

Become

THE BANK

WITH NOTE INVESTING

TERRENCE EVANS

Terreva Investments

WHAT ARE MORTGAGE NOTES?

- A **note** is a promise to pay & lists the terms under which a debt will be repaid:
 - Term, interest rate, principal owed, payment, balloon (if any)
- A **mortgage** secures that note to a piece of real estate:
 - Also called a **deed of trust** in certain states
 - Gives the lender recourse if the borrower can no longer pay or stops paying

Investors use the terms *real estate notes* or *mortgage notes* for simplicity

ADVANTAGES OF MORTGAGE NOTES AS INVESTMENTS

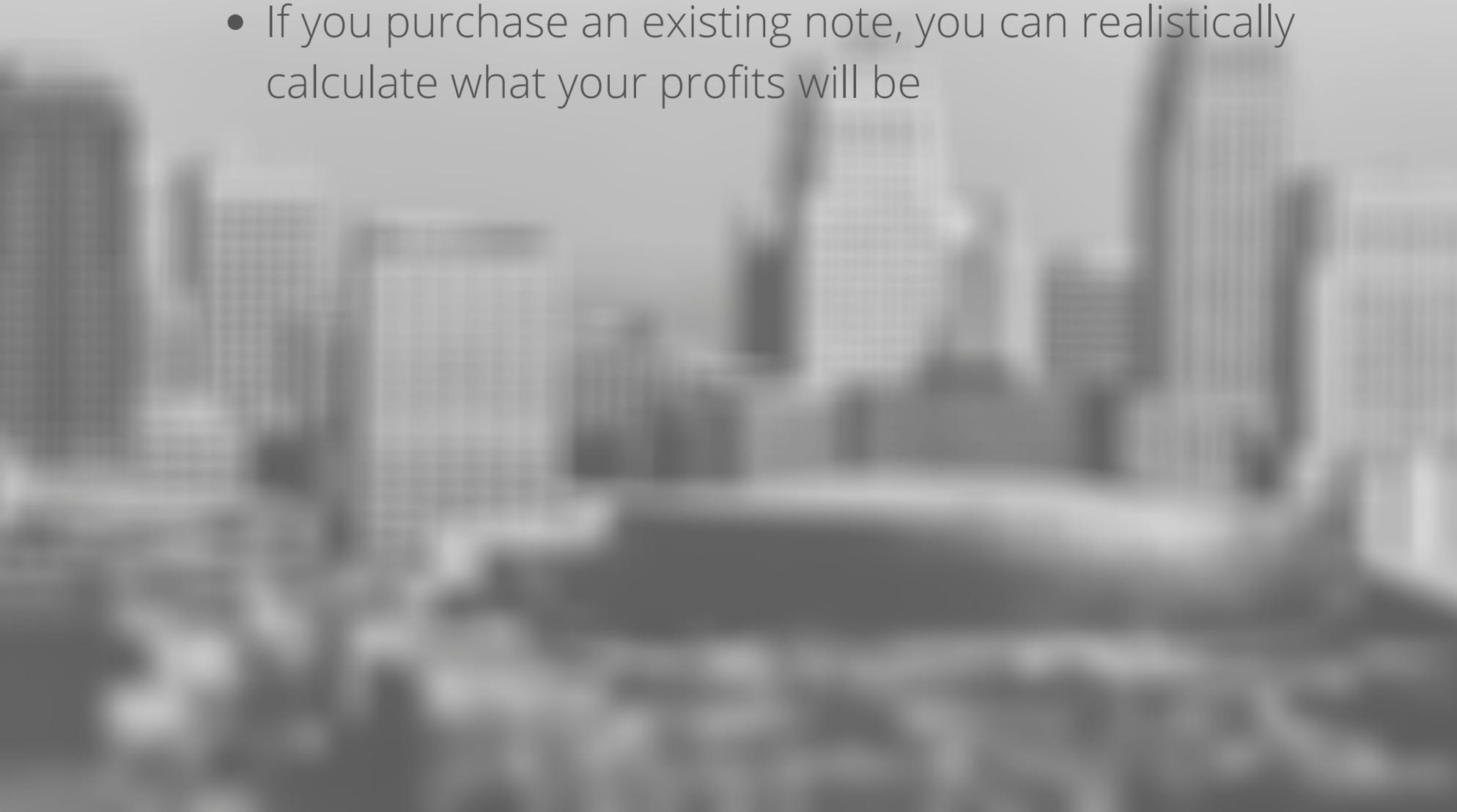
- **Multiple Exit Strategies**

- Unlike other REI strategies, there are literally dozens of paths to profitable exits

