

THE PAPER SOURCE

Journal

April 2026

www.papersourceonline.com

When the Note Holder Says “No”

Discover Divorce Liens

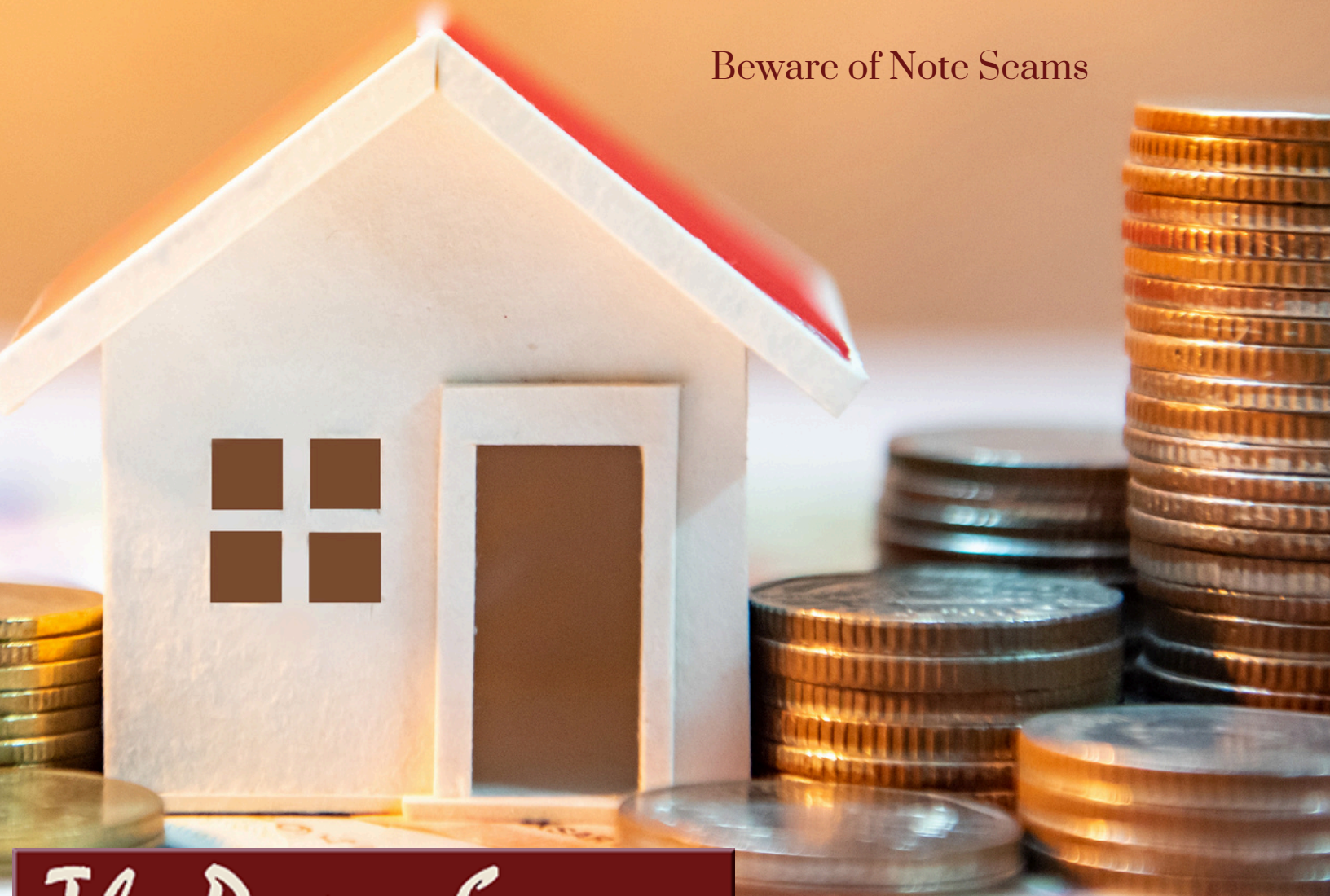
The Renaissance Man: Why Note Investing Is a Multi-Discipline Business

Purchasing Part of the Balloon Using ITV

Take Control of Your Retirement!

50 Ways to Leave Your... SFH Note

Beware of Note Scams



The Paper Source
The Voice of the Note Business

Note Scams

by W. J. Mencarow



Why am I writing about note scams? It's because I don't want you to be one of the many victims. Most people don't realize how widespread the scams are and how serious the problem is. Sadly, THE PAPER SOURCE seems to be the only place in the note/real estate industry reporting this.

When you buy a note, take title and take possession. Never trust others to provide a return on your money. Never invest in "note funds" or "joint ventures." Yes, there are some good ones, but even well-intentioned people can unknowingly hire crooks or fall into Ponzi schemes. Did you know that the SEC can shut down a fund simply because some paperwork was filed incorrectly or not filed at all—even though investors have not lost a penny.

"Sadly, THE PAPER SOURCE seems to be the only place in the note/real estate industry reporting this."

Robert Shapiro, CEO of Woodbridge Group, was sentenced to 25 years in federal prison for running a \$1.3 billion real estate note Ponzi scheme. The scheme defrauded more than 9,000 investors.

Lynette Robbins and her company, Knowles Systems, raised about \$147 million from investors by advising them that the investments in Woodbridge were "safe and secure."

Floyd Powell was also barred by the SEC from selling securities; he sold Woodbridge notes to 13 investors and consented to a settlement without admitting or denying the allegations.

Stephen Condon Peters was sentenced to 40 years in prison and ordered to repay investors \$15 million for a note Ponzi scheme through VisionQuest Wealth Management.

Shayeh Dov was sentenced to over 7 years in prison and ordered to pay \$3 million in restitution to investors in his note fund — that did not own any notes. Dov spent the money on lavish indulgences.

Terry Wayne Kelly Jr. and Kelly Management were charged by the SEC with selling notes in a Ponzi scheme called Madison Timber Properties.

Vincent P. Falci was sentenced to 15 years in prison for running \$10 million tax lien Ponzis called Saber Funds and Vicor Tax Receivables, providing fake investment gains on every monthly statement. Falci diverted the funds to himself.

Kevin Merrill (Delmarva Capital, Global Credit Recovery and Rhino Capital Holdings) and his partners Jay Ledford and

Cameron Jezierski pleaded guilty to fleecing investors out of \$550 million by advertising nonexistent consumer debt portfolios. Merrill was sentenced to 22 years in prison. The others pleaded guilty and will be sentenced soon.

James Nickels collected more than \$5 million from investors in his phony note fund, The Fiscal Concierge.

McKinley Mortgage officials Tobias, Charles, and Caleb Preston agreed to pay over \$3 million in fines and repay investors some \$66 million after the SEC charged them with misusing funds. The SEC asserts that the company lost money for years and was insolvent by 2012. Still, the SEC says, it kept raising money and providing false documents to investors, saying the fund generated strong annual returns.

Philip Michael Carter, Bobby Eugene Guess and Richard Tilford were accused by the SEC of running a note fund Ponzi that raised \$45 million. Carter and Tilford were indicted last year. Guess is serving a 12-year prison sentence after pleading guilty to a similar note fund fraud.

