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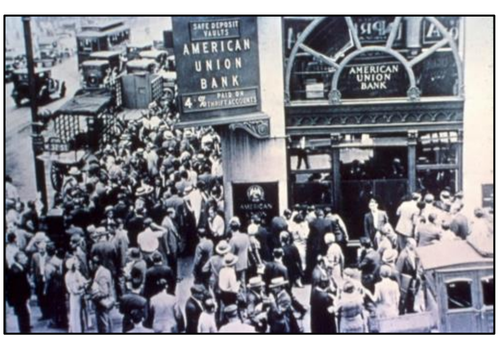
In this issue

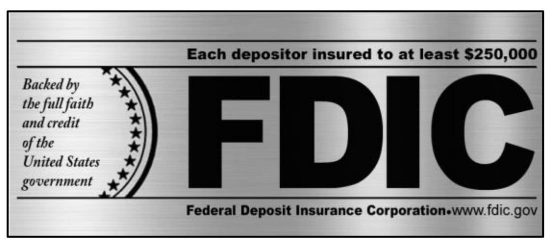
What Banks Don't Want You To Know

By Bill Mencarow

Bank runs around the world have made people wonder if it could happen here. It already has. There were hundreds of bank runs during the Great Depression of the 1930s and today—like then—the banks will close without warning. ATMs will quickly run dry. This is what it looked like/will look like:



What about the $250,000 FDIC "guarantee"?



It is worth as much as the sticker.

According to the FDIC, $124.5 billion is currently on the agency's balance sheet, with an additional $100 billion line of credit available from the U.S. Treasury, for a total of $224.5 billion. That compares to a staggering total of more than $22 trillion in the U.S. banking system. Thus, the "FDIC "guarantee" covers 1.26% of deposits; about the size of the defunct Silicon Valley Bank.

One bank. Let that sink in

Did you know that **U.S. law says the bank owns your money as soon as you deposit it**? You become an unsecured creditor holding the bank's IOU. (https://tinyurl.com/bank-owns-your-money)

What about safe deposit boxes? Neither your bank nor the FDIC is responsible if something is damaged or missing from your box or if it is broken into. And government agents can seize the contents of your box for almost any reason (if you're a Republican, a parent who objects to your child being sexualized in government schools, and/or politically conservative or libertarian, you are probably a terrorist).

When my parents died, I inherited the contents of their safe deposit box at the Bank of America branch in Dalhart, Texas, 500 miles from where we live. It contained deeds, small family heirlooms, and a coin collection worth about $50,000. I checked on the box occasionally when I was in the area, but saw no reason to close it.

One day in a phone call with a friend in Dalhart he referred to "the former Bank of America." I said "*WHAAAT*?" He told me that it had closed a few months earlier! Even though I had both a safe deposit box and a checking account at the bank, they had not informed me it was closing. Through the small town grapevine I learned that the young woman who was told to inform the customers of the bank closing said to friends, "I'm losing my job, so why should I?"

So what happened to the box? The only thing I could do was to try to reach someone at the B of A headquarters in Charlotte, NC. You can imagine what a nightmare that was. After days of trying, I finally got connected to the right department, and they told me that unclaimed box contents were shipped to their warehouse in Charlotte, and they would ship them to my local B of A. All turned out well; everything was accounted for.

My second "safe" deposit box experience happened during the depths of the Covid plandemic. We had a box at the local Wells Fargo branch in our town, and we needed to access it. We discovered that the bank was only open by appointment, and I couldn't get one for several days. I was also told that we could take things out of the box, but we could not put anything in!

For alternatives to safe deposit boxes, see https://legalbeagle.com/7155290-safe-deposit-box-alternatives.html

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

Increase Note's Value By Lowering The Balance

By Tom Henderson

Learn the concepts of the time value of money not just regurgitative techniques.

I want to emphasize that I teach *concepts*, not merely techniques. Once you learn the concepts of the time value of money, lucrative scenarios will appear almost if by magic. Remember, the variables of the time value of money (N, I/Yr, PV, PMT, FV) are interrelated. Changing one variable will change another variable.

The one we are most familiar is the simple discounting of a note. By lowering PV, we raise I/Yr. Likewise, if we raise I/Yr, we lower PV.

Can we change two variables? Of course. In THE NOTE PROFESSOR NOTEBOOK, I show how I turned a 7% note into a 75% yield. The first step was to lower the interest rate.

A technique using the same concept to make your note more valuable to a note buyer is to lower the balance.

For example, say you sold a property and took back a note for $240,000 at 5% for 15 years and payments of $1,897.90. The note looks like this:
N = 180
I/YR= 5%
PV = -$240,000
PMT = $1,897.90
FV = 0
Total Payout to Term: $341,622

You want to sell your note, and the going rate is 10%. How much would you receive?
N = 180
I/YR= 10%
PV = -176,614.15
PMT = $1,897.90
FV = 0

Because you understand the concepts of the time value of money, you know there are ways to make your note more valuable to a note buyer.

We are back to the note axiom: "The More the Merrier; The Sooner the Better. More Is Better than Less; Sooner Is Better than Later." What would our note look like if we got the payor to raise his/her payments by $500 monthly? Why would a payor do this? Because we would lower the balance by $5,000.

For a little calculator practice, by lowering the balance by $5,000 and increasing the payment by $500, how did this affect N? Did you get 126.22?

With the modified note giving a note buyer More, Sooner, what did this do to the value of the note selling it at 10%?
N = 126.22
I/YR= 10%
PV = -
186,800.60
PMT = $2,397.90
FV = 0

Wow!! That's over $10,000 more money in your pocket for a simple modification. Not bad, not bad at all.

How did the payor come out modifying the note?

