

# PAPER POWER



*Jayme Kahla*

## Module 9 PRETTY PAPER Overview



*Bob Leonetti*

# What is Pretty Paper?

- Slow or Non-Paying = *Ugly* Paper
- Paying = *Pretty* Paper
- Seller Financed Paper Only
- Must be “Seasoned”  
(Existing v. New)
- Must be Performing



# Bottom Lines for this Section

- Paper Power Overview
- Ways to Buy
- Finding & Negotiating
- Going to Closing (Get the Money!)



# Basic Note Terms

- **Note:**

- Evidence of the Debt
- I.O.U
- Five Parts of a Note (N, I, PV, PMT, FV)

- **Mortgage / Deed of Trust**

- Security Instrument

- **Deed ?**



# Sam & Barbara



*Sam Seller*



*Barbara Buyer*

# Sam Finances Barbara



**Sam Sells Property -  
Carries Paper**

***Barbara Buyer***



***Sam Seller***



**Paper Power**  
Module #9 – Pretty Paper

# Sam Sells Note to Investor



**Sam Sells Note -  
Exchanges Cash for Cash  
Flow**

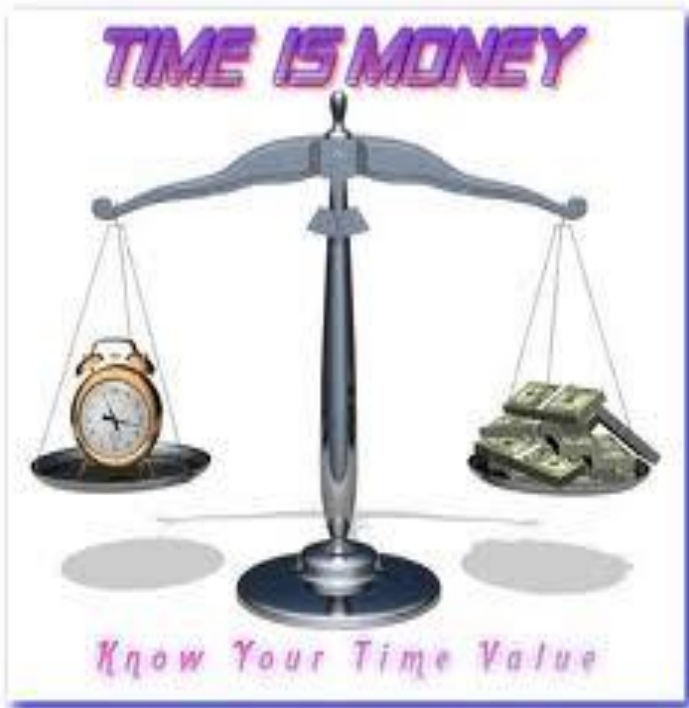
# POINTS TO REMEMBER

- Barbara Pays New Buyer
- Monthly Payment Doesn't Change
- Terms Don't Change





# Why Would Sam Sell?



- Sam Must Sell at a Discount
- Time Value of Money (TVM)
- Lump Sum Now or Small Amounts Over Time
- Needs Cash to Solve a Problem

# Why Would Note Investor Buy?

- Paying Less Than Face Value Increases Yield
- Buy to Invest for High Return
- Buy for Cash Flow (splits & partials)



**Note must be  
collateralized  
by Real Estate!**



**Paper Power**  
Module #9 – Pretty Paper

# How Do You Make Money?

- **Option the Note**

- Find Out What Your Note-Seller Needs
- Find Out What Your Note-Investor Will Pay
- Subtract Your Profit from Note-Investor's Pay Price
- Pass-on Adjusted Price to Seller

- **Invest with Your Own Money**

- High Yields
- Self-Directed IRA
- Low-capital Required
- Medium Liquidity



# “How Much is Your Discount?”

- Notes are NOT Purchased at a Straight Discount
- Note are Purchased on a YIELD Basis
- The Difference Between Yield and Interest =  
Discount

IDK PLEASE  
TELL ME...



# Preparation Tasks



*Hewlett Packard  
10B II*

- Watch the Bonus Calculator Module
- Learn the 5 Parts of a Note
- Perform the Four Calculation Steps:
  - Calculate Payment
  - Calculate Balloon
  - Calculate Present Balance
  - Calculate Yield