There are many more. This is why we do not permit note funds to advertise or exhibit at Paper Source events. Doubtlessly there are some honest ones, but I'm not a fortune teller, and I doubt you are. ALWAYS own your notes.

NOTE HOLDER LEADS

- 12 Guarantees on accuracy and deliverability.
- 20 years in business, built by repeat customers and referrals.
- Exclusive leads and data available only in our lists.
- Proprietary system to provide you the least targeted note holders.
- 30 years of experience marketing to noteholders.

Advanced Seller Data Services

800-992-4536

scott@notesellerlist.com

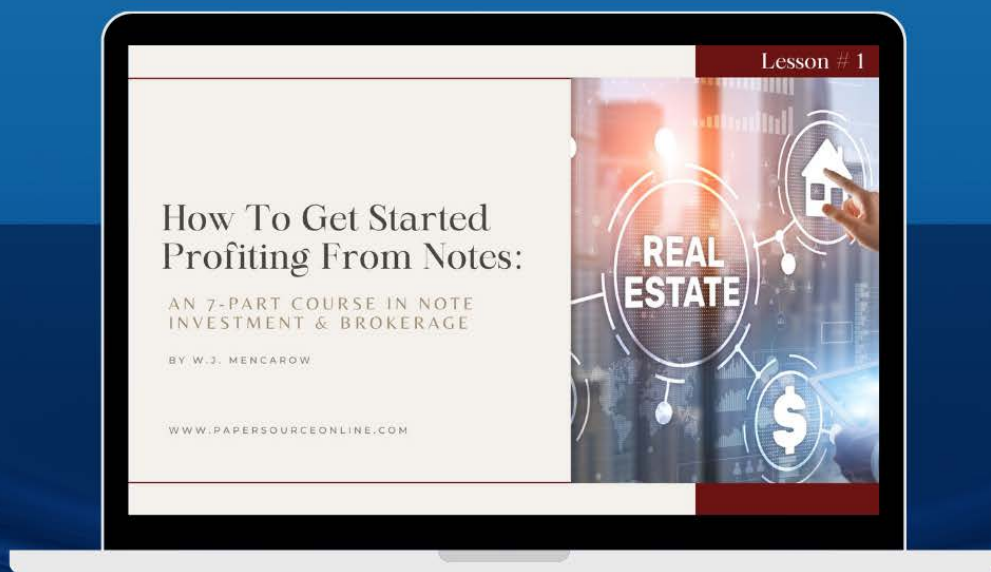
New Product

The Paper Source
The Voice of the Note Business

SELF-PACED COURSE



Get Started in Real Estate Note Investing!



A comprehensive introductory online course in note investment and brokerage, written by **W.J. Mencarow** of **The Paper Source**

[REGISTER NOW](#)



*"This is the most **valuable** and **well-written e-course** I have yet to see."*

— Bill Peeler

When the Note Holder Says 'No'

People tend to believe "No" means "No," but here's what "No" actually means.



by Jeff Armstrong

Master negotiators say that the negotiation doesn't truly begin until the parties reach an impasse. Back at the beginning of my note business and my real negotiation career, this made as much sense to me as my high school physics course. Twenty-eight years later, after closing over 2,200 individual note transactions, speaking to over 100,000 note holders, hundreds of mediations, scores of speaking and training gigs and reading dozens of books, I know from experience that the word "no" signals the beginning, not the end, of any value-creating negotiation. Here's why: people don't like conflict.

It is said that selling problem-solving to note holders is a tricky proposition because people's primary response to conflict is denial. They will say or think, "What problem? I don't have any problems in my life. Things are going just fine." If I upset the precarious balance between myself and my organization, my boss and my working group, my spouse and my in-laws, everything might come tumbling down.

People dislike conflict so much that they tend to begin their negotiations in what are referred to as the nano and stratospheres. One party (the note investor or note broker) offers way too little, and the other party (the note holder) seeks way too much. That way, neither party has to worry about fighting about anything. At this stage, the word "no" is a signal for you to get up off your stool and put your mouth guard in.

You might even move a few steps closer to your "opponent." Here, the word "no" means the game is on. Neither party is going to be a dope by putting or leaving too much on the table. The negotiation games may now commence.

"The word 'no' signals the beginning, not the end, of any value-creating negotiation."

"No" means, "I don't want exactly that," or, "I can't do that on those terms," or, "I can't figure out a way to make that happen." It means, "I have to satisfy someone else's needs," or, "there are hidden constraints on my ability to say yes." It

means, "I am serving an interest that I'm afraid to tell you about"; or, "I don't have the authority to say yes." "No" means, "if you knew my true circumstances, I'd lose my bargaining advantage," or, "I'm out of good ideas," or, "I have a problem I don't know how to solve."

"No" is then your first opportunity to problem-solve. Most people tend to think of negotiations as a series of offers and counter-offers without any conversation — that's haggling. You are not haggling. You are operating a legitimate professional note business, attempting to purchase all or part of a note for a fair price. You are negotiating. You are having a conversation leading to an agreement. Haggling and negotiating are two entirely different things.

A note holder saying "No" allows the parties to make concessions necessary to make everyone happy. The researchers tell us that people's satisfaction with the outcome of a negotiation is primarily based on the number of concessions their bargaining partner makes during any bargaining encounter.

If a note holder wants \$10,000 and we offered \$3,000, they then counter at \$20,000, and we offer \$5,000 and the negotiation closes at \$7,000, they'll be happier than they would have been if their \$10,000 opening desire had been immediately accepted. Immediate acceptance usually means they could have done better if they'd started higher.

A "no" lets you solve your note holder's problems, kicking in the power of reciprocity. "No" from a note holder often means "I'm out of ideas or beyond my authority, or unable to serve the interests I'm required to satisfy." The best resolution for both parties is to come to an agreement. If you use the word "no" as an opportunity to help the note holder reach an acceptance, he or she owes you one. Once they owe you, you benefit from the principle of reciprocity.

I have witnessed a lot of note brokers falter more often than they should — they hear "no" and they simply quit. Even if you're new to negotiating, knowing that the word "no" actually means "yes, but under circumstances different from this," persistence alone will likely enable you to bring the note holder to accept an offer. Remember that you're practicing. You don't have to look like you know what you're doing. You only have to look like you're trying.

Diagnostic Questions

Here are some easy responses to the word "no" that you should always have at the ready:

- Why is that price too low for you?
- What stands in the way of your saying "yes" to one of these options?
- Is there anything else I can put on the table that would give you the value you need to accept our price?
- Is there any additional information you need from me that would help you understand our options?

These are "diagnostic questions" meant to reveal your note holder's need for additional information, their hidden

constraints, the unidentified individuals (spouse, partner, family member, etc.) they're required to satisfy, or the concealed reason they're trying to serve. In controlled experiments, negotiation researchers found that only 7% of all negotiators ask diagnostic questions, when doing so would significantly improve the outcome of their negotiation.

The single best piece of problem-solving advice ever given to me is this: behind every accusation is a cry for help. And behind every negative response to a price for a note is a request for help in closing the transaction and getting the note holder what they need.

