention. Note investing can be done from anywhere as long as you have a laptop with internet access and a phone.

Round 4 Winner: Notes (Scorecard: Notes 2, Real Estate: 2)

Long-Term Value of Asset

Real estate typically appreciates in value over time. Although the value of a note can go up as well, often through forced appreciation like turning a non-performer into a performer (see Strategy #2 on this blog post), that

is somewhat atypical and certainly requires patience and work. What is more common is that, as the principal balance gets paid down over time, the value of the note slowly decreases as well.

Round 5 Winner: Real Estate (Scorecard: Notes 2, Real Estate: 3)

Tax Implications

In general (not tax advice), owning rental property comes with more tax advantages than owning notes does. With hard real estate, there are often greater expenses that can be written off, such as mortgage interest, and you can depreciate the value of the asset (typically over 27.5 years) for tax purposes. This is one of the main benefits of owning rental property, in my opinion.

When it comes to notes, there are often fewer expenses, and the profit is mostly due to interest income, which is treated as ordinary income for tax purposes. There is simply not as much of a tax benefit to investing in notes. This is one reason that a lot of note investors prefer to buy notes through a self-directed IRA (be it a Roth or traditional IRA), which is very easy to establish. This way, the investment grows, whether tax-free or tax-deferred, the same way more common IRA investments do. See this excellent article for more information.

Round 6 Winner: Real Estate (Scorecard: Notes 2, Real Estate: 4)

Versatility

When buying a rental property, the aim is basically to collect rent, pay down the mortgage, and hold the asset for appreciation and long-term wealth-building. With notes, there are many exit strategies at your disposal. You can add to your rental portfolio if forced to foreclose. You can flip the note. You can sell a partial, meaning a certain number of payments to another note investor. The bottom line here is that there are more options from which to profit with notes than with rentals.

Round 7 Winner: Notes (Scorecard: Notes 3, Real Estate: 4)

Impact Investing

While I do think that providing quality, affordable housing to a renter is a socially conscious approach, helping a borrower who has fallen on hard times to remain the owner of his or her home is likely even more impactful, especially when considering the effects on the surrounding community. A borrower is often just a number to a big bank. Not so in the eyes of a conscientious note investor. Further, investing in non-performing notes can help banks and hedge funds to clean up their books. It really can be a triple-win scenario.

Round 8 Winner: Notes (Scorecard: Notes 4, Real Estate: 4)

Overall Winner: It looks like we have a tie, ladies and gentlemen. So, I say, “Why not do both??”

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Commercial Paper Niches With A Potential For Riches

By: Braxton Thompson

Almost everyone knows about the secondary market for residential notes.

I operate in the limited and little-known field of commercial property paper. In the $100,000 to $300,000 bracket, the field is wide open.

In the residential market, underwriting is fairly routine and only a comparable sales approach appraisal is needed. With commercial income-producing property, sales comps do not give investors assurance of value — or any assurance the income (on which the property value is actually based) will be constant. As a result, there is far less commercial paper created, and the market has been restricted to local investors who can visit the property. Few national investors interested in commercial paper will buy only full notes, no partials or split balloons. (One exception is https://www.BrownstoneLoans.com)

Our investors are usually flexible enough to buy partials and split balloons or find other ways of accommodating note sellers' needs.

Bear in mind that one of the primary rules of investing is that yield is a function of risk. High yield requirements are somewhat justified because, even with the income approach to value, investors are only given an "instant snapshot" of the situation. There is no guarantee the property's management will produce a sufficient margin of income over debt service for the life of the note.

It's important for our investors to stay informed on income generated by the collateral property. To do this, we make it an obligation of the real estate broker representing the seller to make sure that the note taken back is marketable. We require documentation including requiring the property buyer to furnish operating data quarterly to any note holder for the life of the note.

In addition, we require a specific assurance, violation of which will trigger default, that debt coverage will not fall below 125, 135 or some negotiated ratio. In this way, the note holder knows he will have some advance warning of changes which could affect the income stream of the note. As a result of this ability to monitor the note collateral, we have enabled our investors to be more flexible to note holder needs and to feel comfortable enough to ease yield requirements.

