

PAPER POWER



Jayme Kahla

Module 2 SHORT PAPER Part 1



Bob Leonetti

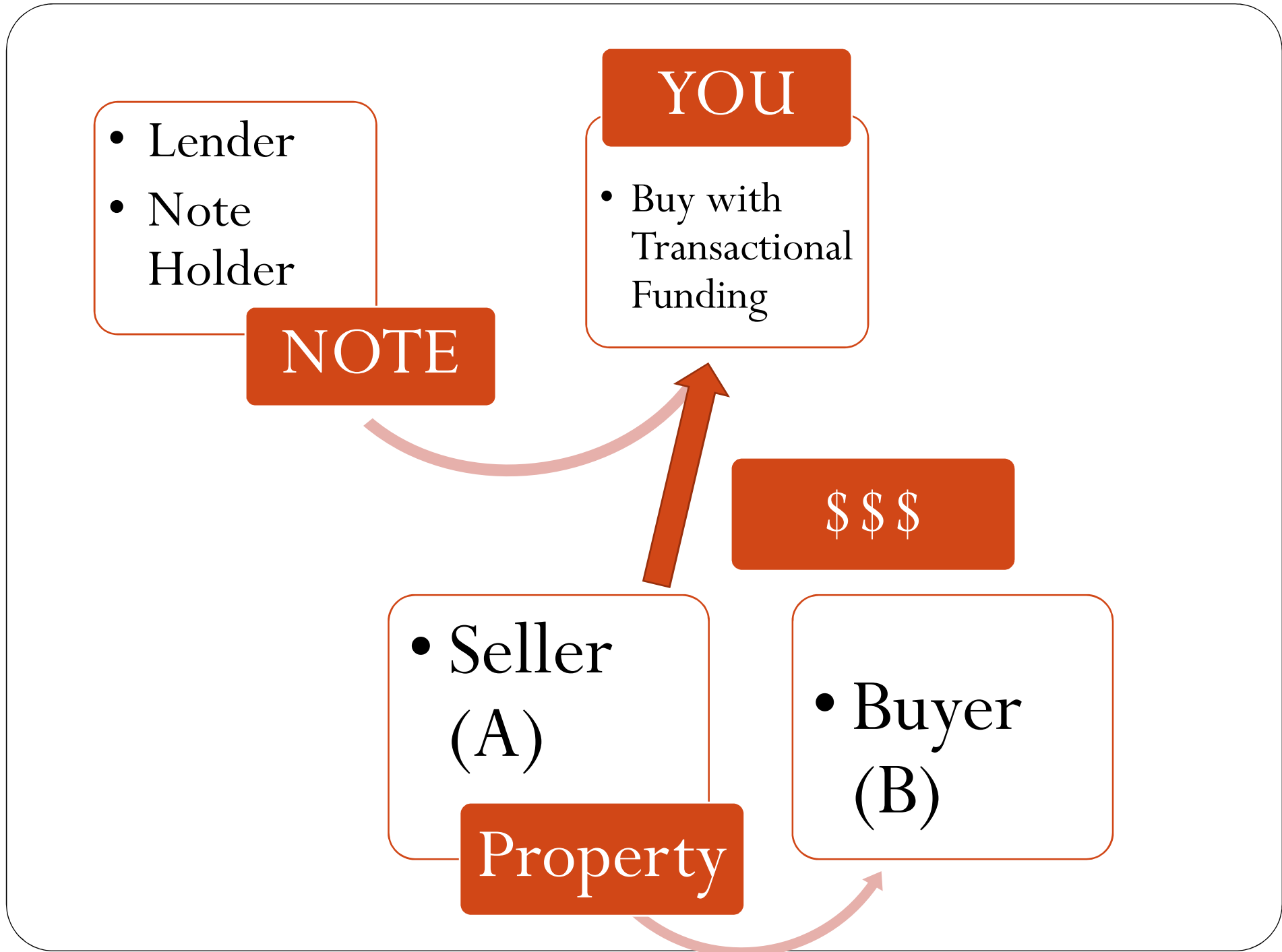
SHORT PAPER

- You are Buying the Note – Not the Property
- You, as the New Lender, Give a Discounted Payoff
- Property Sells from Seller (A) to Buyer (B)
- Your Profit is the Difference Between What You Paid for the Note and What You Dictate Payoff Will Be



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YOU

- Buy with Transactional Funding

NOTE

- Lender
- Note Holder

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- Seller (A)

- Buyer (B)

Property

Compare to Short Sales

- Lender doesn't have to foreclose
- Lender doesn't incur foreclosure expenses
- Property stays in better shape
- No Crazy Short Sale Laws
- Homeowner Can Stay in Property (though you can certainly foreclose if necessary, or get a deed in lieu of foreclosure – keeping folks in property NOT recommended)
- No Deficiency Judgment
- Shorter Timeline
- **Bottom Line – You Should Do BOTH**