Under the original note, the payor would pay a total of $341,622. Under the new note the payor would pay $2,397.90 x 126.22 months, for a total of $302,666. That is a savings for the payor of $38,956. This will buy a lot of groceries.

Is this not a Win/Win for all? The note seller received almost $10,000 more, the note buyer got a good note for a 10% yield, and just as importantly, the payor saved $38,956. Happy campers all.

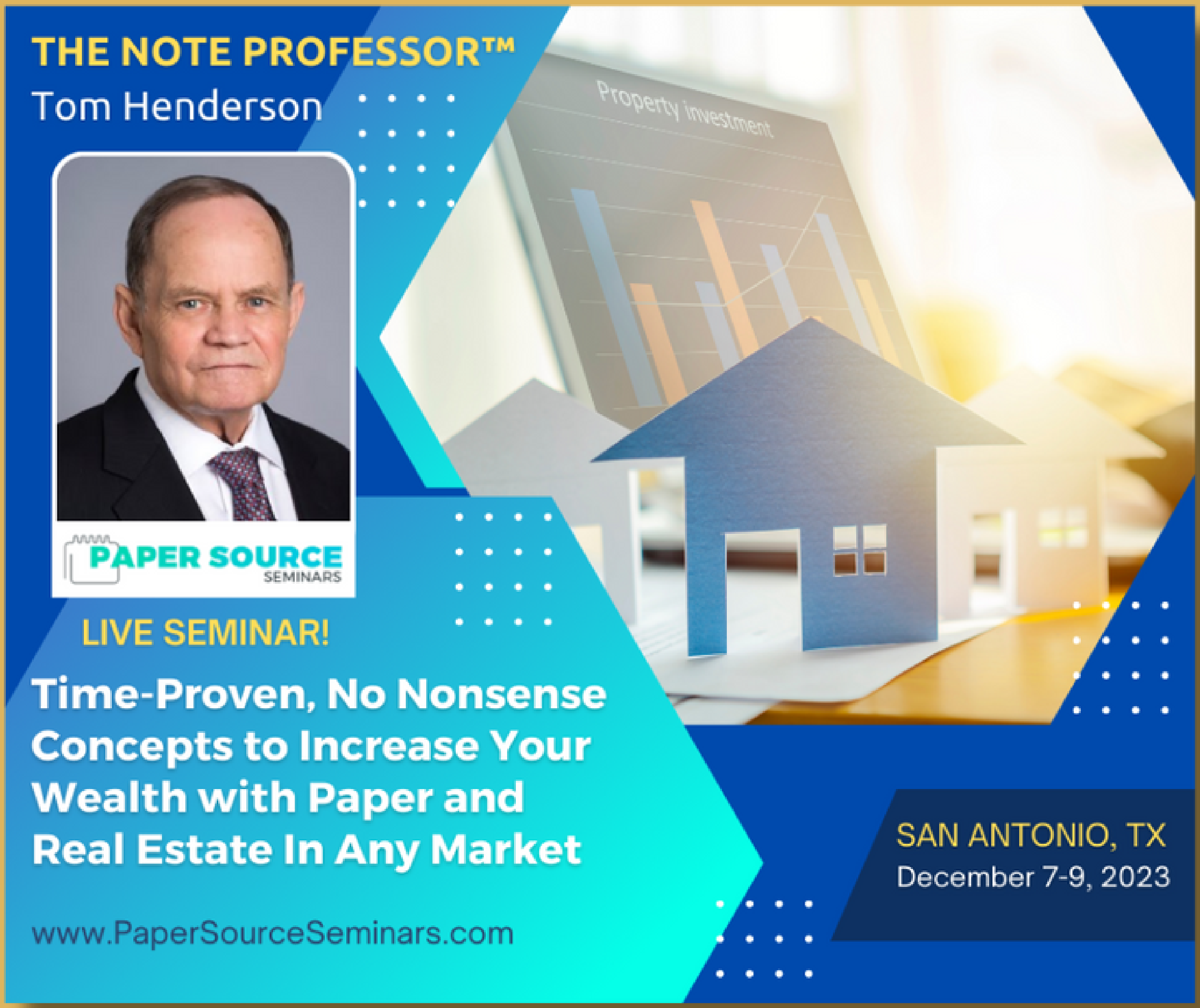
The moral to this scenario is to learn the concepts of the time value of money, not just regurgitative techniques. Knowing why a concept works will put you head and shoulders above your competition.

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.

Save the Date!



Go with the Flow in Marketing

By Jeff Armstrong

Using mobile marketing to reach boomers makes far more sense now than it did just a couple of years ago.

Learning to read the flow of consumer behavior (consumer = note holder) improves marketing results for note business owners. The perfect subliminal message is something of a unicorn for marketers.

Understanding and harnessing the dynamics of consumer behavior is crucial for note business owners seeking marketing success. While marketers strive to create the perfect subliminal message, it is essential to recognize the limitations of marketing strategies. There is no magic formula that can compel moviegoers to buy more popcorn or convince Floridians to purchase snow shoes. This may seem like an obvious truth, but many business owners overlook the boundaries of internet marketing, or any other form of marketing. By embracing these limitations and aligning their campaigns with the flow of consumer behavior, note business owners can achieve more impactful results.

Consumer behavior, much like a river, follows a natural course. Each individual's actions and choices are interconnected, influenced by factors such as the time of year and personal life events. It is important to understand that marketing alone cannot alter the entire course of consumer behavior. Significant shifts in technology or social ideals are the forces that shape consumer behavior on a larger scale. However, by strategically positioning a note business to align with the flow of consumer behavior, targeted marketing efforts can tap into this current.

Business owners and marketers in general intuitively recognize the importance of positioning themselves appropriately for significant events. For instance, marketing Easter supplies in August would require an extraordinary effort to divert consumers from their natural purchasing patterns. Similarly, it is common knowledge that the Christmas shopping season presents an ideal opportunity to promote specific high-value items as gifts.

