HOW TO INVEST IN
MORTGAGE NOTES

100% **FREE** ONLINE

FIXnotes

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INTRO & PREREQUISITES

Thanks for picking up How to Invest in Mortgage Notes! My name is Robert Maxwell Hytha, a full time real estate investor & business owner. I buy & hold rental properties, fix & flip non-performing loans and help investors find, analyze & profit from mortgage notes nationwide. Whether you're interested in passive, cash-flowing notes secured by real estate or distressed loans in need of resolution, this book will serve as a training manual to get you up to speed on a niche real estate investing strategy that rescues struggling borrowers from the impersonal call centers of big bank loss mitigation departments.

Growing up, I was influenced by the entrepreneurial spirit of my parents as they added value to our town by purchasing & renovating old Victorian homes. It was hard work & long hours but they endured to find success building a portfolio of rental properties. When I was 23, I bought my first rental and learned first hand the difficulties of being a landlord. On day one of owning my second rental I was in the basement replacing the primary plumbing stack after waste had backed up into my tenants kitchen sink.

Despite the challenges, the benefits of owning cash-flowing assets and the status that goes along with it has permeated popular culture. Real estate TV shows have become hugely popular and property moguls are now icons in society. With their flashy appeal, aspiring investors are enticed into buying real estate, often losing their shirt or at least realizing that reality isn't what has been portrayed by the media.

What you're about to learn in this guide is a cheat-code to profitable real estate investing – moving up the food chain to BE THE BANK. Control real estate assets without the risk. Collect mortgage payments instead of rent checks and leave tenants, toilets, termites, trash & townships to the property owner.

Investing in mortgage notes isn't any more difficult than buying rental properties if you're prepared with the right tools & information. In fact, in many ways it's much easier! This guide will put you in a position to succeed but there are a few other things you'll need (that you might already have):

- a computer with Microsoft Excel
- a basic landline or cell phone
- your own limited liability company ("LLC")
- FIXnotes System (optional)

TIP
In some cases, Google Sheets will work as a free alternative to Microsoft Excel. This completely free guide will teach you everything you need to know to start building your own business as an active or passive note investor. We will cover investing in 1st & 2nd liens, performing & non-performing notes, secured by single family homes, condos, mobile homes and vacant land.

AFTER COMPLETING THIS COURSE, YOU WILL:

- understand the opportunity & the language banks have invented to confuse the layman
- learn the types of mortgage notes available to develop your note investing strategy
- know how to qualify sellers – then become their best client
- become an expert researcher, analyze assets individually or in bulk
- never overpay for a mortgage note, learn the secrets of negotiation
- properly onboard your loans, shock & awe your borrowers
- earn profits by saving homeowners in need, become a problem solver

THE FIXNOTES DICTIONARY

The following is a nearly comprehensive collection of the acronyms, terms & phrases you will find helpful as you build your investing career. It isn't necessary to review everything right now but a quick look will help you start to get comfortable with the language.

TIP
Use this list as a reference whenever you need an explanation.

Abandonment: The voluntary relinquishment of rights of ownership by failure to use the property, coupled with intent to abandon (give up the interest). If a homeowner has vacated, investors will refer to the property as Vacant. Many times, this information is not known until someone local to the property has investigated.

Absentee Landlord/Owner: An owner of tenant-occupied real estate that does not actively manage their investment. Many times resulting in neglect and deferred maintenance. Sometimes referred to as a slumlord.

Abstract of Title: Summary of public records relating to the title to a particular property from which an attorney or title insurance may determine whether there are any title defects which must be cleared before a buyer can purchase the property with clear, marketable and insurable title.

Accounting: The process of recording, reporting, and analyzing the financial transactions of a business. When referring to investing in mortgage notes, it refers to amortization, loan balance, payment history and billing information.

Acceleration Clause: Mortgage stipulation which gives the lender the right to demand payment in full upon the happening of a certain event, such as default (failure to make payments), change of ownership without notifying the lender ("Due on Sale Clause"), destruction of the property or other event which endangers the security of the loan.

Accessory Building: Used for the benefit of a main building, such as a tool shed, garage or similar structure.

Accounts Payable: Money owed. Generally used in business and not personal finance. Usually represents payment due for services or materials.