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3 Sources of Notes

1. **Institutional Lender's** Secondary Department
2. Hard Money and **Private Money Lenders**
3. **Private Sellers** who Carried Owner Financing

***SPECIAL NOTE:** For this technique, ALL Notes should be delinquent. You are buying them to control the actual property!*

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Finding Defaulted Paper

- **Lender Held (Institutional) Ugly Paper**
 - B&C Lenders
 - Sub-prime Servicing Companies
 - Insurance Companies
 - Mortgage Companies
 - Credit Unions and Banks
- **Privately Held (Seller Financed) Ugly Paper**
 - Newspaper Advertising
 - Direct Mail to Private Sellers
 - Hard Money Lenders
- **Sources that Generate Both**
 - Title Companies
 - Bankruptcy Attorneys
 - Realtors
 - Mortgages & liens on house you are trying to buy
 - Foreclosure Filing Services and Publications



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3 Simple Steps

1. Find the Decision Maker!

2. Talk the Lingo!

3. Meet Their Needs!



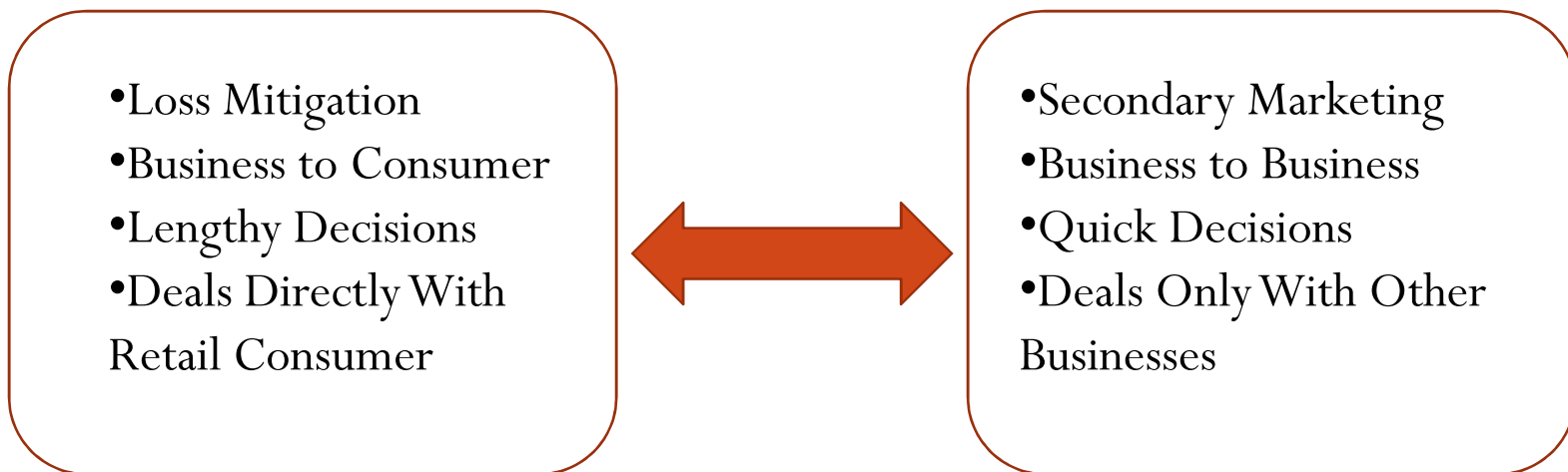
SPECIAL NOTE: For this technique, ALL Notes should be delinquent. You are buying them to control the actual property!

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How Notes Trade

- Loans Usually Trade at a Premium
- Notes ALSO Trade at a Discount
- You'll be dealing with the WHOLESale dept.



RETAIL DEPARTMENT

WHOLESALE DEPARTMENT

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How to Get Them to Sell

- Secondary Manager responsible for Liquidity
- He/She can sell “one-offs” or in Bulk (pools)
- Pricing is better when you buy in Bulk



"That's a great question. Come to think of it, I'm not sure what it is I'm trying to sell you."