Some of my commercial real estate broker friends have opined that some buyers would not consent to having such strictures placed on notes they are asked to sign. This objection requires me to point out that such buyers are not bankable. If they were, their bank would probably be even tougher, requiring operating data monthly, frequent debt/equity ratios, balance sheets and cash flow statements on the buying entity and all partners.

Of course, the documentation I suggest must be in place before the seller decides he would like to sell all or part of the note he has taken back. If the deal is already done and you go back to the buyer to ask for information that would help an investor, chances are you will get a refusal. Your only hope then would be a motivated concession — such as a reduction of principal, lower interest rate, longer amortization, or some other give-away. Even so, your seller would probably be better off than having a non-marketable note or one with a low yield.

It would appear that, even with our approach, it is highly unlikely that institutions active in the secondary market will become players in this market, because the underwriting guidelines are so different from those used in residential paper. A great deal more analytical knowledge of real estate is required to assess this kind of paper, and I don't think institutions are willing to pay for, or acquire it, because of the relatively small amount of this paper compared with residential.

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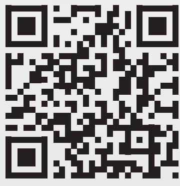

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Efficient Marketing For Cash Flows

By Joseph Pepitone

We all hear the same story whether starting a business or jump-starting your business again:

"It is all a numbers game. Make X number of phone calls, X number of appointments, X number of postcards/letters or x number of cold calls."

I call this method the shotgun approach. It usually wears you out before you get any meaningful results. In fact, I recall direct mailing 4000 letters to developers with only two responses and impossible deals to fund. I recall sending out 6,000 letters to attorneys with only one response. It seems that when you are most frustrated, the engine of ingenuity gets sparked.

I have been in the cash flow business for better than 20 years now. I can look back and reflect on what marketing efforts resulted in profitable business, and I can look back on what marketing efforts I did and should rather have goofed off and done something more fun that day.

I think a lot of people who enter the cash flow business really have unrealistic expectations. They are all pumped in the beginning because they just invested in one of many get-rich seminars out there today.

Whether it is mortgage notes, business notes, structured settlements, lottery winnings, accounts receivable factoring, real estate investing, pre-settlement funding, oil/gas royalties, entertainment royalties, etc. the basic premise to success is marketing efficiently.

For the 20 years that I have been in the cash flow business, there have been times when I have had an epiphany (a.k.a. an "Ah-ha!" moment). I have often said to myself, "If only I knew that before throwing all my money down the drain!" Here is what I have come up with:

Motivated Sellers Do Not Grow on Trees

The fact of the matter is that a "motivated seller" represents a small segment of the population. If you do the shotgun approach, I assure you that you will run out of money before you are able to turn a profit. The truth of the matter is, most people in the business world that you network with know people with money, are well-educated, show good demographics, and live in desirable neighborhoods. These people are not usually motivated sellers. I always tell mailing list brokers that if they have a list of unemployed people, lower income, poor demographics, living in less-desirable neighborhoods and are less educated, I would buy such a list. Guess what: no such list exists.

So, how do you find and market to market to motivated sellers without spending a lot of money? Ask yourself: What professionals deal with financial problems? Here's a list of those who come across motivated sellers every day:

1. **Bankruptcy Attorneys**: Obviously, if a person or a family is seeking bankruptcy protection, there really is a financial problem. Bankruptcy attorneys may have clients with non-liquid assets such as a mortgage, structured settlement, lottery, billboard lease, cell phone lease, and they need money to pay the attorney and creditors. In fact, a bankruptcy attorney will not usually work with someone unless they can pay their fee up-front.

   How do you get the bankruptcy attorney's attention? What if there is an asset on the personal bankruptcy filing that can be liquidated to pay attorney's fees? You might get the attorney's attention if you explain how you can help liquidate that asset for immediate cash.

