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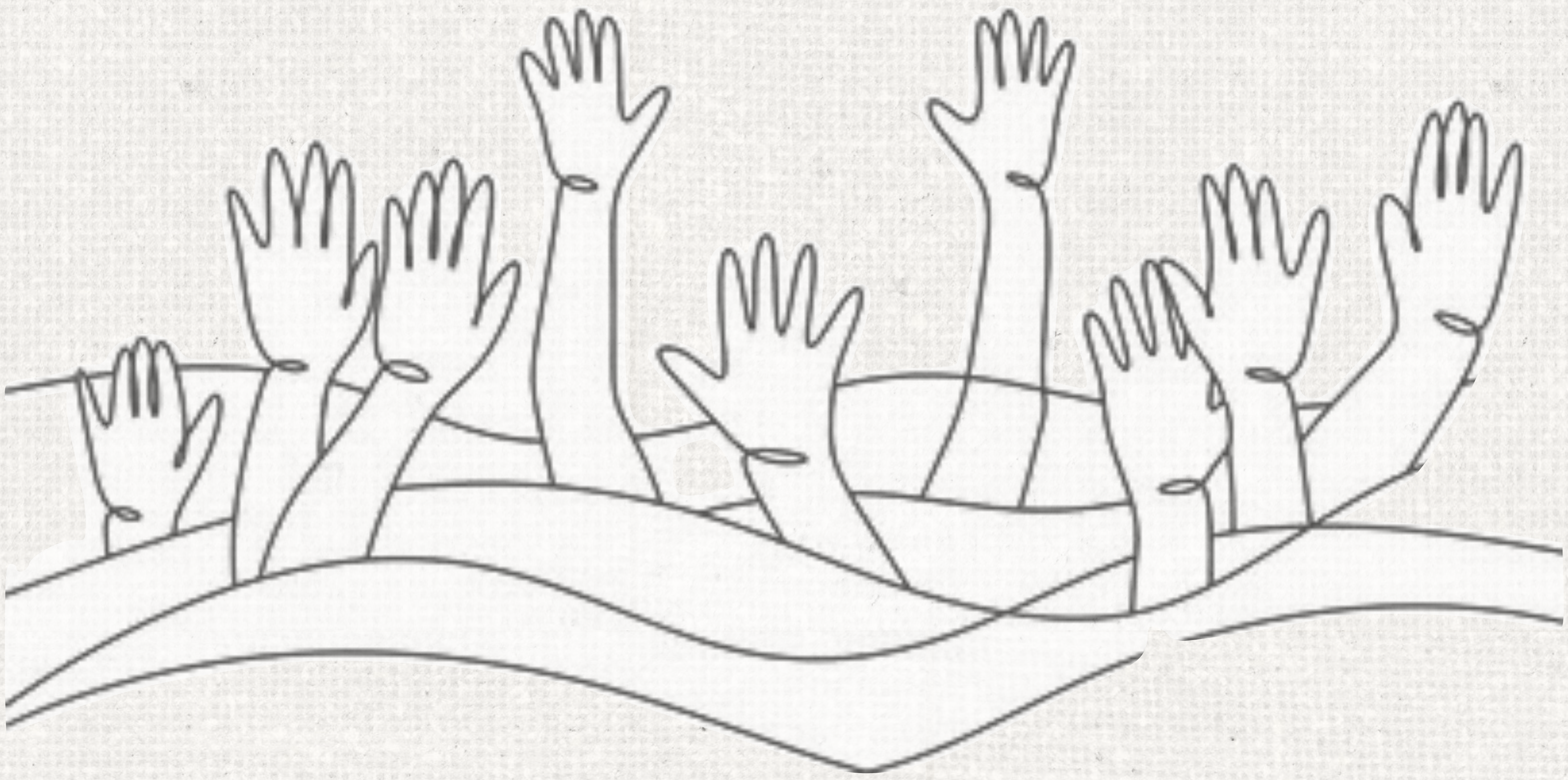
# HOW TO RESOLVE NON-PERFORMING NOTES

