

PAPER POWER

Module 4

Introduction to

PRETTY PAPER



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Five Reasons for Paper

1. Alternative to Short Sales (Short Paper)
2. Banks Woes = Your Payday (Ugly Paper)
3. Great Profits Optioning Performing Notes
(**Pretty Paper**)
4. Market Needs Creativity (Creating Paper)
5. High Personal Yields (Investing in Paper)

- *NONE of Your Money or Credit*
- *Do It Anywhere*
- *No Licensing Required*



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



Sam Finances Barbara



**Sam Sells Property -
Carries Paper**

Barbara Buyer



Sam Seller



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Sam Records Mortgage



Sam Keeps Note
Files Mortgage/Trust Deed
At Courthouse



Sam Seller



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Pretty Paper

Sam Sells Note to Investor



Note Investor

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

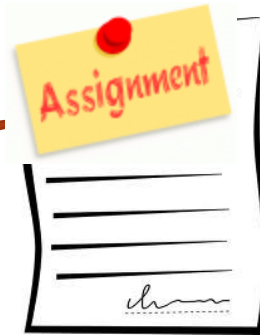


Sam Seller



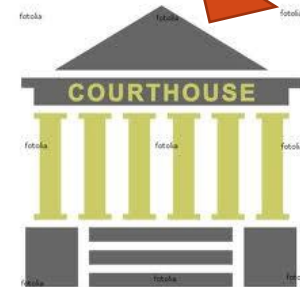
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Investor Records Assignment



Investor

**Investor Keeps Note
Files Assignment
At Courthouse**



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4 Easy Steps...

1. Sam Finances Barbara
2. Sam Records Mortgage
3. Sam Sells Note to Investor
4. Investor Records Assignment



POINTS TO REMEMBER

- Barbara Pays Note Investor
- Monthly Payment Doesn't Change
- Terms Don't Change
- Seller Keeps Note
- Seller Records Mortgage



7 Steps to Success – Private Notes

1. Finding/Marketing
2. Information Gathering
3. Deal Analysis
4. Negotiating
5. Due Diligence
6. Closing
7. Investing



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Success Marketing



- Find Note Holders at the County Recorder's Office
- Reach Out to Them

- Let the World Know You Exist
- Have Them Come to You!



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YOU Find Note Holders...

- Courthouse Research
- Abstractors
- Mailing Lists
 - Criteria
- Mail Pieces
- Private Money Lenders



Note Holders Find YOU



- Craigslist Ads
- Newspaper Ads
- Church Bulletins, etc.
- Social Media
- Websites
- Speaking Engagements

Things to Say...



- Get Upfront Commitment
- Think in Months...not Years
- Emphasize Normalcy
- Equate Discount to TVM
- Emphasize Cash on Cash



TIME VALUE OF MONEY

- Money is worth more today than it is in the future.
- The *more* money the seller gets now, the *less* he gets overall.
- The *less* money he gets now, the *more* he gets overall.
- **Example: (100,000 Note, 10%, 360 Pmts. of \$877.57)**
 - All Cash Now at 14% Yield: \$74,064 Now...Nothing Later
 - Cash Now for SOME payments; the Balance Later at 14% Yield



FULL PURCHASE

- Buy All of the Payments
- Difference Between Required Yield and Face Rate of Note = Discount

360 Payments



~~10% - \$ 100,000.00~~

14% - \$ 74,064.69

FULL PURCHASE

- More Cash Now – Less Overall
- Discount is VERY Apparent Unless Multiple Payments Have Already Been Received

360 Payments



~~10% - \$ 100,000.00~~

14% - \$ 74,064.69

When to Use a Full Purchase

Use as Little As Possible *Unless*:

- Seller HAS to Have All Money Now...
- The Note is Seasoned With a LOT of Payments Having Been Made

Explanation to Seller:

- Offer Based on Cash ALREADY Received
- No Lingering Liability
- We Also Have OTHER Ways of Purchasing Your Note

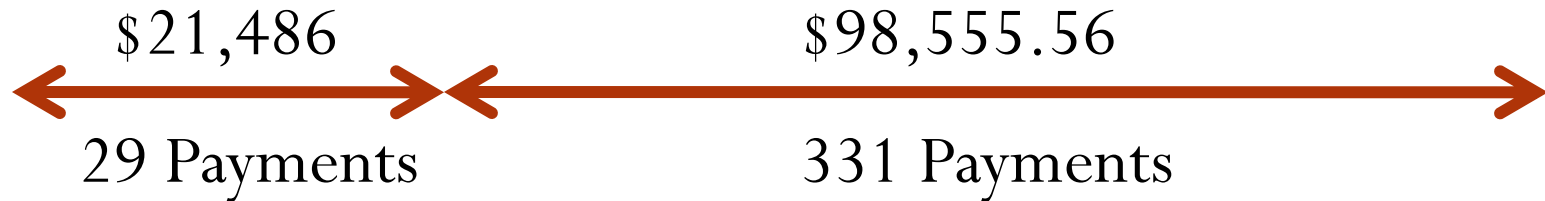


PARTIAL PURCHASE



- Buy *Some* of the Remaining Payments
- Note Has Value When it Reverts to the Seller
- Less Cash Now – More Overall
- Lower Amount Now Makes it Easier to Sell a High-Risk Note

PARTIAL PURCHASE



- **Cash NOW for 29 Payments = \$21,486**
- **Cash LATER when Note Reverts = \$98,555**
- **Total Cash Received = \$120,041.56**

“Mr. Seller – I have great news! I can pay you \$74,000 NOW for your entire note or...if you just need some money now, I can pay you \$21,486 now, and in 29 short months when the note reverts back to you, you’ll be owed an additional \$98,555. That’s \$120,041 for your note!”

When to Use a Partial Purchase

Use as Often As Possible:

- The Seller Gets More Money Overall...
- The Discount is Less Apparent



Explanation to Seller:

- Cash Now AND Cash Later
- Buy Without a Discount

EARLY PAYOFF

- Seller Receives the Present Value of What is Owed Him at Face Rate of Note
- Note Investor Receives Present Value of What is Owed Him – at Face Rate of Note
- 3 Easy Steps:
 - Figure Balance Owed at Time of Early Payoff
 - Subtract Remaining Payments Owed Investor
 - Balance Goes to Seller

EARLY PAYOFF Example

29 pmts of 877.57 / 10% / sale at 24 months

- Step 1 – Balance Owed (Payoff) at 24 months
- Step 2 – Figure What is owed Investor (5 pmts)
- Step 3 – Subtract '2' from '1' – Balance Goes to Seller



$$\begin{array}{r} \$98,830.04 \\ \text{Payoff} \end{array} \quad \underline{\quad} \quad \begin{array}{r} \$4280.26 \\ \text{Investor} \end{array} \quad = \quad \begin{array}{r} \$94,549.78 \\ \text{Seller} \end{array}$$

Las Vegas Note Convention

Bob & Jayme – Nov. 9

Convention – Nov. 10-13

<http://NoteworthyConvention.com/Bob>

\$100 Discount When You Buy These Recordings



Links for FINAL Modules

www.PaperPowerNoteInvesting.com

“Upcoming Coaching” Tab



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