Accredited Investor: A qualification for sophistication - an individual with a net worth that exceeds $1 million or an income exceeding $200,000 in each of the two most recent years with the reasonable expectation of the same income level in the current year (including spouse: $300,000)

Accrued Interest: Interest on a note that has been earned by investor but not paid. Since interest is normally paid in arrears, accrued interest does not necessarily indicate a delinquency in payment.

Acquisition Costs: Costs of acquiring a note other than the purchase price: due diligence expenses, recording fees, title insurance, etc.

ACH Payment: "Automated Clearing House". Electronic payment taken from one bank account to another. Typically preferred by performing note investors for consistency & automatic payments from borrowers.

Additional Insured: An individual or company, in addition to the insured, who is listed in the declarations of an insurance policy. Ideally, note investors are named as an additional insured on their borrower's policy for any loans they own.

ARM (Adjustable-Rate Mortgage): A loan with an interest rate that changes periodically in keeping with a current index. Typically, ARMs start off with a lower interest rate comparable to a fixed-rate mortgage.

Administrative Fee: Fees paid to a financial institution for certain services. (Charge to borrower for making payments by phone, preparing a modification agreement, etc.)

Adverse Possession: Method of obtaining ownership rights by the open, notorious, exclusive, and hostile possession of private real property for a period of time which varies from state to state (typically 5 to 30 years). Some states have additional requirements such as payment of property taxes or physical residence. Known in some states as "squatters rights"

Affidavit: A written statement or declaration made under oath before a notary public or other authorized officer.

Allonge: Also called an "Allonge to note" or endorsement, this is a document transferring ownership of a note to a third party. Once created, the Allonge becomes part of the note and typically has the language: "Pay to the Order of ________, without recourse"

Amortization: A payment plan which enables the borrower to reduce debt gradually through monthly payments of principal and interest. Over time, the interest portion decreases as the loan balance decreases, and the amount applied to principal increases.

Amortization Schedule: Table showing how much of each payment will be applied toward principal and how much toward interest over the life of a loan. Shows the gradual decrease of the loan balance until it reaches zero.

APR (Annual Percentage Rate): Not the note rate on the loan. Calculated according to a government formula intended to reflect the true annual cost of borrowing, expressed as a percentage. The APR is always higher than the actual note rate on a loan.

Annuity: Income from investment paid in a series of regular payments.

Appraisal: An opinion of value based on factual analysis. More comprehensive than a BPO (broker's price opinion)

Appreciation: Describes an increase in value of property or the difference between the original value of the property and the current value.

Arrears: The state of being behind in payments. Also refers to the amount of interest past-due.

ARV (After Repaired Value): Projected value of a property after repairs or improvements have been made. Calculated by researching recently sold comparable properties in better condition.

Assignment: The transfer of an asset from one owner to another. A written, recorded document by which a mortgage is transferred from one person to another. The "assignor" transfers the property to the “assignee”. Synonymous examples include: assignment of mortgage, assignment of deed in trust or assignment of security instrument. (Assignment of lease, assignment of rents are other types of assignments)

Assignment Chain: Multiple assignments documenting subsequent transfers. For example, one assignment may transfer for the originating bank to a third-party bank. A separate assignment created later would transfer from the third-party bank to a private note investor. The assignment chain consists of the complete Chain of Title.

Assumable Mortgage: Type of mortgage that may be transferred with all existing terms from seller to buyer. Does not include a "Due on Sale Clause"

Balloon Mortgage: A mortgage loan with lower payments that requires one large payment due upon the maturity date (typically at the end of five or seven years).

Bankruptcy: Sometimes referred to as BK. Filed as a last resort by borrowers, typically to stop a foreclosure action and find relief from insurmountable debt.

Bankruptcy (Chapter 7): Individual is allowed to keep certain exempt property. Most liens (such as mortgages) survive. Other assets, if any, are sold (liquidated) by the trustee to repay creditors. Most types of unsecured debt are discharged by the bankruptcy. Bankruptcy discharge stays on the individual's credit report for up to 10 years for most purposes.

Bankruptcy (Chapter 13): The reorganization for consumers, in which borrowers partially or fully repay their debts. In a Chapter 13, borrower keeps their property and uses income to pay all or a portion of the debts over three to five years. The minimum amount repaid is roughly equal to your nonexempt property. Borrower must pledge disposable net income (after subtracting reasonable expenses) for the period which they make payments. At the end of the three-to-five-year period, the balance owed on most debts is erased.