## *CURING DISTRESSED DEBT*

### & HELPING BORROWERS NATIONWIDE



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by **Rob Hytha**

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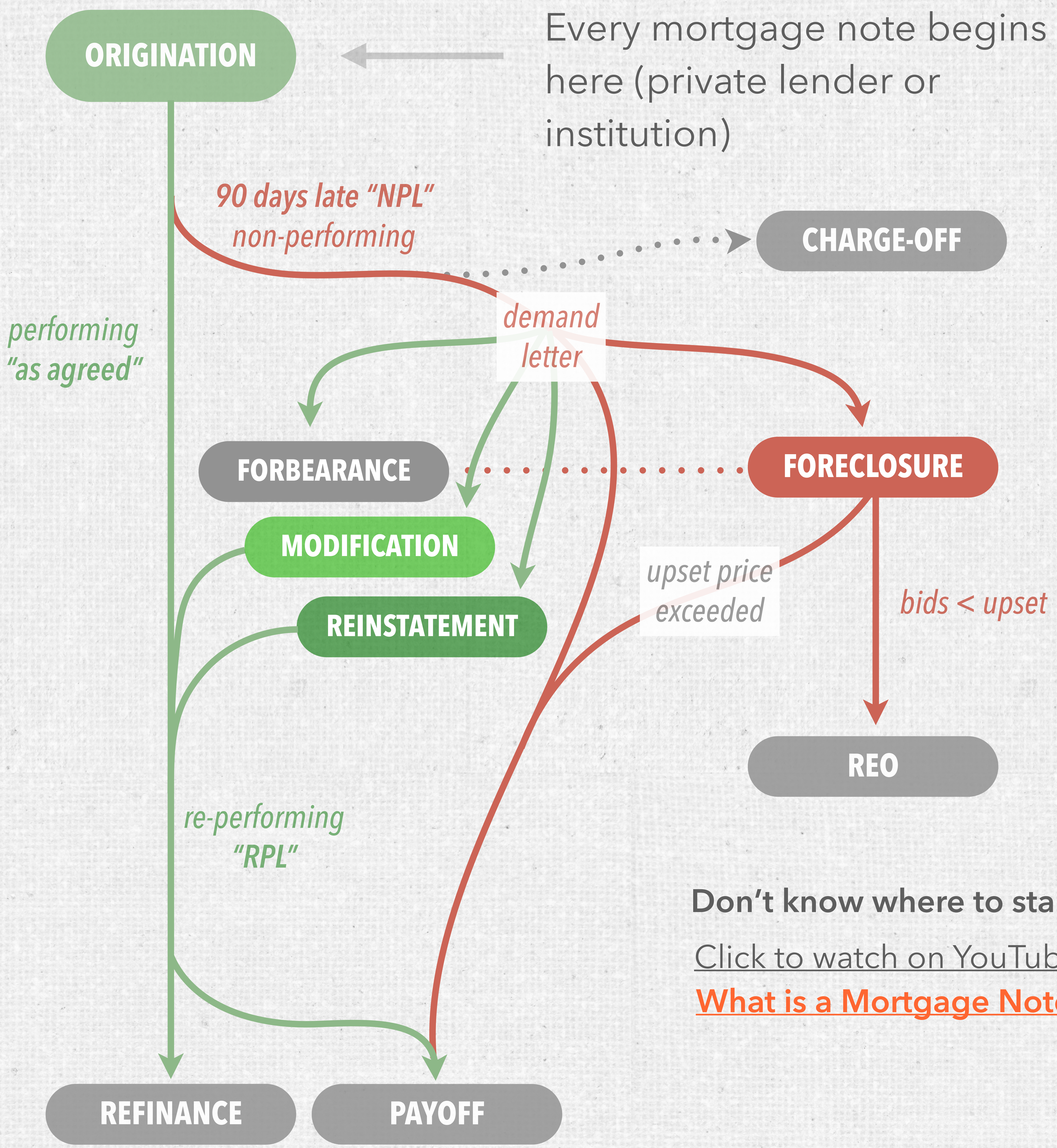
# LIFECYCLE OF A NOTE

## *FROM ORIGINATION TO PAYOFF*

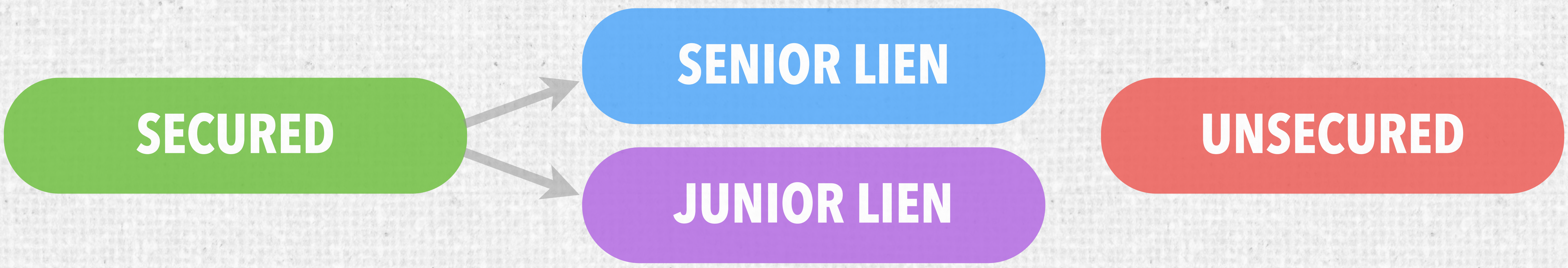



**Don't know where to start?**

Click to watch on YouTube:

**What is a Mortgage Note?**

# 1. ORIGINATION




When a loan is **Secured**, the lender has leverage - the ability to enforce their lien through foreclosure.