Remember these principles, and you'll be able to turn many more note holders' "no" into a "yes" of equal or greater benefit to you. Success demands action. Keep on marketing. It's going to work!

Jeff Armstrong of Armstrong Capital has been a note investor and broker specializing in the performing seller-financed note industry since 1991. Visit ArmstrongCapital.com.

Are you a member of the Real Estate Note Investing Group?



The Paper Source – Guiding Note Investors Since 1987

Join the over 6,000 members in this Real Estate Note Investing and Brokering Discussion Group

Trusted Experience



Realistic Prices

**Your "Favorite Master Buyer"
Buying 1st Position Performing
Seller Financed Notes
Nationwide on all Property
Types since 1991**

**Exceptional Service
Incomparable Assistance
Quality Educational Products
Definitive Resources**



Armstrong Capital

**New & Seasoned Note Professionals
Welcome**



Note Appraisals

Appraisals You Can Bank On

**Nationwide
Secured or Unsecured
Promissory Notes
Performing or Non-Performing
Accurate & Current**

**For you and your clients many reasons:
Estate Planning, IRA Conversion, Reduce
Taxes, Lessen Fees, Probate, Inheritance,
Pension/Profit-Sharing Plan Annual
Valuations, Personal Injury Settlement,
Divorce Settlement etc...**



First National
Acceptance Company

Purchasing Notes

NATIONWIDE

Second Home in Dime Box, TX - \$132,589 - No Credit

Commercial Property in Panama City, FL - \$313,260 - 701 Credit

Farmland in Beaverton in MI, - \$99,324 - 726 Credit

Multi-Family Home in Riverhead, NY - \$383,347 - 758 Credit

Single Family Home in Warrenton, OR - \$583,932 - 788 Credit

8.29 Acres of Land in Sevierville, TN - \$86,211 - 780 Credit

Mixed Use Property in Springfield, OH - \$103,461 - 652 Credit

Condo in Phoenix, AZ - \$245,509 - 739 Credit

Mobile Home in Cloverdale, IN - \$89,427 - 624 Credit



**THE NOTE BUYING
★ EXPERTS ★**

fnacbrokers.com | 855.265.3397



The Renaissance Man

Why Note Investing Is a Multi-Discipline Business

by Michael Crump

The following article is not meant to say that I, the author, am a Renaissance man, but to remind the reader of the wide array of knowledge required by this industry.

I. Introduction

In a recent article, I was asked what it really takes to be successful in the seller-financed note business. I didn't talk about yields, spreadsheets, or formulas. Instead, I went back to an old phrase that I think explains why this industry is so misunderstood—the idea of the Renaissance Man.

From the outside, note investing can look simple. I like to describe the note industry as “simple but extremely hard.” You buy paper at a discount, collect payments, and earn a yield; any halfway intelligent person can buy an A-file, but doing it on any scale is where it gets interesting. In theory, that sounds easy. In practice, it's one of those businesses that are easy to understand but hard to execute. The gap between those two things is where most people struggle.

Traditionally, calling someone a Renaissance Man meant they were highly skilled and well-rounded—competent across many disciplines rather than narrowly specialized. The term comes from the European Renaissance, when thinkers, builders, and leaders were expected to understand art, science, philosophy, and practical mechanics all at once. They weren't experts in one lane; they were problem solvers across many.

The mistake I see over and over in the note industry is assuming success comes from mastering a single skill—underwriting, marketing, or capital raising—when in reality, the barrier to entry is much higher. Many people struggle in this business not because they lack effort, but because of the multiple layers of knowledge required just to get started.

“This industry doesn't reward narrow specialists. It rewards well-rounded operators — or it will make you well-rounded.”

II. The Original Meaning of the Renaissance Man

The Renaissance Man wasn't an academic locked in theory or an artist detached from reality. He was someone who could move between disciplines, connect ideas, and solve problems in real time. Take Leonardo da Vinci—an active

painter, draughtsman, engineer, scientist, theorist, sculptor, and architect.

That concept still matters today—especially in finance and real estate—because complexity doesn't live in silos. Notes sit at the intersection of law, lending, property, psychology, and capital accumulation. If you only understand one of those areas, you're operating blindly in the others.

A note buyer who can't think across disciplines isn't just limited—they're exposed. For example, someone in Texas who has most fields of knowledge but lacks the legal side might run into a “guru” who pushes Contracts for Deed. In Texas, that could end very badly.

III. Part One: The Attorney's Mindset

You don't need to be an attorney to think like one, but you do need to understand consequences.

Every note carries legal risk: consumer law, Dodd-Frank, RMLO requirements, negotiable instruments, real estate law, and title insurance all matter. My personal opinion is you must have a good base knowledge here—and no amount of “I rely on my attorney” will overcome a lack of knowledge. Attorneys are the only vendor in this business where you will pay them to do their job incorrectly, pay them to represent the bad work product, and then pay them to fix the problem they created.

Thinking like an attorney means asking one critical question early: How does this fail if it goes wrong? How would a jury view this? Does this appear predatory? “Grey area” files might look profitable on paper, but they tend to age poorly. What seems minor at acquisition can turn into a liability later.

IV. Part Two: The Marketer & Sales

At the core of this business, a note buyer lives and dies by marketing and sales. There are numerous ways to get in contact with a seller, whether it be direct mail, referrals, or any other method. The ability to generate constant and recurring good deals is the “secret sauce” in this industry.

The best operators don't just know how to price a deal—they know how to explain why. Conversations matter far more than any single campaign.

“Behind every negative response to a price for a note is a request for help in closing the transaction.”

V. Part Three: The Real Estate Operator

Notes aren't abstract paper. They're secured by real property.

That property sits on dirt, under a roof, in a neighborhood, subject to local market conditions. Experience with construction, rentals, renovations, and land fundamentally

changes how you view collateral. What age of property will you allow as collateral? How will the property age affect your Investment-To-Value limits? There are a ton of considerations to be given when evaluating this collateral.

“Value” on paper often breaks down in the real world, and knowing the difference matters. I hardly ever get surprised by renovation costs, it is always the additional items / costs it takes to get property to where I thought it was; i.e. electrical panel needs upgrading, turns out the roof is bad, the previous owner spliced the water lines together with pvc, pex, brass... (Frankenstein pipes), or the best is the “DIY House”.

Some property problems are solvable. Others aren't. Knowing which is which isn't theoretical—it's earned through experience.

One of the biggest misconceptions is that higher yield automatically equals higher risk. Generally, this is true, but it does not have to be in this industry. This is one thing I love about this business—risk and yield do not always go together. Every loan has a story, and we have to uncover that story to really understand what is going on and thus the risks.

VII. Part Five: The Capital Allocator

At the very end of all this, you still need the financial ability to actually purchase a mortgage. Someone can have all the knowledge in the world about notes, but it still takes having the financial wherewithal to actually buy them. Liquidity, leverage, and discipline matter. Capital amplifies both skill and error—and the difference between the two is experience.