The true potential of marketing becomes evident when campaigns harmonize with the natural flow of consumer behavior.

Take Google AdWords, for example. It serves as an effective tool to introduce note holders to your services throughout the year. However, during the holiday shopping season, AdWords can be leveraged to drive more consumers (note holders) to your website, increasing the likelihood of them completing your submission form and selling their note. A survey conducted during the 2021 holiday season revealed that 59 percent of users either utilized the service or made a purchase based on an AdWords advertisement, with 19 percent of users spending more money during the holidays due to AdWords.

Viewing consumer behavior as a flowing river can prove invaluable when determining the most effective marketing messages. By analyzing trends within the target audience, marketers can tailor their strategies to align with the current of consumer behavior. This approach allows for more impactful and successful marketing campaigns in the note business and beyond.

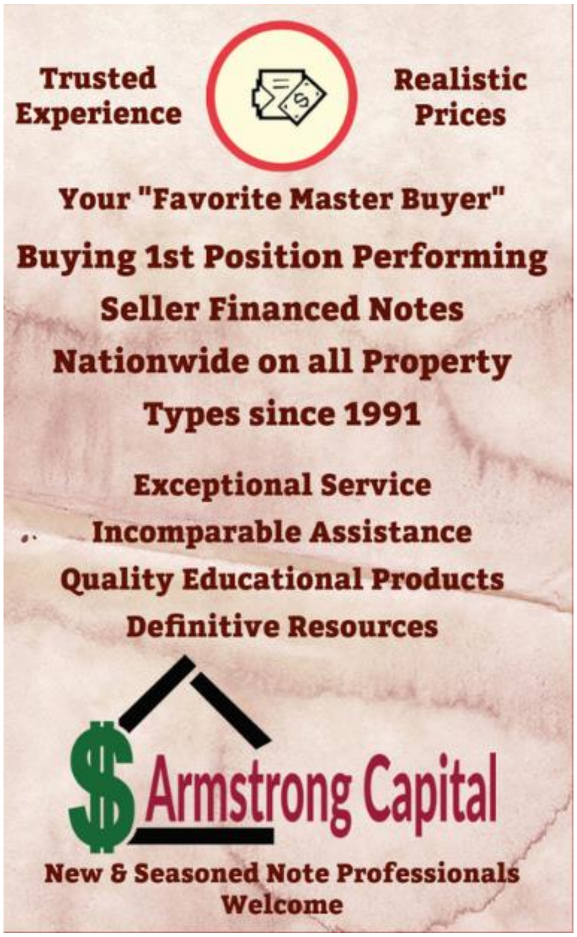
For example, marketers trying to reach consumers from the baby boomer generation may find it useful to know that in just the past year, the number of people over the age of 55 who have smartphones jumped from 10 percent in the first quarter of 2021 to more than 50 percent at the start of 2022. This means using mobile marketing to reach boomers makes far more sense now than it did just a couple of years ago. Understanding the flow of the target consumer behavior lets marketers know what kinds of tactics to use and when. For more helpful demographic data, do a search for statistics on millennials, senior citizens, and even more stats on baby boomers.

The important thing to remember here is that marketing can't go against the flow of consumer behavior if it's to be effective. There's no magic form of communication that can turn the tide if it's not the right time or place for a product or service.

Go with the Flow in Marketing (Continued)

However, by understanding the limitations of marketing and learning to read the flow of consumer behavior, note business owners and marketers can learn to channel customers to their business. 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 should also follow him on Instagram and Facebook @TwitaJeff



Efficient Marketing For Cash Flows

By Joseph Pepitone

A lot of people who enter the cash flow business really have unrealistic expectations.

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

"It is all a numbers game. Make X amount of phone calls, X amount of appointments,
X amount of postcards/letters or x amount 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 25 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 over 25 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.that can turn the tide if it's not the right time or place for a product or service.

   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 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.

Joe Pepitone and his partner Frank Recouper have been in in the debt instrument/paper industry for over 25 years. They were pioneers in buying lotteries and structured settlements back in the early 90's. They currently look for new and innovative areas for acquiring non-conforming paper. They will look at the following cash flows:

1) Seller Carry Back Mortgage Notes

2) Structured Settlement Annuities

3) Workers Comp Settlement

4) Contest Winnings - Annuity resulting from a contest of sweepstake

5) Ground leases from a Cell Tower

6) Ground leases from a Bill Board

7) Seller carry back business Notes

Call Frank Recouper at 1-800-338-5815 for further details.

Robert F. Kennedy Jr. Warns ‘One Giant Corporation’ Wants To Own 60% Of U.S. Homes By 2030

2024 presidential candidate Robert F. Kennedy Jr. (RFK) is warning Americans that most of the country’s real estate will be owned by one corporation by 2030.

RFK explained how our corporate overlords, who control far more of the world than even the World Economic Forum’s (WEF) leadership, are attempting to purchase upwards of 60% of all U.S. single-family homes by 2030.

“There are three giant corporations: BlackRock, State Street and Vanguard, which own, collectively, own each other, so it’s really one giant corporation, but they also own 89% of the S&P 500. They own everything,” RFK said in what appears to be an interview on “The Breakfast Club.”

“They’ve now decided to buy every single family home in America. If they stay on the current trajectory, they will own 60% of homes in this country … by 2030. They are literally trying to buy everything,” he continued. (RELATED: Bohemian Grove, Bilderberg Group Privately Voice Concern WEF Has Upstaged Their Plans For World Domination: https://dailycaller.com/2023/01/19/bohemian-grove-bilderberg-group-deeply-concerned-world-economic-forum-winning-world-domination/)

RFK Jr. went on to note how BlackRock CEO Larry Fink, who is on the board of the WEF, is part of the cabal pushing for the “great reset.”