2. **Bankruptcy Trustees**: Here again, the trustee wants to be paid in cash. There could be an asset that you could buy or broker that pays the trustee and creditors. Bankruptcy trustees are constantly confronted with assets that do not trade in organized exchanges. Providing liquidity in these difficult bankruptcy cases benefits the bankruptcy trustee.

3. **Accountants**: There could be a tax problem from a business or individual. The accountant would like to help his client settle with the IRS by cashing out some non-liquid asset. The accountant would be able to make an offer in compromise to the IRS with cash today that would settle a tax debt. The accountant then looks good in their client's eyes, and it allows him to continue to have an ongoing, profitable relationship with his client.

4. **Real Estate Agents**: This group is a bit harder to work with. They usually want you to do a simultaneous closing on a deal that Superman would not do with his x-ray vision. For example, FICO score 500 and no down payment from the payor; those are not the kind of deals to which you should give any merit.

   What you really need to do is find a "motivated real estate agent." Maybe business is slow for them and they are looking to generate some additional income. You can ask them to go back and look in their files for a seller carryback mortgage note that they can refer to you. Explain that you will be glad to pay them a finder's fee when the note is sold.

5. **Financial planners**: Also, a tough group to market to. If the planner is doing well, he or she probably will not be open to your marketing. You need to find a less successful financial planner who is open to earning additional income outside his profession. He might have a client with illiquid assets to which he is trying to sell an annuity or mutual fund. By liquidating the non-liquid asset, you provide capital for the financial planner's client.

6. **Estate or Probate Attorneys**: Many times, a mortgage, structured settlement, annuity, lease, contest annuity, or other receivable is part of the estate. The heirs often do not want the receivable and will usually discount it to get cash. Sometimes the estate or the probate cannot settle because the heirs do not possess the capital to pay the attorney fees. Here again, you need to find a situation where the attorney is paid from a client and there are receivables to cash in. Certainly, you will pique that attorney's interest by providing capital in a difficult situation for him and his client.

7. **Hard Money Lenders or Private Money Lenders**: They deal with people who are willing to pay high interest rates on mortgages. These motivated people usually try to call all the money people in their marketplace. Let hard money lenders know what cash flows you broker and that you are willing to pay a finder's fee — when the deal closes.

8. **Nursing homes**: Nursing homes are usually upside down on their bills. Many times, a person who is in the home has applied for Medicaid. While their application is pending, the nursing home cannot collect from the family for services rendered. The process to approve Medicaid applications can take six months or longer. On top of that, most states are having budget challenges and are paying nursing homes late while the nursing home has to pay their staffs. Some patients may have receivables, such as annuities. You might be able to broker that annuity for the patient so they can get the nursing home care they need.

TARGET AREAS

Unemployment Offices: Generally, unemployment offices are typically in less-desirable neighborhoods. It might pay to put up a flyer or take out an ad in a local newspaper that is near the unemployment office. I bet there are quite a few people with non-liquid assets they wish to sell, especially when they are not working.