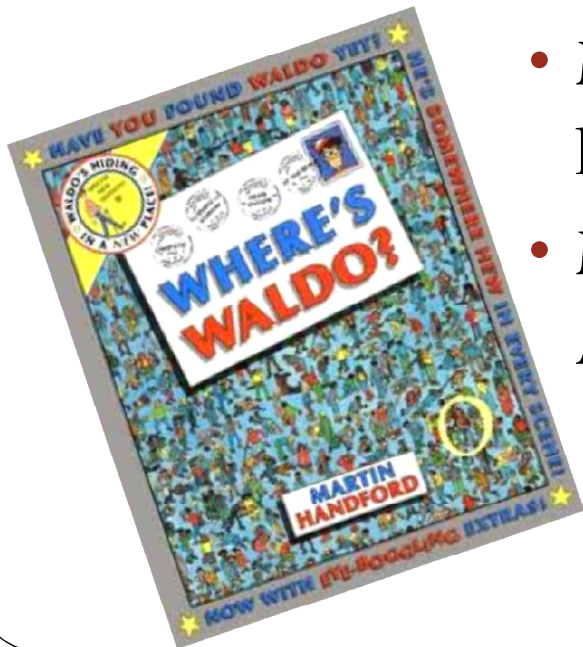
You should be looking for **INDIVIDUAL** notes as an alternative to the short sale process

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Where's Waldo?

- NOT always going to be the Secondary Marketing Department (however – see Secondary Marketing News from Mortgage Daily.com)
- MAY be the person “in charge of the warehouse line”
- MAY be someone at the pricing desk
- MAY be someone “in charge of selling off your loans – in either bulk or mini-bulk.
- May be in Special Assets or Non-Performing Assets



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Finding Lenders



**“Dude...
I’m right here”**

- The Lane Guide (www.profitcoach.laneguide.com)
- Be Specific in Your Search
- If Company has sold, find the company that purchased the assets. There may be more than one.
- Create Rapport!!
- Speak the Right Language – but don’t overdo it. Too Much is NOT better!
- Start at the Top and work down, if necessary!

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First – Learn the Basics

Up to now, you've been dealing with a salaried minimum-wage type employee in the loss mitigation department.

From Here on out – you'll be dealing with the Bank Professional who does business with other institutions or...

Private Note Holders

You have to learn to communicate on his/her level by learning the right TERMS or...

They'll have you for lunch!



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Think About Your Approach

- Establish Rapport, and then Stick to Questions.
- Be sure and *Listen* to the Answers, and try to Fully Understand the situation.
- Don't think about potential solutions until you are certain both *you* and *they* understand their problem.
- Remember, talk about *your* benefits to them in terms of *their* needs.

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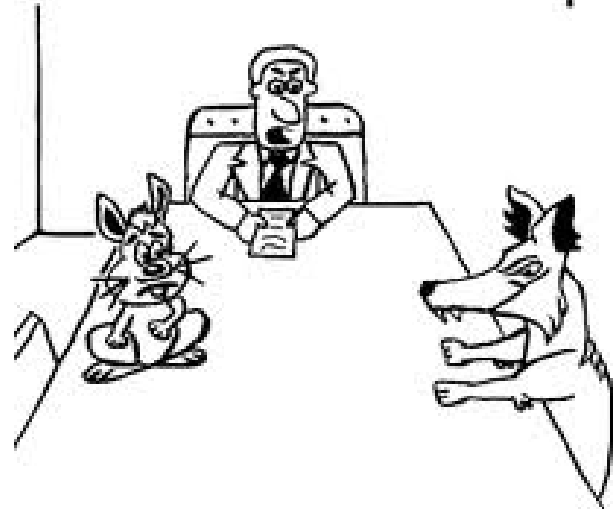
Money Making Questions

- *What's the least you would accept for all cash and a quick close?*

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- *Is that the best you can do?*



"Please, Mr. Wolf, now we're just splitting hares."

Learn the Lingo



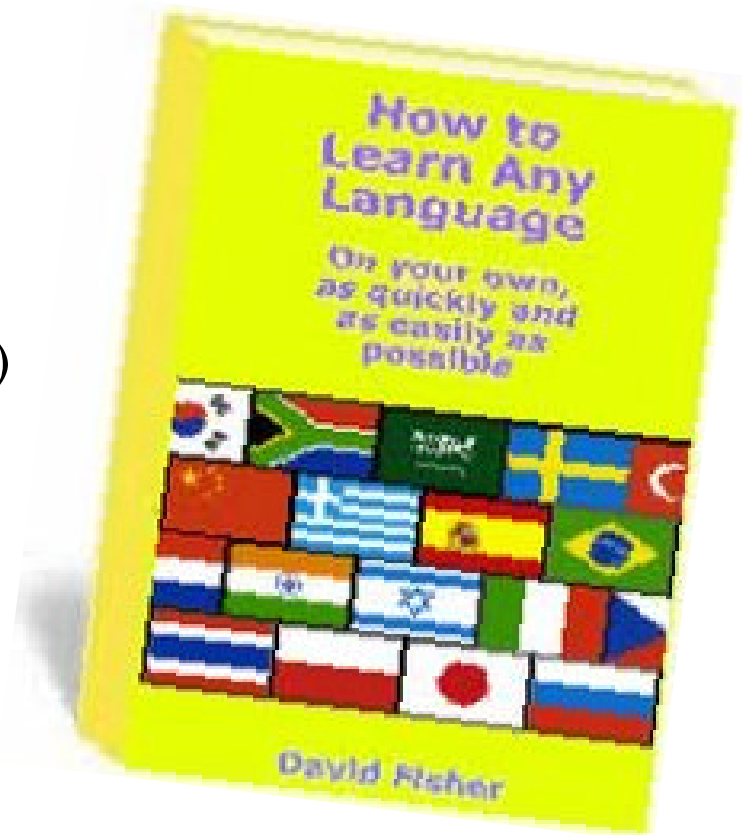
- You are speaking to an industry professional – most likely middle management
- They have their Own Language
- Do NOT overuse Jargon
- Be Yourself – and KNOW what the terms are!!