“You will own nothing, and you will be happy,” RFK Jr. quoted, sending a chill down the spine of every red-blooded American who understands the danger and violence of one company literally owning the world. “Well, they’re on their way to making sure that we don’t own anything.”

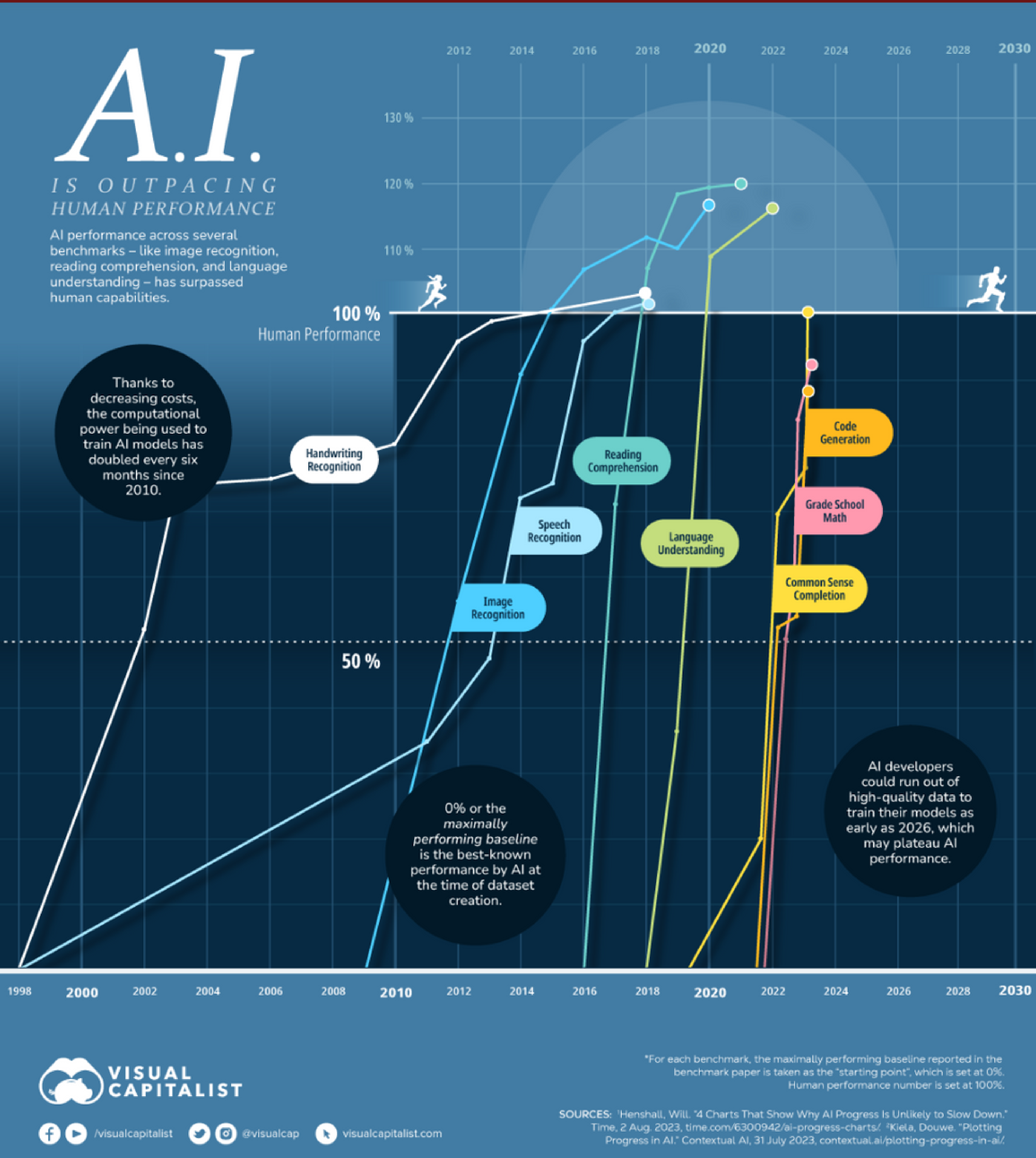
The Democratic presidential candidate went on to note that all of us know someone — or multiple people — who’ve found it impossible to purchase a home at a reasonable value, because they keep being outbid by some random company. When you trace a majority of these companies back through the corporate ladder, they all end up with one of the three mentioned earlier.

But Americans don’t have to put up with this absolute warfare from BlackRock, Vanguard and State Street. You can tell everyone you know, right now, that if they’re going to sell their home, they have a moral obligation to sell it to a family, or a real person.

(RELATED: Real Estate ‘Apocalypse’ Could Destroy American Economy, Midsize Cities, WaPo Finally Realizes: https://dailycaller.com/2023/08/28/real-estate-apocalypse-destroy-economy/)

If we continue to perpetuate the greed and gluttony so hyper-normalized in America, then we only have ourselves to blame when this country becomes WEF’s dream. You don’t need an extra bit of cash for your home. You need to make this country worth living in for future generations, and that won’t happen if you keep selling your home (and soul) to big corporations and foreign billionaires.