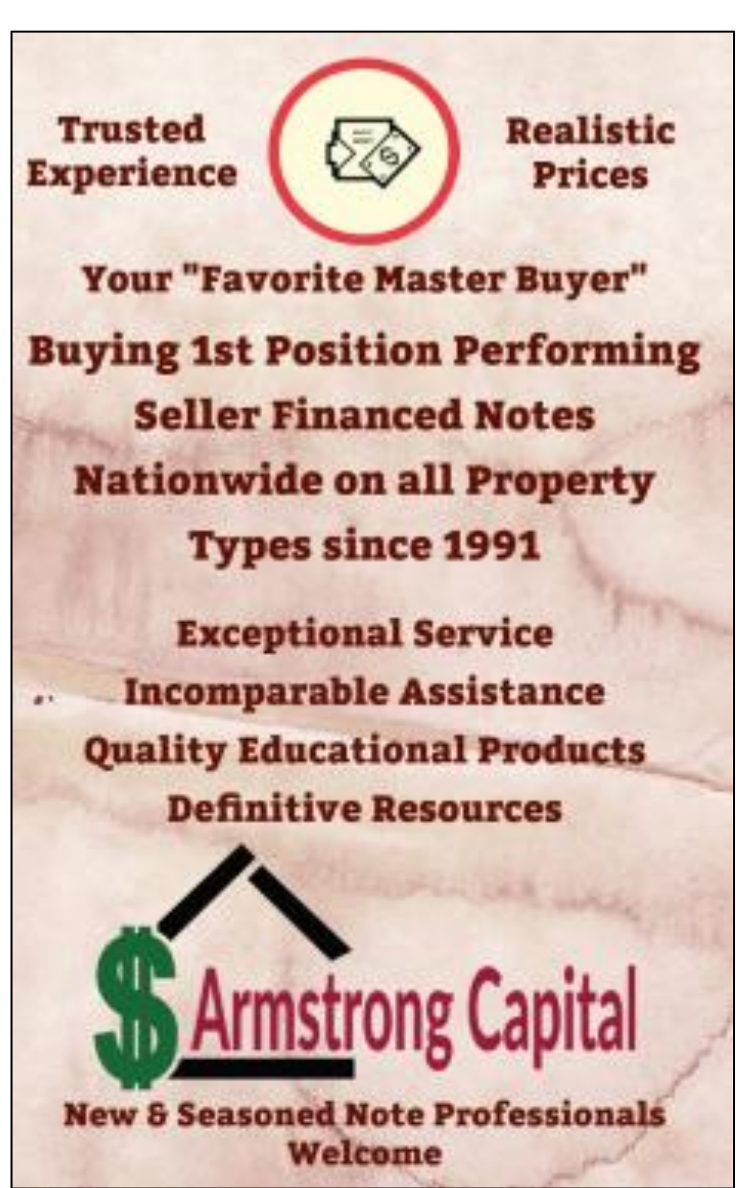
Check Cashing Places: These types of stores usually attract the lower demographics of our population. Some of these people might have a pending lawsuit or a settlement from an accident, both of which can be brokered. It is possible that the store owner will allow you to put a sign in the store or window and you can pay him a finder's fee for any transaction that comes your way.

Pawn Shops: These stores are also dealing with motivated sellers. It is possible that people who are doing business with pawn shops might have an illiquid asset. The store owner will permit you to put a sign in

the store or window in exchange for paying him a finder's fee.

In closing, the marketing of cash flows continues to evolve. The tried-and-true methods of the past continue to get uprooted. Just spend time every day thinking, even daydreaming, and you can come up with some creative ideas to find motivated sellers.

Joseph Pepitone has been in the alternative cash flow business for 27 years.



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President Biden Sparks Confusion With Vow To Crack Down on Rent Hikes

By Keith Griffith | REATOR.com

President Joe Biden appeared to announce new plans to crack down on rent hikes at his press conference following the NATO summit in Washington, DC, on Thursday.

During the wide-ranging press conference, Biden sought to allay fears that his reelection campaign is unviable after a disaster debate performance against Donald Trump last month. While commenting on the economy, Biden slipped in the apparent campaign vow.

"It's time — for example, if I'm reelected, we're going to make sure that rents are kept at 5% increase, cor- — corporate rents for cor- — apartments and the like and homes are limited to 5%," he said, according to the official White House transcript.

Biden's comments could indicate that he plans to tighten a 10% annual rent increase cap that the Department of Housing and Urban Development previously announced in April, which applies only to affordable units financed through the Low-Income Housing Tax Credit program.

But the president's phrasing sparked speculation in some housing policy quarters that he is preparing to propose a broader national cap on "corporate rents" for traditional housing units.

The White House declined to offer specifics clarifying Biden's remark, but pointed to numerous steps the administration has taken to protect renters, including emergency rental assistance to 8 million renters during the COVID-19 pandemic and proposals to crack down on junk rental fees and price-fixing.