The lien position (**Senior** or **Junior**) is determined by the order the lien is recorded in the county records

A lien becomes **Unsecured** if a **Senior** obligation (like unpaid property taxes or a 1st mortgage) foreclose & wipes out subsequent lien holders (in a negative equity situation).

Positive equity in a **Senior** foreclosure? **Junior** lien holders will receive **Surplus Funds** after the sheriff sale.

**FIXnotes Pro Tip**: Search the Property Zip code in the **Pro Member Portal** & use the **County Database** to quickly pull up the local property ownership records to research.

Watch a **YouTube** video about **1st & 2nd position** [click here]

Watch a **YouTube** video about **secured vs unsecured** [click here]

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# 2. PERFORMING (AS AGREED)

A loan that has **never missed a payment** is worth a premium on the secondary market.

Institutionally originated performing loans are rarely traded to smaller secondary market players, these loans are often securitized and/ or sold to other large corporations

In fact, the **bigger the transaction, the lower the yield** that buyers expect to earn from performing loans (single digit returns)


**FIXnotes Pro Tip**: To get close to Performing loan values from an NPL is by **recording a notarized mod** & securitizing a package of cash-flowing notes together (**bigger = better**)

**Follow me** for secondary market updates [click here then "confirm"]

# 3. CHARGE-OFF

*120+ days late "NPL" non-performing* → CHARGE OFF

A **charge-off** is an accounting strategy banks use to write off debt they no longer see value in pursuing. This helps the lender's balance sheet but does not extinguish the debt itself.

After a **charge-off**, the loan is still legally enforceable and lenders often sell these charged-off notes on the secondary market to investors at a steep discount.

These buyers (**FIX**notes clients) then pursue a workout, loan modification, foreclosure, or resell the note again.

Charge-off buyers must consider the **Statute of Limitations** (SOL). This timeline (state-specific) typically starts at the date of last payment and when SOL expires, the lender can no longer pursue the debt personally (the lien still exists on title).

**FIX**notes **Pro Tip**: While a Charge-Off is still an enforceable obligation, accounts that have been sent a **1099-C** are no longer viable and carry no value on the secondary market.

Watch a **YouTube** video on Charged-Off Mortgages [click here]

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# 4. NON-PERFORMING

*90 days late "NPL" non-performing* → *demand letter* → **FORECLOSURE** → *bids < upset* → **REO**

**Non-Performing Loans** (aka NPLs) are where **FIX**notes thrives.

My clients and I buy loans from banks & each other at deep discounts (**<60%** of the unpaid principal balance) and work with homeowners to resolve [see next page].

But when a resolution doesn't pan out, the NPL owner (aka the **Lender**) has the ability to foreclose to take the **deed to the collateral property**. Step 1: send the **Demand Letter**.

If you don't come to an agreement with the homeowner, your attorney will ask for the "**upset price**" (the maximum bid you'll pay for the property at sale).

If you are outbid, you get a payoff, if not - you get the property (**REO** = real estate owned)

**FIX**notes **Pro Tip**: Estimate your foreclosure to REO cost & timeline using our **States Database** for Pro Members

See the **Insider's Trade Desk** sale results since 2023 [click here]

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# 5. LOAN RESOLUTIONS

Non-Performing Loan Resolutions is as much an art as it is a science - with elements of psychology, game theory & negotiation. And there are two critical tasks to begin:

- **Build rapport**
- **Gather intel**

Rapport is built with an empathetic tone of voice and "sitting on the same side of the table" as the borrower.

The Resolution Specialist is the **good cop** helping to negotiate. The "Loan Committee" is the **bad cop**, deciding whether an agreement is accepted or rejected.

To gather intel, use this simple 3-question script:

- **What happened?**
- **Where are you now?**
- **What do you want to do?**

**FIXnotes Pro Tip**: Use our borrower letters & loan modification templates from the **FIX**notes **Portal Blueprints**

Watch a **YouTube** video on an NPL Resolution Case Study [click here]

# 6. RE-PERFORMING (RPL)

**REINSTATEMENT**

The most straightforward resolution: the borrower catches up on all their missed payments + late fees and continues with the terms of the original Note.

**FORBEARANCE** · · · · · · · · · · · · · · · · · · · · · · **FORECLOSURE**

Put the foreclosure on pause with a forbearance. This is a good strategy when the borrower can't afford the reinstatement & is experiencing a temporary hardship.

**MODIFICATION**

A loan modification is the best option when the borrower can no longer afford the original terms. Two options: a fully amortized repayment or an interest-only agreement.

**FIXnotes Pro Tip**: Find your team with our **Vendor Database**
*Note Investor + Attorney + Loan Servicer = dream team*

Watch a **YouTube** video about
**Loan Servicing** [click here]

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