Voted #1 RMLO for Seller Finance in Best of Notes
2020, 2021, 2022, 2023 & 2024

Full service RMLO, underwriting, and Dodd-Frank compliance services
Owner-occupied loans and Investor loans

Single-family • Mobile homes • Land

We provide underwriting services only for seller financiers, to help them meet their federal requirements under Dodd-Frank and the Safe Act for Seller Finance transactions of owner-occupied home loans.

Scan the QR Code to Download the **FREE** Seller Finance Deal Kit

CALL THE UNDERWRITER
STAY COMPLIANT

(469) 983-3124
dan@calltheunderwriter.com
www.calltheunderwriter.com

NMLS # 2671035
We are not a lender, and we do not originate loans.

MORTGAGE PRE-APPROVAL

Having completed new construction or worked on renovations project can be invaluable when it comes to looking at collateral in a default / foreclosure scenario.

VI. Part Four: The Chief Lender

At its core, this business is still lending. That means understanding cash flow, seasoning, borrower behavior, and payment psychology. It means knowing that Time Value of Money is more than a formula—it's a way of thinking about risk, patience, and opportunity.

Stewardship is the right word here. Every file should be treated like it's your own money—because ultimately, it is.

VIII. Why This Combination Is Rare

Most people are strong in one or two of these areas. Very few are competent across all of them—and fewer still have the discipline to apply them consistently. If you want to get into this industry, or if you are already in it, take a moment and self-assess which areas you're strong in and which need improvement. If you have a massive gap, work toward

educating yourself. That is why most people start off brokering files.

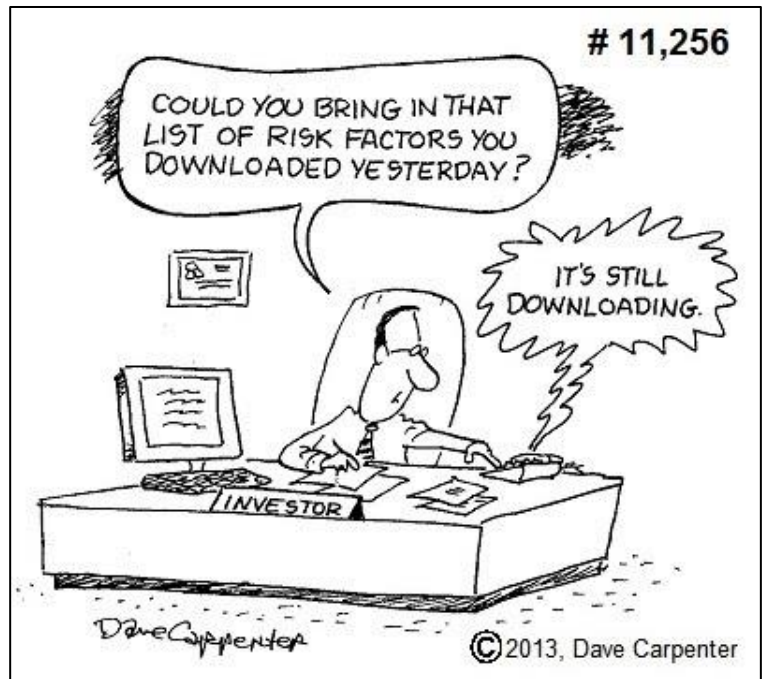
For those who do have a good base and cover most or all of these skills: adopt a "never arrived" mentality. There is always more to learn. More depth to go into these skills. More to become.

This is why mentors matter more than courses. Theory helps, but experience compounds faster. You don't learn judgment from spreadsheets; you learn it from outcomes and experiences.

Modern note buying requires judgment, not just math. It demands breadth, discipline, and respect for the complexity involved. If this business were easy, everyone would do it.

Being a Renaissance Man doesn't mean you've arrived. It means you've committed to learning. Everyone in this industry should be constantly learning because the field of knowledge needed is that big.

Michael Crump, Note Buyer
Phone: 806-281-7068
Email: Michael@TCFLubbock.com
Web: www.TCFLubbock.com



**ARE YOU
SELLING?
BECAUSE WE'RE
BUYING.**

Your **note** could be worth some serious money! We'll assess the value.



FREE NOTE EVALUATION

Request a free note evaluation from our team of trained professionals. Sign up today at PlainsNoteGroup.com, or scan the QR code for direct access!

**TEXAS
NOTES ONLY**

**BROKERS ARE
WELCOME**

**NON-PERFORMING or
PERFORMING NOTES
WELCOME**



Agriculture
Loans



Single Family
Notes



Commercial
Loans



**PLAINS NOTE
GROUP**

Call Us: (806) 281-7068

PlainsNoteGroup.com

Michael@plainsnotegroup.com

REO

Real Estate Owned Portfolio Coverage

WE'RE IN BUSINESS TO PROTECT AND INCREASE THE PROFITABILITY OF FINANCIAL INSTITUTIONS, LENDERS AND INVESTORS.

Real Estate Owned (REO) insurance protects properties upon foreclosure or in portfolio.

Written as a master policy with the lender/investor as the Insured, this policy enables the Insured to cover residential, commercial and mobile home properties.

Liability coverage is also available for improved properties and vacant land.

- Available coverages include Hazard, Liability, Flood, Wind-only, X-Wind, Earthquake, Ordinance and Law and Loss of Rents
- Flexible coverages, valuation, limits, deductibles
- Coverage and premium payment on an annual or monthly basis
- Written by carriers with at least an A.M. Best 'A' (Excellent) rating
- FIC administers claims, providing a single point of contact and streamlining the claims process
- Refunds issued quickly on a pro-rata basis
- Manage your coverage using FIC's online system, Protector



Banks • Credit Unions • Investors
Property Managers • Loan Servicers
Housing Authorities • Hedge Funds
Receivers • REITs • Trusts

Related Coverages

Mortgage Impairment Coverage
Lender-Placed Insurance
Home Warranty

Financial
INSURANCE CONSULTANTS

CONTACT US AT: admin@ficllc.com

WWW.FICLLC.NET 888.893.7269

Discover Divorce Liens

by Lorelei Stevens

Over the past 35 years, my firm has bought many divorce liens. These notes are also called marital liens. They're risky and full of tricks, but a knowledgeable investor can make a handsome profit by carefully selecting only the decent divorce liens.

The Four Requirements

A divorce lien is based upon four things: first, the divorcing parties own a home in which they have substantial equity. The other three things are: a deed, a note, and a deed of trust (or mortgage). The departing spouse deeds the property over to the remaining spouse, who continues to live in the house. The remaining spouse signs a note payable to the order of the departing spouse and gives a deed of trust secured by the property. This arrangement, if properly structured, results in a note which is a valuable asset that can be sold.

First and foremost, you have to make sure the note is saleable. There are so many potential problems with buying divorce liens that only a sophisticated note buyer should attempt it.

Where's the Note?

The problem you'll encounter most frequently with divorce liens is that the seller can't find the note. Missing notes are more of a problem with divorce liens than with other notes. The lien-holding spouse has been through the emotional chaos of a divorce and hasn't paid much attention to the divorce lien. The departing spouse is the note owner and is more likely to have misplaced things during a move.