"The President has taken a number of actions to cap rents and crack down on price gouging by corporate landlords, and will continue to take action to build on these efforts," White House spokesperson Jeremy M. Edwards told Realtor.com® in a statement.

It is possible that Biden simply misspoke about the administration's previously announced 10% rent cap on LIHTC units, misidentifying the level of the cap in question.

The prior policy on LIHTC units capped rent increases at either 5% or double the percentage change in national median income, whichever is higher. The Biden administration's new rule limits any increases to 10%, regardless of how quickly incomes rise.

LIHTC (often pronounced "ly-tec") is a federal tax credit program to encourage private investment in affordable housing projects. The program is responsible for at least 3.65 million affordable housing units placed in service since 1987, according to HUD.

However, housing policy experts say it is also possible that Biden's comment inadvertently revealed previously unannounced plans for a broader crackdown on what the administration calls "rent gouging by corporate landlords" in traditional rental units.

"It's not the first time that he's mentioned wanting to cap rents," says Sarah Saadian, senior vice president of public policy and field organizing at the National Low Income Housing Coalition. "I'd be really interested to know if the administration is planning a move on that, because we've been pushing for a long time to put in place really strong renter protections, and one of those is anti-rent-gouging."

During his debate last month with Trump, the presumptive Republican presidential nominee, Biden made comments on a rent cap that went largely overlooked in the furor over his poor performance.

"We're going to make sure we cap rents, so corporate greed can't take over," the Democratic incumbent said in his first answer at the debate.

The National Apartment Association, an industry group representing multifamily property landlords, responded to Biden's latest remarks at the NATO conference with a furious statement.

"Implying that rent control will solve the nation's housing crisis is the easy way out. Rent caps, more commonly known as rent control, are failed policies that don't work—research has shown it, the lack of affordability in rent-controlled jurisdictions reinforces it and statements from countless economists across generations and the political spectrum are crystal clear," the group said.

If the Biden administration sought to impose a broader cap on rent increases in traditional rental units, one possible mechanism to do so would be through the Federal Housing Finance Agency, an independent financial regulator.

For example, just on Friday, FHFA announced new tenant protections for multifamily properties financed by Fannie Mae and Freddie Mac, both government-sponsored enterprises.

Those rules require landlords with government-backed loans to provide a five-day grace period for late rent payments, as well as a 30-day written notice of a rent increase or lease expiration. The new rules will be written into new multifamily loan agreements starting in February.

It's possible that FHFA could use a similar mechanism to impose rent caps on properties that are financed by Fannie and Freddie, says Saadian.

"We weighed in with FHFA to encourage them to apply renter protections to all properties with federally backed mortgages," she says. "We really want to see FHFA move forward with much more robust renter protections, and so hopefully that's what [Biden] was hinting at."

An FHFA official told Realtor.com that the agency has not ruled out any new measures for tenant protections, including examining rent increases. But the person said that no decisions have been made on a timetable for future announcements, and that potential changes would have to be carefully studied for any legal or other risks.

The official also stressed that FHFA is an independent agency, and that the tenant protections it announced Friday were not in response to Biden's recent remarks, but rather were the product of a years-long process in conjunction with Fannie and Freddie to assess, identity, and address the challenges faced by tenants and housing providers.

If—and it may be a big if—the Biden administration is planning a broad 5% cap on rents, it would be a historic move.

The federal government has never imposed broad nationwide restrictions on rent increases by landlords. Historically, rent control policies in the U.S. have been implemented at the state and local levels, not federally.

Local rent control policies in the past have helped many people afford to remain in their rental units. But some economists warn that if they aren't carefully crafted, they could distort the market or discourage new construction.

"Rent caps can help tenants mitigate affordability concerns by limiting rent increases and reducing the stress of potential evictions. However, rent caps could also negatively impact the supply side by limiting developers' potential returns on investment," says Realtor.com economist Jiayi Xu.

"To address today's rental affordability challenges, more new construction is needed to drive prices down," she says. "Therefore, finding a balance between rent caps and housing supply is crucial in today's market."

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Tools and Resources: 2024

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

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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

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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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