- **Notes are bought at a discount ► Built-in equity!**

- Whether the note is performing (borrower makes payments on time) or non-performing, investors buy notes at a price less than what is owed

- **In most cases, you can either decide or know upfront your ROIs or yields**

- If you create a note thru seller financing, you already know what your yield will be over the loan's term
 - If you purchase an existing note, you can realistically calculate what your profits will be
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ADVANTAGES OF MORTGAGE NOTES AS INVESTMENTS

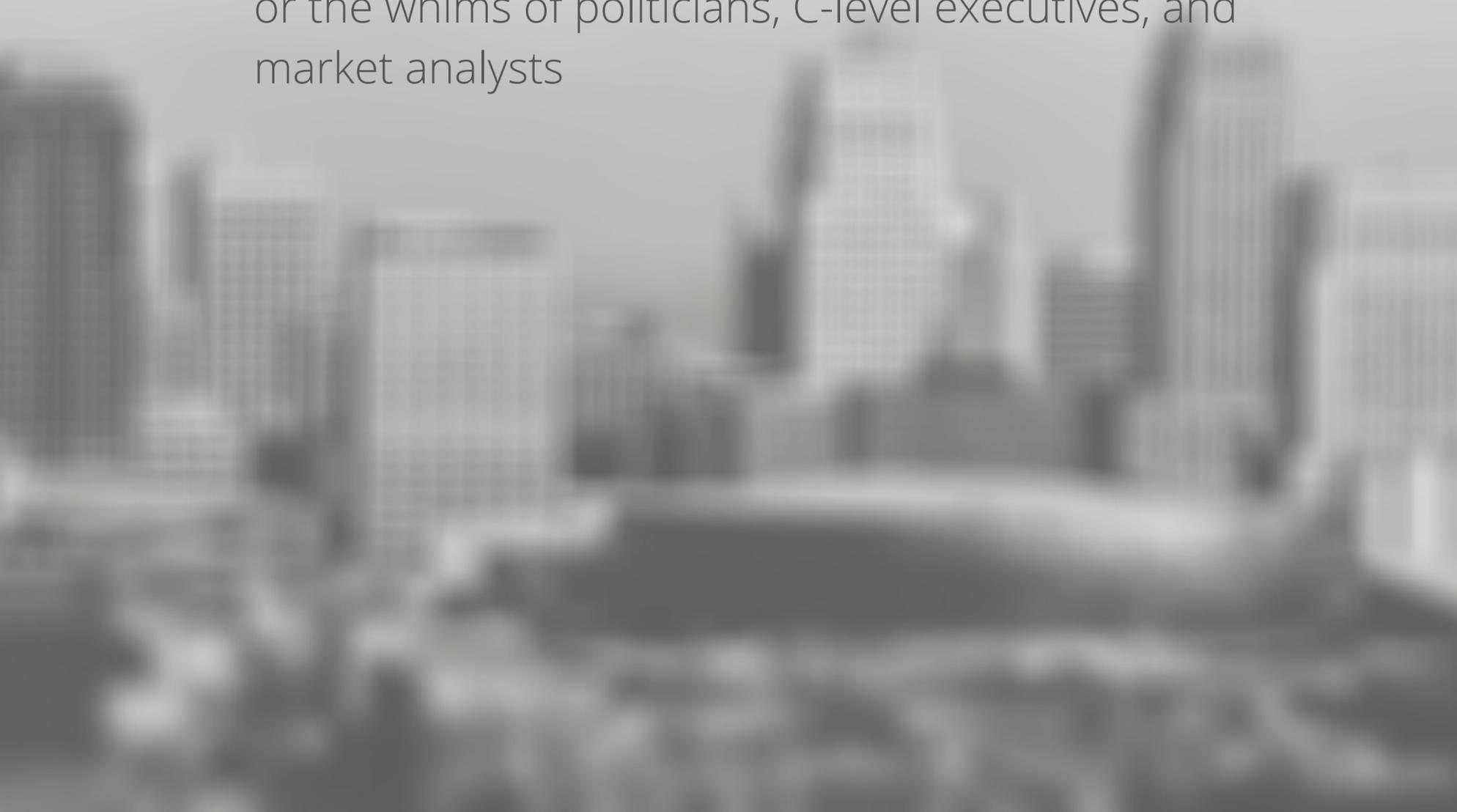
- **Not a second job!**

- Perfect for folks who cannot or do not want to leave their 9 to 5 (just yet)
- Also perfect for those who want passive vehicles to generate mailbox money

- **Real Estate adjacent - no toilets, trash, or tenants**

- When was the last time that you called Wells Fargo or Bank of America to fix clogged plumbing?

- **Safer & less volatile than the stock market**

- Notes are secured by real property
 - Day-to-day values are not subject to the daily news or the whims of politicians, C-level executives, and market analysts
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CATEGORIES OF MORTGAGE NOTES

- **Performing**

- The borrower makes his payments on time
- Investors buy existing notes at slight discount (5% to 15%) -or- create new notes using seller finance.
- Borrower makes payments to the investor. From the investor's perspective, it is similar to collecting RENT.

- **Non-performing**

- The borrower has been delinquent on his payments. The amount of time of the delinquency can vary from a few months to several years.
- Investors buy existing notes at a significant discount to what is owed (20% to 50% for 1st position notes)
- The investor can try to get the note to re-perform. Or he can pursue avenues to gain possession of the property to get his investment dollars back.

- **Re-performing**

- A hybrid of the two previous types. Re-performers start off as performers, fall into delinquency, and then are able to become performing again over several payments. Great ROIs.