Source: https://dailycaller.com/2023/09/05/robert-f-kennedy-jr-blackrock-world-economic-forum/


A.I.
IS OUTPACING
HUMAN PERFORMANCE
AI performance across several benchmarks – like image recognition, reading comprehension, and language understanding – has surpassed human capabilities.
130 %
120 %
110 %
100 %
Human Performance
50 %
Thanks to decreasing costs, the computational power being used to train AI models has doubled every six months since 2010.
Handwriting Recognition
Speech Recognition
Image Recognition
Reading Comprehension
Language Understanding
Code Generation
Grade School Math
Common Sense Completion
0% or the *maximally performing baseline* is the best-known performance by AI at the time of dataset creation.
AI developers could run out of high-quality data to train their models as early as 2026, which may plateau AI performance.
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*For each benchmark, the maximally performing baseline reported in the benchmark paper is taken as the "starting point", which is set at 0%. Human performance number is set at 100%.
SOURCES: [1]Henshall, Will. "4 Charts That Show Why AI Progress Is Unlikely to Slow Down." Time, 2 Aug. 2023, time.com/6300942/ai-progress-charts/. [2]Kiela, Douwe. "Plotting Progress in AI." Contextual AI, 31 July 2023, contextual.ai/plotting-progress-in-ai/.
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Factoring: The Unknown Cash Flow

By Sharon R. King

Brokering accounts receivable (factoring) deals is a great way to earn while you learn.

Small and midsize companies are hunting for alternative sources of money. Galloping into the breach are firms called factors which buy companies' accounts receivable or lend against them.

Factors see an opportunity to break out of the niche markets they have traditionally served, mainly garment and textile makers, and venture into industries like health care, construction and technology.

In a growing number of instances, factors are gaining customers and working in business partnerships with an unlikely ally: banks, their main competitors.

"We're going to see that more and more," said Leonard Machlis, executive director of the Commercial Finance Association, a trade group for factors and other asset-backed lenders.

"When things start to tighten up, as banks lose money in emerging markets and hedge funds, some businesses are not able to get refinanced by banks and turn to factors," he said.

What Is A Factoring Broker?

Factoring brokers or consultants are industry professionals that bring together factoring companies and businesses that want to sell invoices. The broker locates companies in need of cash, conducts an evaluation to determine a suitable factor, and places the account for a commission.

A broker is able to develop a personal relationship with the client, providing a level of personalized service large factoring companies find difficult to provide. Factoring companies benefit by having a greater marketing reach through independent contractors receiving compensation based on results. The broker network, bank lending restrictions, and the sound financial reasoning behind factoring all contribute to the current industry boom.a factor in New York. Quantum advanced Floor Concepts

Brokering accounts receivable (factoring) deals is a great way to earn while you learn. The benefits include:

- Flexibility – set your own hours.
- Recurring Income – get paid for the lifetime of the customer.
- Virtual Office – work from a home office.
- Growth Industry – increasing demand for A/R financing.
- Low Start-Up Costs – get started for under $500 when you have access to a phone and computer.
- Investment Potential – take the next step and start factoring small business receivables

Setting Yourself Up for Success

The industry is pretty straightforward. It really only takes four things to get started:

- Industry Knowledge
- Sound Marketing Plan
- Professional Website
- Reliable Funding Companies

Floor Concepts, a commercial flooring company in Saddle Brook, N.J., offers a case in point. When Len Gleeson and Fred Renshaw, partners in the company, needed money to keep their business running, they knew better than to turn to a bank.

A local branch of First Union Bank turned them down for a loan, Mr. Gleeson said, because the company did not have the collateral the bank required, such as ownership of its headquarters building.

But without more money, Floor Concepts could not afford to increase staff and buy supplies for jobs already under way or about to start.

So the company sold the right to collect $220,000 it was owed by customers to Quantum Corporate Funding, at about 60 cents on the dollar up front and took over responsibility for collecting from the customers.

Quantum gets its money back as the customers pay what they owe, and keeps a further 3 percent, called a discount, for its profit; after that, Floor Concepts gets the balance. 'We had plenty of business, but what we really lacked was cash to fund our business,' Mr. Gleeson said.

Although it cost Floor Concepts considerably more to get cash from Quantum than the company might have paid in interest on a short-term bank loan, Quantum was prepared to advance money without insisting on collateral that banks usually demand. With its coffers refilled, Floor Concepts was able to bid on and win more new contracts, and the profits from the new work should more than offset the cost of factor financing, Mr. Gleeson said.

Banks base lending decisions on the borrower's creditworthiness. But to a factor, the creditworthiness of the borrower's customers is what counts. In Floor Concepts' case, Quantum sized up the likelihood that clients like Barnes & Noble or Hackensack University Hospital would pay their bills.

The cost of money for the client -- akin to the interest rate charged on a bank loan -- is the discount, which can vary from 2 to 4 percent on current invoices due within 30 days, to 15 percent or more if payments are overdue or are not payable for several months, or there is much doubt about the customers' ability to pay.

Discounts are also affected by whether a client promises the factor a minimum amount of future business or just wants one deal, and by how much effort the factor expects to expend to collect what is owed.

How expensive is such financing?

A 3 percent discount on 30-day receivables is equivalent to an annual interest rate of about 42.5 percent, assuming invoices are paid on time.

