

# PAPER POWER

## Module 13 CREATING PAPER



*Jayme Kahla*

*“The Greater the Risk...  
The LOWER the Yield!”*



*Bob Leonetti*

# 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*



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# 60-Units Deal Structure



## Austin Apt. Acquisition

Seller Offered Seller Finance:	\$3.0 million
Out of Area Owner	
Seller Agreed for All Cash:	\$2.3 million
Property Value:	\$3.5 million

• Purchase Price	\$3,500,000
• Down Payment	\$ 300,000
• Seller Carried First	\$2,500,000
• <u>Seller Carried Second</u>	<u>\$ 700,000</u>
	\$3,500,000

# 60-Units Pay-Out

## Austin Apt. Acquisition

Note Investor purchased the 1<sup>st</sup> and the 2<sup>nd</sup> Liens for \$2,325,000.



Afterwards, he assigned the 2<sup>nd</sup> lien back to one of our entities for “reasonable consideration.”

• Pay Price from Note Investor	\$2,325,000
• <u>Down payment</u>	<u>\$ 300,000</u>
• Cash Available at Closing	\$2,625,000
• Pay Price to Seller	\$2,300,000
• Cash Back to Borrower	\$ 325,000

# 60-Units Bottom Line



## Austin Condo Conversion

- Converted 60 Units to Condos
- Sold All Except 12 to Pay Off Liens
- No Money / No Credit Check
- Put Tax Deferred \$\$ Into Retirement Plan

- |                       |                                |
|-----------------------|--------------------------------|
| • Purchase Price      | \$3,500,000                    |
| • Amount Down         | -0-                            |
| • Money Made          | LOTS ( <i>technical term</i> ) |
| • Free & Clear Condos | -12-                           |

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# Two Parts to Creating Paper

- Sale Of Property
  - Buyer Gives Down Payment
  - Seller Carries Back a Mortgage