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Learn BankerSpeak

- Bulk, Mini-Bulk, One-Off
- Tape
- Asset Size
- UPB (Unpaid Principal Balance)
- Loan Level Pricing / vs. All-In
- Color
- Scratch & Dent Buyer
- Take-Down
- Next Payment Due



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Two Traps!!

- W.A.C. (weighted average coupon rate)
- W.A.M. (weighted average maturity)



The reason that these are traps are because they refer only to performing loans. Remember, you are buying NPNs or non-performing loans.

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What to Say

- *Mortgage Banker One-Off Script*
 - Script to work with mortgage lender to see if they sell one-off loans, or even loans in mini-bulk.
- *Private Mortgage Holder Script*
 - Private sellers need to understand that their NPN isn't worth the face value of the note.
- *Mortgage Banker Bulk Script*
 - BONUS Script to work with mortgage lender to see if they have any NPNs they would like to sell, whether in bulk or individually.

NOTE: Scripts will be in the Documents and Materials Section of the Website

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Questions Should Include

- How far are the payors in arrears?
- Is this a first or a second lien?
- Do you know if there are any other liens against the property?
- What can you tell me about the property? (size, condition, location, value, etc.)
- What are the terms of the note?
- What is the unpaid principal balance?
- When is the next payment due?



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Working With a Private Party

- If you are working with a **Private Note Holder**, bear in mind that you are dealing with an individual, and not some large faceless corporation. As such, you'll want to be empathic to the seller's needs, and realize that there will probably be some emotion involved.
- Let's face it: how would *you* feel if you were losing thousands of dollars? Take the time to establish rapport, commiserate a little, and guide the seller into the realization that his best option is working with you.
- Realize ahead of time that he won't be ecstatic (Who would when they're losing money?), but he will feel like a burden has been lifted from his shoulders when you complete the transaction.

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Working with a Lender

- On the other hand, if you are working with a Traditional Lender, or a Government Agency (like FHA, VA, HUD, etc.), you *are* dealing with a large, faceless organization. The person on the other end of the phone gets paid regardless of whether or not you buy the note, and they are *certainly not* emotionally involved.
- Your approach with them is going to be completely different than with a private seller. In this case, you should present yourself *not* as a compassionate businessperson (an excellent approach with the private seller), but rather, as a savvy note buyer who invests in paper all the time. To you, this is just another day spent trying to find good paper in which to invest.
- Adopt the corporate mentality – this transaction is all about dollars and cents.

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Guidelines to Help Structure Offer

- Pretty House Expect to Pay **More**
- Ugly House Expect to Pay **Less**
- Mortgage Expect to Pay **More**
- Contract for Deed Expect to Pay **Less**
- Clear Title Expect to Pay **More**
- Liens/Judgments Expect to Pay **Less**
- 1st Position Note Expect to Pay **More**
- Junior Lien Expect to Pay **Less**
- Newly Defaulted Expect to Pay **More**
- Aged REO Expect to Pay **Less**

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Bob's Special Offer



Look Gang – I don't want to violate any Website Agreements, so...

If I can help you with specific information, please contact:

PaperPowerVIP@gmail.com

<http://ProfitCoach.LaneGuide.com>

There are over 36,000 LENDERS in the LaneGuide! We simply cannot, nor have not, contacted all of them.

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Short Paper: What is Your Ultimate Goal?

- *Buying Note in Lieu of Short Sale*
- *Issuing Short Sale Letter to Seller*
- **Making money off of the Sale of the Note**

- **Flipping** the Defaulted Note to Private Investor
(Rehabber – Residential Only)

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Your Homework Assignment

- Learn the Scripts!
 - One-off from Lenders
 - Private/Hard Money Lenders
 - BONUS – pools from Lenders
- Read Profits in Ugly Paper -
 - *Negotiating and Presenting Your Offer*
 - *How to Find Ugly Paper*
- Finish the manuals, and make sure that you've reviewed Module #1
- **SIGN UP FOR UPCOMING WORKSHOP**



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