Worst of all, he or she usually doesn't understand that delivery and possession of the original note is required to sell it — a copy won't do. I've run into many divorce lien sellers who assume everything they needed was in the divorce decree, and that's rarely true.

A divorce lien note is often in one of the divorce attorneys' offices, being held to protect a client's interests. I've also seen lawyers holding the note because their fees have not been paid. If the seller can't find the original note, there is nothing to buy, and the prudent note buyer will end the negotiations promptly and courteously.

"There are so many potential problems with buying divorce liens that only a sophisticated note buyer should attempt it."

What About the Legal Description?

If the note seller can produce the original note, check for the next most common problem: a large number of divorce liens have incorrect legal descriptions of the property being pledged as security. Without the correct legal description, you have no way of knowing whether or not you have proper security.

Divorce lawyers are not real estate experts, and because divorcing people normally don't want to pay for title insurance, the actual legal description has often never been checked. Compare it with former deeds on the same property, which you can often find at the county recorder's office, or an old title insurance policy.

Can We Talk?

You should talk not only to the note seller but also to the other spouse, the note payor. You're going to encounter all types of former spouses, from cheerful to downright vicious.



We Lend on Cash Flow Only

- No Tax Returns
- No W2 or Paystubs
- No Rental Agreements Needed
- Purchase, Refi Even 2nd Mortgages
- Cash-Out Refi to \$5 million
- 1-4 Unit Pricing
- 5-10 Unit Pricing
- Interest Only Available
- Nationwide (excluding 7 states)

Also offering loans based on

- P&L Only
- Bank Statements Only

Athena Paquette, Mortgage Advisor

310.218.6855
athena@uplservices.com
Individual NMLS# 321683
Corporate NMLS 1766163



You have to be on guard against payors who try to take out all their emotions on you, almost like you were the departing spouse.

First, you have to be psychologically prepared to listen to both sides. You have to sincerely look at things from both people's viewpoints. That's not easy, but it's the only way to maneuver through the emotional minefields of buying a divorce lien.

In practice, both ends of the emotional spectrum are bad for the note buyer. If the divorced parties are amicable, the note-holding spouse might sell to the note-paying spouse, which cuts you out of the deal altogether. If the note-paying spouse really hates their ex, they may take out their emotions on you, which can get serious.

My firm has bought divorce liens that resulted in stalking by the note-paying spouse, and even one that brought on a lawsuit by a former spouse claiming that she only owed us the amount we paid for the note, not the total face value. We won the case, but it required going to court and paying the costs of a good defense lawyer.

Details, Details

Another often-overlooked problem can be the homeowner's insurance. What usually happens is that both of the divorcing parties are still the insured on the property policy.

Nobody has told the insurance company to make the remaining spouse the sole insured and the departing spouse a mortgagee. Sometimes it can get sticky trying to convince both spouses to make the change, even though it usually costs nothing — emotions run high.

Most divorce liens are written with a lump sum payment due at the end of the note's term. That means most don't have cash flow — no monthly payments. You need to have other finances ready to compensate for the lack of monthly payments while waiting for the lump sum. That's a problem that could sink an inexperienced divorce lien buyer.

© 2026 Lorelei Stevens. All rights reserved.

CEDARCREST
CONSULTING

Conflict-free Financial Advice for Businesses, Non-profits, and Individuals.



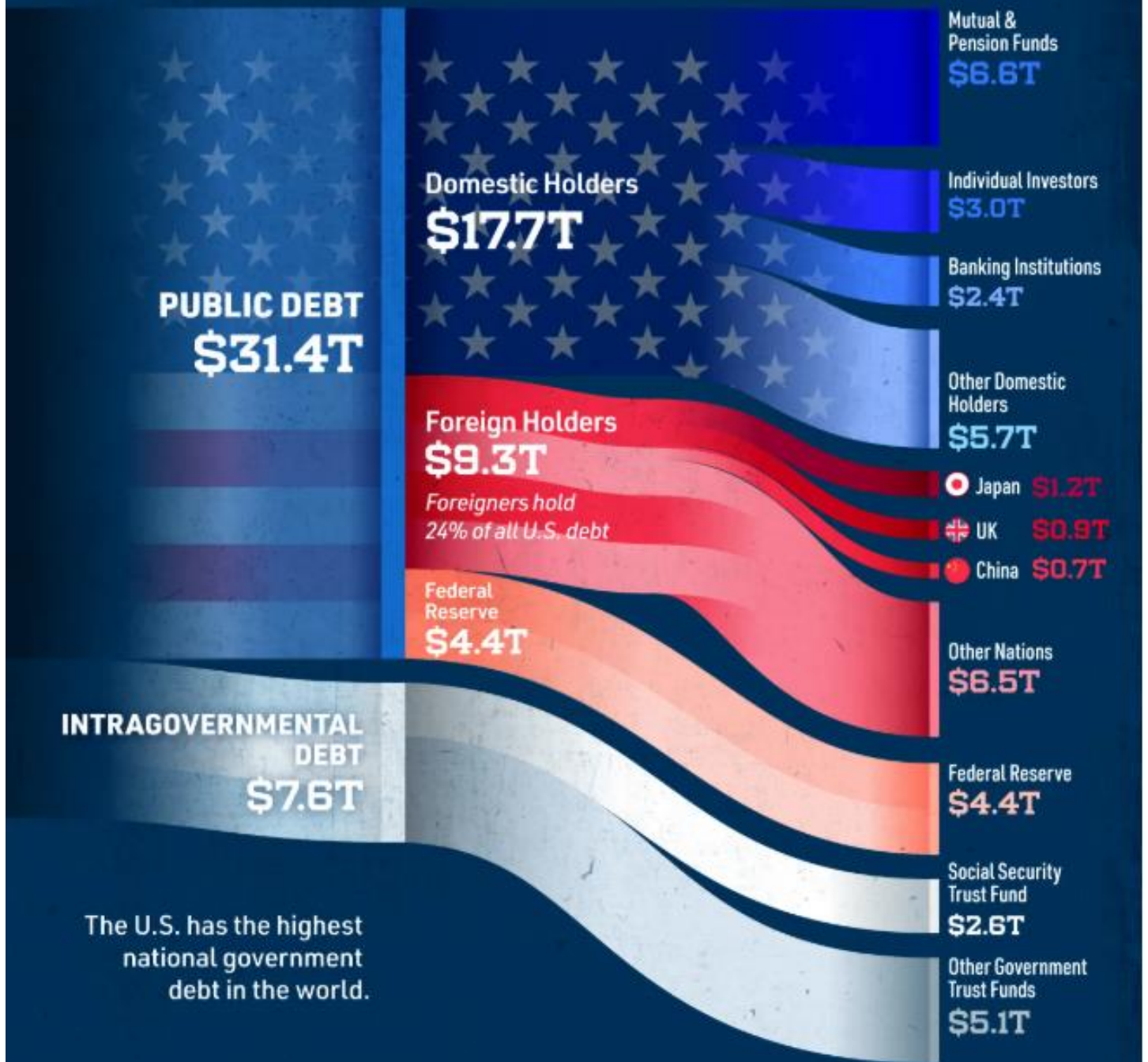
 **How Can We Help?**
We help simplify your financial challenges through workshops and tailored solutions for planning, strategy, and personal goals. Contact us for expert guidance.