- Sale Of Note
  - Seller Seasons Note
  - Seller Sells Note to Note Investor

# Sam Finances Barbara

sale of property



*Sam Seller*



*Barbara Buyer*

**Sam Sells Property -  
Carries Paper**



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# Sam Records Mortgage

sale of property



Sam Keeps Note  
Files Mortgage/Trust Deed  
At Courthouse



*Sam Seller*

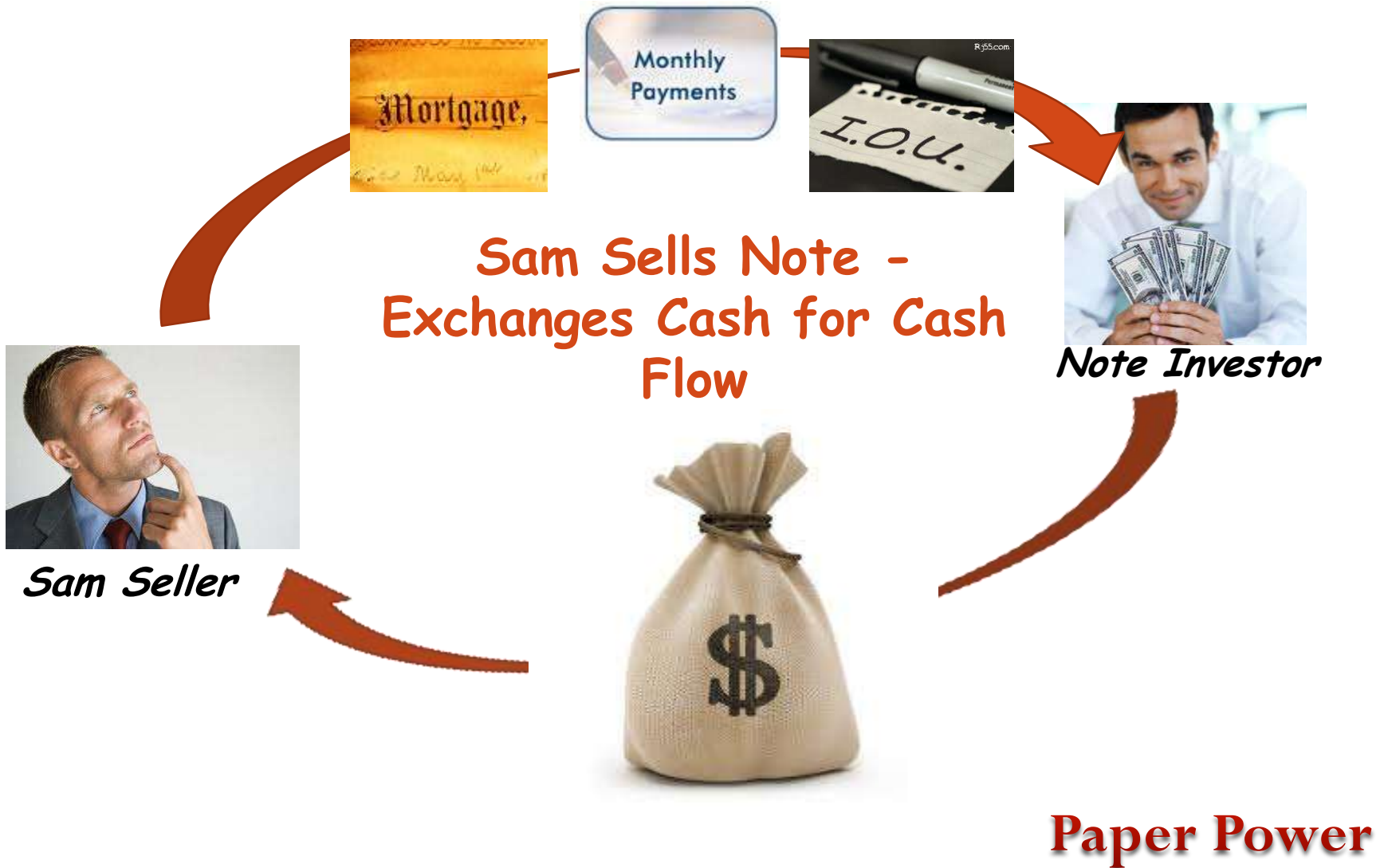


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# Sam Sells Note to Investor

sale of note



# Investor Records Assignment

sale of note



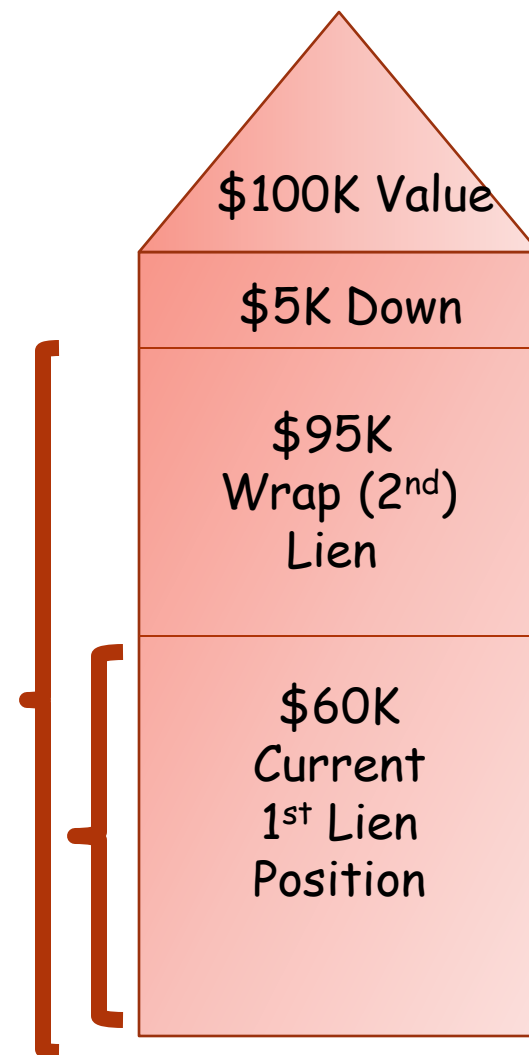
# POINTS TO REMEMBER

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



# It's a WRAP

- Wrap is a Junior Lien
- A.I.T.D.
- New Lien Wraps  
Existing Lien
- Structure for High Yield  
on Equity and Profit on  
Existing Lien



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# Needs to Consider



- Buyer
  - Doesn't Qualify



- Seller
  - Needs to Sell
  - Needs Cash



- Note Investor
  - Needs to Minimize Risk
  - Needs a Required Yield

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# Buyer's Needs

- Does She Have a Down Payment?
- Does She Have Good Credit?
- How Much Payment Can She Afford Per Month?
- S.A.W.



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# Seller's Needs

- How Much Cash Does He Need Now?
- Can He Afford to Wait for the Balance?
- Is there an Underlying Lien?



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# Note Investor's Needs



- ITV
- Interest Rate for Optimal Pricing
- Risk Based Pricing
  - Will Credit Remain the Same?
  - Collateral Type
  - Occupancy
  - Seasoning
  - Likelihood of Resale

# Creating Paper...work!

- Sale Of Property
  - Purchase Contract
  - Seller Creates Note/Mortgage

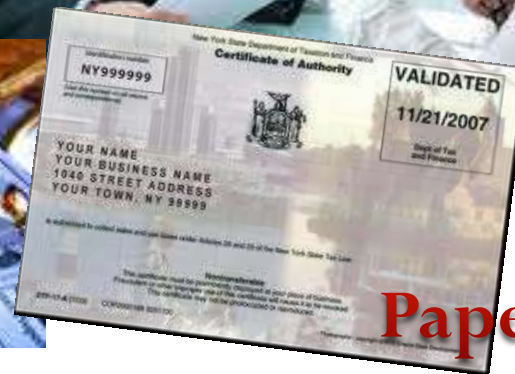


- Sale Of Note
  - Option to Purchase
  - Allonge – Note Assignment
  - Assignment of Mtg./Trust Deed

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# Do You Need a License?

- Licensing
- SAFE Act:
  - Secure & Fair Enforcement for Mtg. Licensing
- Dodd-Frank Act



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