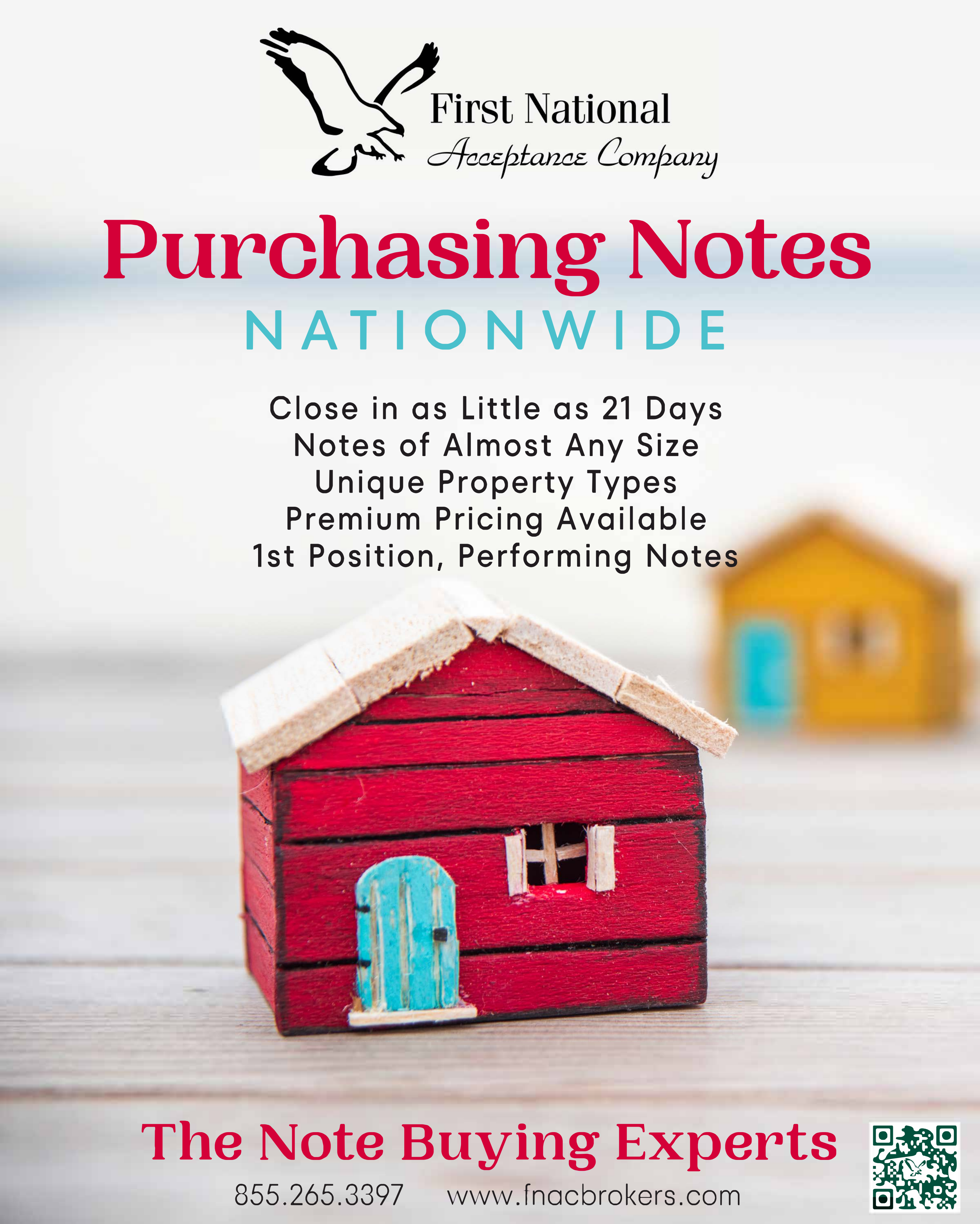
In its current form, factoring has been around since the 1960s, but it has been growing rapidly. Though garment industry-related business still accounts for 80 percent of all factoring in the country, factoring is spreading to new industries, Mr. Machlis said, partly because of new cooperation between banks and factors. Instead of just saying no to applicants who cannot meet their lending requirements, some banks now steer customers toward factors.

Craig Sheinker, Quantum's president, says that every week he receives marketing calls and visits from bank officials who are looking to line up factors for client referrals.

Quantum's bank, Sterling National, a unit of Sterling Bancorp, also sends clients Quantum's way, said Michael N. Gallina, a senior vice president for corporate lending at Sterling.

'If a company doesn't have the ability to generate a profit, we probably wouldn't do business with them' right now, said Michael N. Gallina, a senior vice president for corporate lending at Sterling Bank, but the company may grow into a profitable future customer. 'If I'm not able to help them directly, I can refer them to somebody who can help them. And who knows the benefits of that down the road?'

Four of the country's largest factors are owned at least in part by financial institutions. Dai-Ichi Kangyo Bank has a stake in CIT; GE Capital owns Heller Financial, and Bank of America and the Bank of New York each have big in-house factoring operations. Banks have gotten into factoring because they like its high profit margins compared with traditional lending, said Stewart M. Long, president of a major bank's factoring arm. Bank factors tend to offer easier terms than independents but stick to the least risky customers.


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
The Note Buying Experts
855.265.3397
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An "Under The Radar" Way To Find Non-Performing Notes: An Interview With Kurt DeMeire

Kurt, how can you buy a note at a foreclosure auction?

At the actual foreclosure auction, or trustee's sale, you're purchasing the property itself. The time to buy the note is during the foreclosure process. I have purchased countless notes over the last 30-some years and that normally is done in the default period, at least in California and Nevada. The notice of default (NOD) period is three months once the NOD is filed.

Many lenders are receptive to being cashed out at a discount. So you then step in as the lender, the holder of that non-performing note. And then you finish the foreclosure as the foreclosing lender.

I have also done really well approaching lenders who are behind the foreclosing lender. Sometimes the best opportunity is with the lender who is in trouble, who is junior to the foreclosing lender. Those people are most receptive to selling their position at a very steep discount. And then the strategy is, if you successfully purchase the junior note, you then reinstate the delinquencies to stop the foreclosure on the senior loan, and then you add any advances you've made on the senior loan, you add that to your foreclosing loan and finish the foreclosure on your newly purchased junior note.

Are the names of these lenders public record?

They are. The lender who has filed his notice of default, his name or his trustee's name, is recorded with the document and is given on every property that goes into foreclosure. Now if you are tracking down a junior lender, then I call a title company and they gladly email me a copy of the junior deed of trust. And that junior deed of trust has the name and address of that junior lean holder.

In California and Nevada, there are three parties on the loan documents. On the deed of trust, you have the trustor. That's the borrower. The beneficiary is the lender. The trustee is the third party, the neutral third party who's processing, doing all the required steps on the behalf of the lender.