Some of Our Services

-  Financial Planning
-  Corporation Strategy
-  Financial Education
-  Public Speaking & Workshops

CEDARCRESTCAPITAL.COM **210-872-0331** **mtaylor@cedarcrestcapital.com**

\$39 Trillion OF U.S. DEBT



The U.S. has the highest national government debt in the world.

Data as of Mar. 19, 2026

Sources: U.S. Treasury Fiscal Data, Joint Economic Committee, U.S. Treasury TIC, SSA Trustees, Federal Reserve

Take Control of Your Retirement!



by Dale Morrison, CCIM

You won't see advertisements on television for SDIRAs.

In the United States today, there is about \$4.5 trillion in Individual Retirement Accounts (IRAs). It is estimated that this number is growing in excess of \$200 billion per year. Unfortunately, only 4% to 5% of the IRA monies are in Self-Directed Individual Retirement Accounts (SDIRAs). This small fraction is almost as disheartening as the tiny number of people in proper retirement position.

In 1974, Congress passed the Employee Retirement Income Security Act, better known as ERISA. It made IRA, 401(k) and other retirement plans possible. Two excellent resources for information on SDIRAs are IRS Publications 590 and 560. They give all the rules for what is allowable in a SDIRA and what is not.

You may be asking, "Why haven't I heard about this?" The simplest answer is that the institutional sources — call them "Wall Street" if you wish — would prefer that you didn't know about SDIRAs. They make massive amounts of money each year by investing your retirement money into stocks, bonds, mutual funds, and other investment vehicles. My intention is not to say that these are bad choices. My intention is to make you aware that you can take control of your retirement future.

SDIRAs offer many opportunities of which people are unaware. Many people have highly-specialized education, knowledge, or job skills that may be a perfect fit within the guidelines of SDIRAs.

"Wall Street would prefer that you didn't know about SDIRAs."

Internal Revenue Code (IRC) 4975 addresses the three types of assets that are prohibited from being held in IRAs:

- 1) Life insurance contracts
- 2) Collectibles
- 3) "S" corporation stock

IRC 4975 also addresses many prohibited transactions. The most common prohibited transaction is one between an IRA and what is termed a "disqualified person." A disqualified

person includes the following in relationship to the owner of the IRA: the IRA owner, ascendants, descendants, the spouse of descendants, spouse, the fiduciary of the IRA, certain related businesses and trusts, and service providers such as the custodian.

You are not permitted to conduct transactions between these parties and your IRA. Be very careful here; it is easy to fall into a prohibited transaction. This is a great reason to have professionals advising and helping you with your transactions.

The 3-Step Process to SDIRA Investing

Step 1: Select and study your investment. This is where you research and choose the investment of your choice. Ask yourself: What type of investments am I comfortable with? Where can I maximize my return on investment? Do I have specialized skills that enable me to acquire discounted real estate notes with great returns? Am I comfortable putting SDIRA funds with an investment group? Am I giving myself proper diversification?

Remember, there is no "free lunch" in life. We have all learned (hopefully) that usually the higher the return, the higher the risk. Do your research; know what you're getting into.

Step 2: Open and fund your SDIRA. To open a SDIRA, you will need to contact a Custodian — a government-mandated third-party entity that holds your retirement assets and can sometimes perform administrative duties to keep you in compliance with government regulations. The Custodian is usually a bank, federally insured credit union, or savings and loan association. You want to use a passive Custodian who does not provide investment advice or sell investment products. This enables you to be free from the usual limitations imposed by the brokerage or bank.

Step 3: Direct the Custodian to fund your investment. Once your SDIRA has been properly set up and funds are in place, you direct the Custodian to fund your investment by issuing a "direction letter." The direction letter tells how much to issue the check (or wire) for and what the investment is. In the case of a real estate note, typically they will require the promissory note, a copy of other documents, the escrow instructions, and title policy.

Take this opportunity to use YOUR specialized skills to take control of your future. Use SDIRAs to create an abundant retirement for you and your family.

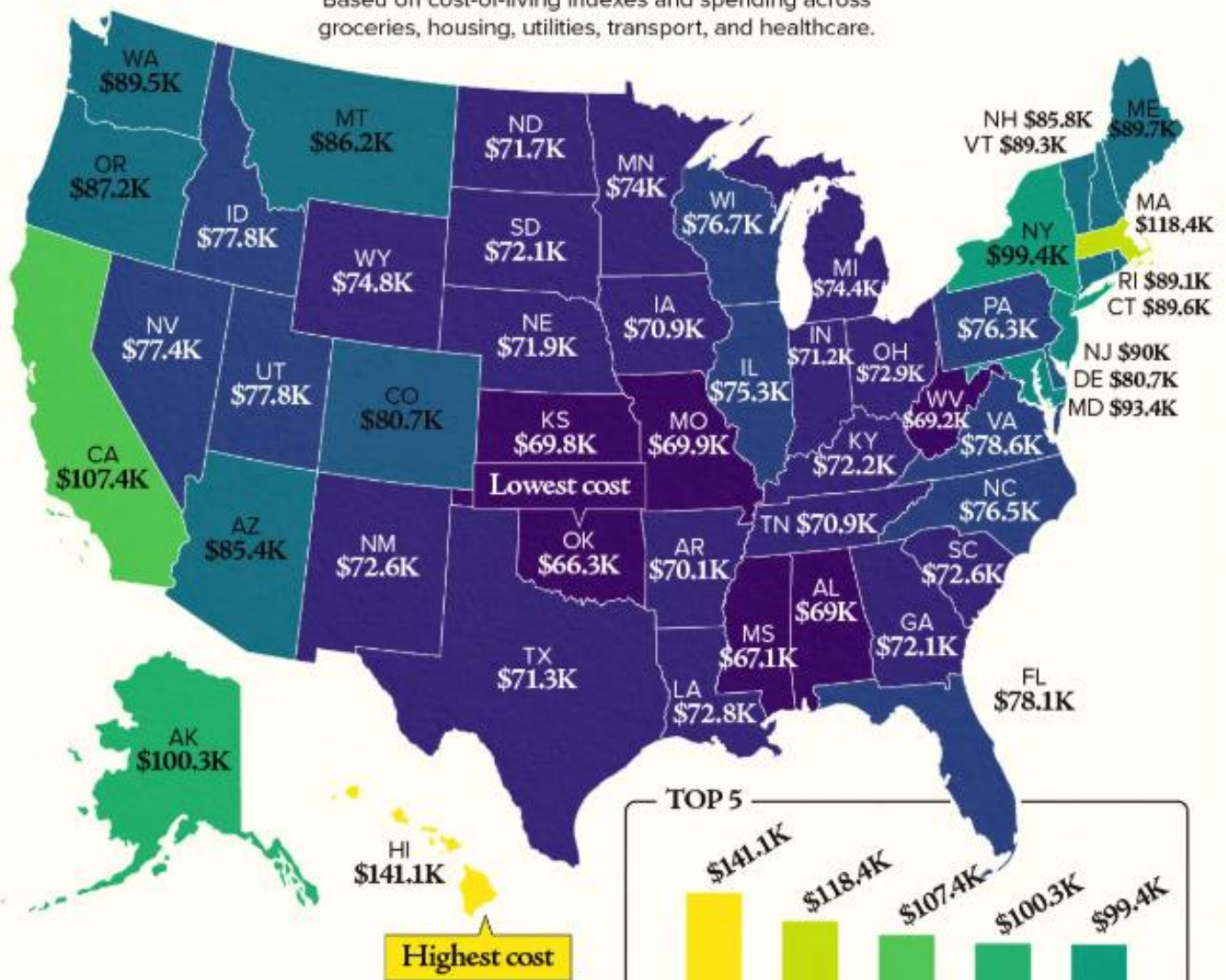
As a licensed real estate broker since 1988 (California and now Utah), Dale Morrison, CCIM, has worked with numerous investors who have funded real estate loans and acquired real estate through their SDIRAs. Contact him at DaleMorrison.com