INVESTORS INVEST IN ALL SORTS OF MORTGAGE NOTES

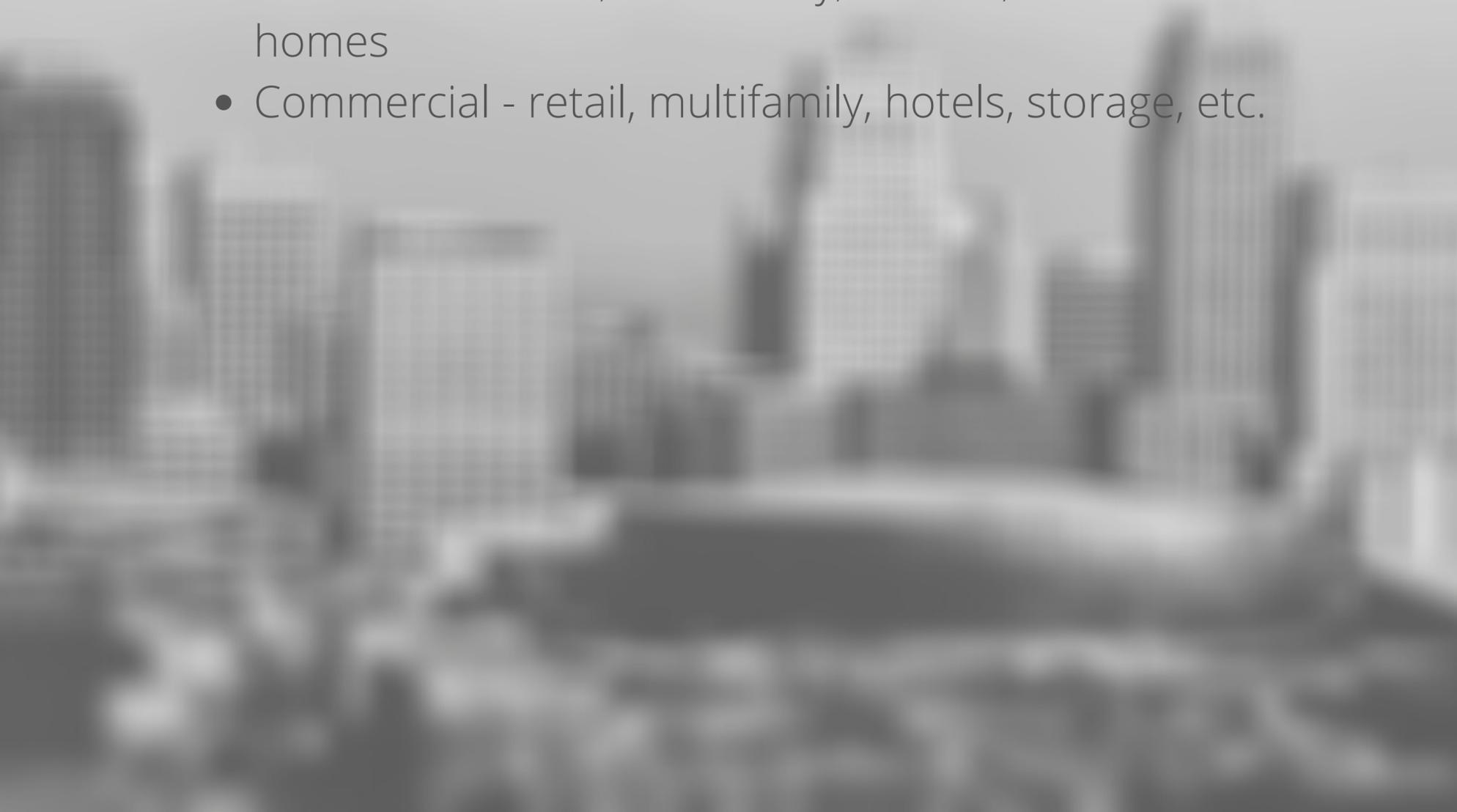
- **Positions (1st, 2nd, 3rd, etc.)**

- First position notes are the safest but at the cost of being more expensive. Typical exit strategy is thru the collateral.
- Juniors are more risky but are cheaper and can lead to higher yields. Typical exit strategy is thru the borrower

- **Loan Origination Types**

- Traditional institutional mortgages and deeds of trust
- Land contracts / Contracts for deed
- Seller finance loans

- **Collateral Type**

- Residential - SFRs, multifamily, condos, mobile homes
 - Commercial - retail, multifamily, hotels, storage, etc.
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HOW DOES ONE MAKE MONEY IN NOTES?

- **Brokering**

- An individual pairs a buyer and a seller. Makes a commission off each sale.

- **Flipping**

- Similar to RE wholesaling. The note investor markets to note holders offering to purchase their note.
- After securing the terms of sale, the investor finds a suitable buyer. The investor makes the difference between the purchase and sale price.
- A variation of flipping may include the investor holding the note short term before quickly selling to a 3rd party.

- **Active Investing**

- Individual(s) establish a business of buying, selling, and dispositioning notes.

- **Passive Investing**

- An individual invests in a note fund.
- An individual buys notes or creates notes in a SDIRA. Collects payments over note term or until resale.

REAL ESTATE PROFESSIONALS WANTED!

**Even if you are not interested in investing in notes for yourselves,
become a part of the note investor vendor ecosystem!!**

- **Real Estate Agents**

- Note investors need your local market expertise for asset due diligence.
- Those who provide B.O.T.G. services can do so for a fee -or- for a future REO listing post-foreclosure.

- **Wholesalers, Rehabbers, and Buy & Hold Investors**

- Note investors need your local market expertise for asset due diligence.
 - Want access to REO shadow inventory before it hits the market? Get on our preferred buyers' lists!
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The background of the image consists of several overlapping, faded US dollar bills. The bills are oriented vertically and are slightly out of focus, creating a textured, layered effect. The colors are muted, appearing in shades of light green and grey.

**LEARN
MORE
ABOUT
NOTES!!**

www.note-summer-school.com