So the trustee files the notice of default and typically his name and contact information is given on the notice of default, and a lot of times we also have the direct contact information for the lender who holds that lean on the property.

When I look at the data, I find properties that I want to own, because I know that in many cases as the lender, I will end up owning the property. So I look at the property to say, OK, this a ten-unit apartment building, and that's mainly what I've concentrated on over the years are small apartment buildings. So I will look at it in many ways. I will look at the opportunity to approach the property owner to see if he's interested in selling this property before it's taken from him, but at the exact same time I will pursue the lender who has started the foreclosure, and if there are any junior lenders, I will also send an offer to purchase the junior lender's note.

Do not fear a due on sale clause. It is not what most people think it is.

Some of the forms that are available on our website are forms to make offers to buy the property; the real estate purchase contract and receipt for deposit, and we also have the offer to purchase the nonperforming note. That is a very important form, because if you're making an offer to buy a note, you do not need all the information just to write up the offer. In our form, it says that this offer to buy this note is subject to a review of the note itself. In other words, you're making an offer on a note you haven't yet seen the terms on. So you make the offer subject to a review of the note.

Our offer form also has a contingency that this offer is contingent upon verifying all senior debt. In other words, before any money is released to this lender to buy his note, you want confirmation of exactly what is senior on the property. And that lender who wants to sell you his note has to get that information for you as a requirement of your purchasing that note.

If your offer to buy the note is accepted, then the seller of the note has to then provide you a copy of the note, has to confirm everything senior to the note you're buying, any senior debt, and you are then given the opportunity to go drive by the property. And you use those opportunities to renegotiate an even lower price.

But you don't know if you can work with a debtor to get him back to some kind of payment schedule. How do you make that judgment?

I'll give you an example. Last year, I bought a note on a 44 unit apartment complex in Reno, Nevada. The amount owed to me on the note is $2.9 million. I purchased that note for $2.2 million. I purchased it in the middle of the default process. That owner, to my surprise, reinstated. She brought everything current, and the foreclosure was stopped. But when I was making my offer to buy the note, it was clear that the note had a very short maturity date. So even though she reinstated all of her delinquencies and stopped the foreclosure, I saw that the note maturity date was June 2017.

That's one of the things you'll be concerned with when you're buying a note—not just the payment amount or the interest rate, but when does this note mature in the event the owner of the property brings everything current; when is that payoff going to come?

That made this note far more valuable to me when I saw that even if she did reinstate her delinquency, she had to pay in full by June of this year. So just a couple of days ago we received notice from a new lender that she was, in fact, going to be paying us off, and I will realize that $700,000 profit before the maturity date, if all goes well. If, in fact, she does not come through with her new financing, then I have the right to start another foreclosure in June when the maturity date passes.

To make an offer on a note on an income property, you need to know the cash flow. If it's in foreclosure, how do you get rent information?

There are ways to determine rents. There's one particular site called Rentometer, and you can put in property locations in any area and it'll pop up all the other rents being paid in that area. So that's a good source for rent.

You can also go on to Craigslist and see what things are available, rents that people are charging in that particular area.

The third contingency is that this offer is contingent upon a drive-by and approval of the property.

Now that, of course, is on apartment buildings. If you're talking rents for commercial real estate or, let's say, industrial or warehouse-type properties, I would simply call an expert broker, a commercial broker in that area.

Remember that if you're making an offer to buy the note from the lender, your offer is contingent upon reviewing the note. So you can make an offer on a note that you haven't even seen. You can make the offer subject to review of the note, subject to verifying all senior debt if there is any and subject to drive by of the property.

So you can make an offer to buy a note on a property that you haven't yet seen. Because if your offer is accepted, that's when all of your contingencies have to be met. So if you get an acceptance on a note offer, the seller of the note has to send you a copy of the note. He has to verify the senior debt and then you have the opportunity to go out and drive by the opportunity. If you don't like the place you can back out of the deal or simply reduce the offer you made because the offer you made was contingent upon those three things.

The discount purchase price on the note will be contingent upon so many factors, such as the maturity date, the interest rate, the condition of the property, the location or what have you.

Do you have a rule of thumb for making an offer on a non-performing note before foreclosure, such as "I won't pay more than X percent of the outstanding balance?"

What I look at is what I am willing to pay for the property, because I always assume that one of the big possible outcomes is that I will end up owning the property. Let's say you determine it's valued to be a million dollars and you say, "You know, if I could get this million dollar property for $800,000, I'd be happy with that price." So you can offer $800,000 for the note and then of course you can further negotiate even further down after you've done your inspection on the property, but your original offer is not a final offer. It's just a way to break the ice and get the ball rolling and get a response. So I actually recommend in your initial offer, offering a little more than you're willing to pay. You want the seller to get interested in you and commit to you and then if your offer is accepted then you, again, you're going to review the note, you're going to look at the terms and maturity date and all that and you are going to determine if there's any senior debt.

You're going to use these contingencies to renegotiate your final purchase price. So if you buy a note and deed of trust that has the assignment of rents and I'd say 99% of them have that, that means as soon as you become the foreclosing lender you have a right to the rents. You're secured by the property itself and any rents that the property is generating. You have a right to attach those rents during the foreclosure before you ever became the owner of the property.

What are the mechanics of accomplishing that? Do you have to get a sheriff involved?

No. If you read the fine print in every deed of trust, it says the foreclosing lender has the right to pursue the rents himself or he can hire an agent that might be a real estate broker or an attorney or he can get a court ordered receiver in place and have each tenant served with a court order.