Average Cost of Living



Average Annual Household Spending

Based on cost-of-living indexes and spending across groceries, housing, utilities, transport, and healthcare.





TOTAL LENDER SOLUTIONS

Mortgage Lender Services

Where We Operate



California Arizona



Missouri Nevada



Oregon Texas



Washington

Strategic methods.
Collaborative approach.
Successful outcomes.
It's who we are.

Helping protect your assets is our top priority. Explore our comprehensive solutions and let us guide you through the daunting processes surrounding loan default today.

Foreclosure Processing

Reconveyances

UCC Sales



Lori L. Bradford
Director of Sales

408-666-3250 | 916-962-3453
Lori@tlsemails.com

TotalLenderSolutions.com



Purchasing Part of the Balloon Using ITV



by Tom Henderson

A note has a \$100,000 balance at 5% interest paying \$659.96 monthly, amortized for 240 months with a balloon payment of \$83,455 due in 5 years. Using strictly yield, we determined that to receive a 12% yield, we would pay \$65,996 now to receive the next 60 payments, and we would also receive \$65,996 of the balloon payment of \$83,455.

Notice there is no mention of equity, how much down the borrower made, nor the value of the property. Many investors would like to add these factors into their calculations in determining the amount of the balloon they will receive.

The ITV Formula

To calculate the amount of a balloon to purchase, first determine the maximum ITV (Investment-To-Value) you are willing to accept, multiply this by the property value and place that number into PV. Next, enter the payment amount into PMT, the face interest rate into I/YR, the number of payments until the balloon into N, and solve for FV. Then discount these figures to receive the yield you desire.

Let's use the same terms as before, except this time we will assume the property sold for \$110,000 with \$10,000 down. The note is then the same: \$100,000 for 240 months, at 5% interest, with payments of \$659.96 with a 5-year call. Assuming we want a 70% ITV and the same 12% yield:

First, multiply the property value by the 70% ITV desired ($110,000 \times .70 = 77,000$) and put this into PV. After placing the face interest rate, payment amount and number of payments to the balloon, solve for FV:

N = 60 I/YR = 5 PV = -77,000 PMT = 659.96 FV = 53,938

Now discount these figures to receive a 12% yield:

N = 60 I/YR = 12 PV = -59,358 PMT = 659.96 FV = 53,938

Notice the difference in how much of a balloon we will purchase when equity, the value of the property, and ITV are added to the equation. When applying yield only, we would


pay more for the payments, but also receive more of the balloon partial. When applying equity, value of property and ITV, we would pay less for the payments, and likewise, receive less for the balloon partial. Which is best? Your goals and risk factors will resolve this decision.

"The important point is to realize there are different ways to purchase a partial of a balloon payment."

Calculator Practice

Applying ITV, equity and property value is not a foolproof method of purchasing a partial of a balloon. For example, assume the property sold for \$200,000 with \$100,000 down and payments of \$659.96 @ 5% with a 60-month balloon. What happens in the event of default or early payoff? This is a topic for another issue of the Paper Source Journal.

Tom Henderson, "the note professor," is president of H&P Capital Investments, LLC, which buys, sells, and trades notes. hpNOTES.com


[Click here to learn more](#)

How To Calculate Cash Flows

The most complete calculator training of its kind...Over 59 Videos!

Learn the *secrets* of calculating cash flows to *maximize* profits and return on investment.

Only
\$179

- Don't unknowingly pay more money - for anything - than you need to.
- Don't leave profit on the table...ever.
- Do control your own financial destiny!

WE BUY MORE THAN OTHERS!**

BROKERS WELCOME!

INDUSTRY LEADING BONUS PROGRAM

NSC Firm Cash Offers **CLOSE** where others **PASS** or **CANCEL!**

Nationwide Secured Capital (NSC)

LOVES our Note Brokers!

- > We're committed to overdelivering **VALUE** to you.
- > NSC **EXPERT** guidance, tools, resources and services assist you to **ACHIEVE** a successful business!

Experience the NSC Advantage!

*"Nationwide Secured Capital (NSC) was able to close my **LARGE -interest only- note on an older multi-family property!** They provided considerable assistance in pulling together the purchase file **AND I received a bonus above my commission!!!"***

- S.C., NSC Note Broker

Ask our full time Broker Desk about current NSC Note Broker BONUSSES:
BrokerDesk@NationwideSecuredCapital.com



Close **MORE** Business **FASTER** NSC Buys **MORE!**

We are **PRIVATE** money:

Close **FASTER**, with better **RELIABILITY**, and more **FLEXIBILITY** than banks or other regulated funds.

****We buy A MUCH WIDER RANGE** of notes than other investors: **LARGE** and small balances, **ALL** property types, bad credit, cash or missed payments, Fed liens, \$0 down payment ... and **MORE!!!**

We buy in **ALL 50 STATES.**

FULL and **PARTIAL** purchase options available.

Earn MORE MONEY and save valuable **TIME!**

SUBMIT A NOTE FOR PRICING TODAY:
www.NationwideSecuredCapital.com/broker



Scan for Broker Quote

GROW your business and
CLOSE MORE deals **FASTER** at
Nationwide Secured Capital
We look forward to serving you!

50 Ways to Leave Your... SFH Note

by W. J. Mencarow

A mistake many investors and brokers make is to focus solely on notes secured by single-family houses (SFHs). Unfortunately, that is a last-century approach. The lowest interest rates in recorded history have meant that financing qualifications loosened dramatically. Most homeowners have had no reason to offer seller financing. The Dodd-Frank Act of 2010 also negatively impacted the creation of notes, most likely because its complexity and consequent potential liabilities discourage real estate agents from even suggesting to sellers that they consider a note. Therefore, the inventory of seller-held SFH notes is far below what it used to be.

Note investors and brokers who ignore the lucrative market in other types of notes are leaving money on the table.

What Types of Notes?

For one, multifamily properties such as duplexes and apartment buildings. For another, commercial properties such as office buildings, strip malls, and warehouses. A third is land, including farms and lots. Recreational property is another, as is the sale of businesses. Conventional financing is often difficult to obtain for these transactions, so they are frequently—if not usually—sold with owner financing. You should be marketing for these notes as well as SFH notes.