The forms are at www.CountyRecordsResearch.com for our subscribers. Some of the forms we have are enforcement of the assignment of rents clause. There's one that goes to each tenant explaining to the tenant that the property is in foreclosure and it cites the code where the rents are to be paid to the foreclosing lender, not the owner of the property. The other form is the notice given to the owner of the property that you, as the foreclosing lender, are exercising the right to the rents and all rents are to be paid to you. If you don't get cooperation, again, you have a right to get a receiver in place to pursue the rents.

If necessary, you can get a court order for each tenant to pay the rents to you. I bought a note two years ago in Reno on a 160-unit apartment complex, and when I bought that note the lender that I bought the note from already had a court-appointed receiver in place. I have never had to go to get a receiver because I've been able to successfully get the rents during foreclosure without having to go all the way to court. But I think it is a pretty quick process.

How often have you seen the senior lien holder call the note because of the transfer of ownership?

I have never seen that happen, and it doesn't matter if it does. See, once ownership has come to you, let's say you finish your foreclosure, nobody bids at your trustee sale, and so the property goes back to you as the foreclosing second trust deed holder.

You now own the property. As the owner of the property if your plan is to flip this property that you just acquired, just put it on the market and your sale will pay off the senior lender before he even knows there's been a change of ownership.

I've been doing this now for 36 years. Do not fear in any way a due-on-sale clause. A due-on-sale clause is not what most people think it is. A due-on-sale clause, if you actually read the due-on-sale clause, in the deed of trust it reads "*At the option of the beneficiary, the entire amount may become due*," and so it's an option that the lender has. It's not a requirement. Believe me, if they're getting their money from you, they are never going to be concerned about where that money is coming from. It's you who's going to want to either sell the place or if you're keeping as a rental you're going to refinance the place. So when you refinance, they are going to be paid in full.

Kurt DeMeire founded [County Records Research](http://www.CountyRecordsResearch.com) 35 years ago, has daily data-filled reports on pre-foreclosures, trustee sales and REO reports in California, Arizona, Nevada, Oregon, and Washington.

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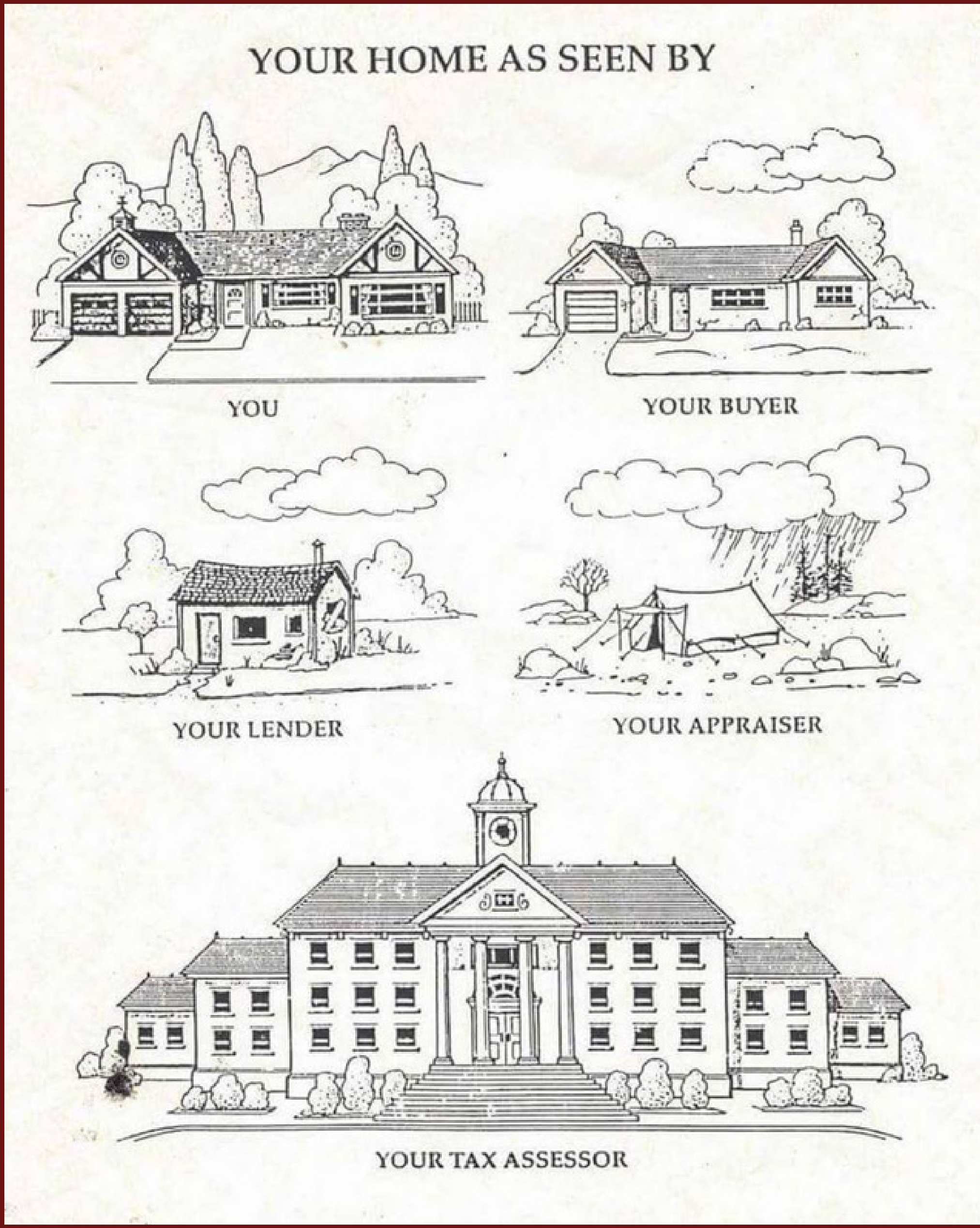
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WI: appletonreia.com, MadisonREIA.com, wiscoreia.com

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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