Here's a partial list of other types of notes and future payments you can buy or broker. Granted, some are oddballs, but there are investors for them. How many are YOU looking for?

"Note investors who ignore the lucrative market in other types of notes are leaving money on the table."

- Motorhome, RV, Marine, and Aircraft notes
- Equipment notes
- Retail installment contracts
- Home improvement notes
- Time share notes
- Royalties (on books, songs, performances, etc.)
- Licensing agreements
- Mechanic's liens
- Sports contracts
- Lawyer's fee notes
- Real estate agent's commission notes
- Rights to TV shows
- Pre-settlement lawsuits
- Condo & HOA assessments
- Notes on collectibles
- Tax deeds, tax liens/certificates
- Real estate lease options
- Residential and commercial property leases
- Gas, oil, and mineral leases
- Credit card portfolios
- Worker's compensation settlements
- Health club memberships
- Country club memberships
- Cemetery lots
- Funeral pre-need contracts
- Reimbursement agreements to developers from utility companies
- Cell tower leases
- Billboard leases
- Wind farm leases
- Conservation Reserve Program payments
- Commodity Credit Corp. payments
- Future tax refunds
- Life insurance payments
- Judgments
- Divorce liens
- Inheritances
- Probates
- Trust interests
- Charitable remainder trusts
- Pensions
- **USE YOUR IMAGINATION!**
- Mobile home notes (with and without land)
- Business notes
- Class action awards
- Accounts receivable, including medical and dental
- Purchase orders
- Asset-based loans
- Defaulted and non-performing loans
- Lottery winnings
- Casino winnings
- Sweepstakes winnings
- Automobile notes

Real Estate Note Investors: FREE Tax & Asset Protection Workshop

GET STARTED NOW

Click or visit: aba.link/PaperSource



At this event you will discover...

- How to protect yourself and your family from lawsuits resulting from deals gone wrong.
- Why keeping your personal information out of the public record makes it harder for lawyers, creditors, and the IRS to come after you.
- How to reduce your heavy tax burden by structuring your business using this “wealthy investor” tax strategy.

Attendance is **FREE**. Thousands have already attended our online workshops. We will have dozens of CPAs, attorneys, and expert business advisors online so you will have an opportunity to get your most challenging questions answered **LIVE** on the webinar.



Scan the QR code

Industry News & Updates

Senate Approves Restricting Corporations From Buying Single-Family Homes

Source: *Time.com*

The Senate has passed a sweeping piece of housing legislation that seeks to bolster the U.S. housing supply and lower costs for home-buyers in an overwhelming bipartisan vote.

The 21st Century ROAD to Housing Act is the largest federal housing package in 30 years. It aims to boost supply and affordability by restricting corporate investors from buying single-family homes, easing manufactured home regulations, and rewarding cities that reform zoning and permitting.

The bill would ban large, institutional investors — defined as those that directly or indirectly own 350 or more single-family units — from buying some single-family homes, to promote homeownership opportunities for American families, not corporations. The bill would still allow large investors to build new homes and do work on existing homes, but would require that those properties be sold to prospective home-buyers after seven years.

In January, President Trump signed an Executive Order directing his Administration to implement a similar ban in order to prohibit single-family homes from being “purchased by large Wall Street investors, crowding out families seeking to buy homes.”

The bill would also make way for increased production of manufactured homes. By updating the definition of a manufactured house to include units without a permanent chassis, the bill aims to encourage innovation and expand naturally occurring affordable housing.

Other provisions would create a program to offer grants and forgivable loans to homeowners and landlords seeking to repair their homes, reauthorize grants to fund improvements to manufactured homes, and require the Federal Housing Administration to increase limits on loans for multifamily mortgages to better match market costs.

423 Plaintiffs in Fraud Suit Against “Flip This House” Star Armando Montelongo

Source: *San Antonio TX Express-News, March 16, 2026*

Some 423 students who attended Armando Montelongo’s real estate seminars have an ongoing lawsuit alleging he peddled “worthless, dangerous, and unlawful information” on real estate investing and took advantage of the students’ trust. Montelongo, 55, best known for starring in the cable television series “Flip This House” from 2006 to 2008, denies the allegations in the suit originally filed in 2016 in federal court in San Francisco.

Some of the plaintiffs lost their life savings, saw their marriages destroyed, and at least two died by suicide, said Jon Powell, a San Antonio lawyer representing them. Collectively, the plaintiffs are seeking more than \$15 million in damages.

The case isn’t a class action because plaintiffs incurred different amounts of damages. Some paid for all of Montelongo’s classes, tours, and mentor programs, while others only attended one or a handful of the offerings. Trying 423 individual cases would take about eight years, assuming a one-week trial for each. Both sides have agreed that trying hundreds of individual claims would be “unmanageable, inefficient, and unfair.”

The lawyers have suggested a hybrid approach that involves grouping plaintiffs with similar claims into “buckets” and proceeding with representative cases. If the first few trials go the plaintiffs’ way, a settlement of the entire group may follow.

Powell raised concerns about collection issues if his clients get judgments against Montelongo: “He reports a different net worth depending on if he’s trying to get people to sign up for his class or get a loan, versus if he’s got somebody suing him.” The plaintiffs have also sued three Montelongo companies for deceptive trade practices and negligence.



Where Does Income Come From?

By Franklin Sanders — *The-Moneychanger.com*

In 2020, Franklin Sanders was curious about the source of income in the South. Of all states save Texas, more than 50% of people take their income from the government at some level. In Texas the figure was 48%; in South Carolina, 65%.

Roughly 30% earn their income from the Federal government through pensions, Social Security, or government contracts. Another 20% comes from state or local governments. As Sanders observes, government income recipients will fight hard to protect their income, making it politically difficult to reduce spending. The implications for monetary policy, deficit spending, and the note market are worth watching.

Note Servicing Center, Inc.

You Build Your Business – We Save You Time & Money



Our Services Include:

- Online Portals
- Multi-lender Loans
- ACH & Direct Deposit
- No Note Minimum/Maximum
- Property Taxes & Insurance payments
- 1098's, 1099's, and CA 593-I's
- And more! Contact For More Information.

(800) 646-3445

noteservicingcenter.com

newacct@noteservicingcenter.com



The **Passive Income Network (PIN) is a
Note Investor Membership Organization**

Are you tired of looking for quality performing notes?

PIN members no longer look

Check out the **Passive Income Network at**

<https://passiveincomenetwork.org>

Contact Founder Tom Chase at 833-272-7748, tom@passiveincomenetwork.org

PROMOTE YOUR BUSINESS

in **The Paper Source Journal**



Enjoy These Unique Benefits:

- **Reach 15,000+** subscribers in a **FREE** monthly publication that targets your ideal audience
- **Full color ads** with no printing cost, thanks to our **all-digital format**
- **Multimedia advertisings options** include hyperlinks to your website or email address, custom graphics, and even videos!
- Choose from a **variety of ad sizes** to suit your needs and budget
- **Provide your own ad content** or let our in-house designer create an ad for you (additional fee)

© 2026 The Paper Source



Designed & Published by Visual Style Digital Media