Bankruptcy Voluntary Petition: document filed with the court to initiate a bankruptcy proceeding, filed by the debtor. Lists borrower's assets, liabilities and other important financial information.

Beneficiary: In states which deeds of trust are commonly used instead of mortgages, the lender is called the beneficiary.

Billing Statement: monthly bill sent by a lender/loan servicer to borrower. Provides customer with a summary of activity on an account, including balance or payoff, payments made, credits, finance charges and late fees.

Bill of Sale: A written document included in the purchase or sale of a mortgage note transaction. Typically exists as Exhibit B of a standard purchase/sale agreement. Signed by seller after funds have been received to serve as a receipt for the purchase.

Borrower: The party who has signed the note & mortgage and owes funds to the lender. May also be accompanied by a co-borrower.

BPO (Broker Price Opinion): Typically costs <$100. Estimate of potential sales price of property based on selling prices of comparable properties in the area. Sometimes known as a "Drive By" appraisal because it is conducted on the exterior only (broker does not enter property)

Broken Chain of Title: Incomplete history of assignments used to transfer ownership to the end buyer of a mortgage note transaction. Chain of title breaks when a document or recording is missing. Typically it is the seller's responsibility to cure any break by preparing the missing documents and finding the appropriate companies to sign.

Broker: In the note business, this refers to a person or company that brings buyers & sellers together and earns a fee for doing so. Reputable brokers are acceptable to do business with but most investors prefer to deal with the principal owner of the asset in question.

Capital: Cash available for investment, AKA "dry powder" or "liquid funds"

Cash-on-Cash Return: A simple calculation of the rate of return often used in real estate transactions. Measures the annual return made on an investment in relation to the down payment or purchase price. ($500 per month = $6,000 per year / $25,000 investment = 24% cash-on-cash return)

Certified Check: A personal check drawn by an individual that is guaranteed to be good. The bank holds the funds to pay the certified check and will not honor a stop payment by the payer.

Certified Copy: A true copy, attested to be true by the office holding the original.

Chain of Title: The complete history of the transfers of title to an asset over time, from the original owner (typically the originating bank) to the current owner. Evidenced in mortgage note transactions by the assignment of mortgage.

Claim: Assertion of some right or demand. Typically made to an insurance company in the event of title issues or property damage.

Clear Title: A title that is free of liens or legal questions as to ownership of the property.

Cloud on Title: An outstanding claim, encumbrance or legal issue which, if valid, would affect or impair the owner's clear title to the subject property.

CLTV (Combined Loan to Value): A calculation which expresses the amount of all secured debts attached to a property as a percentage of the total value of the property. If a borrower owes a $60,000 1st mortgage, $40,000 2nd mortgage and the house is worth $125,000, the CLTV ratio is $100,000/$125,000 or 80%. A ratio of more than 100% means the property is underwater from the borrower's perspective.

Collateral: Property pledged as security to back up a promise to repay debt. In the note business, the mortgage evidences the lender's legal claim on the borrower's collateral.

Collateral File: Sometimes called the collateral folder or shortened to "collateral" - refers to all paper files that make up a mortgage note investment, most critically: the note, mortgage, assignment & Allonge.

Collateral Assignment: An additional, separate obligation made part of a contract to guarantee its performance such as by agreeing to transfer certain property to insure the performance of the contractual agreement.

Collection Letter: Letter sent to delinquent borrower indicating the intent of lender to pursue all legal remedies if an account is not brought current, usually sent by an attorney prior to a Demand Letter.

Collections: The efforts a mortgage company takes to collect past due payments.

Counter Offer: An offer (instead of an acceptance) made in response to an offer. Part of the negotiation process.

Contiguous: Sharing a common border. Some mortgages are secured by contiguous lots or other types of connected properties.

Contingency: A condition that must be met before a contract is legally binding. For example, a note buyer may include a contingency in the loan purchase/sale agreement that the complete payment history or chain of title will be made available prior to funding.

Contract: An agreement that establishes enforceable legal relationships between two or more parties. May refer to a loan purchase/sale agreement or a borrower workout agreement.

Convertible ARM: An Adjustable Rate Mortgage loan that can be converted to a fixed-rate during a certain time period.

Conveyance: Transfer of title to property. Includes most instruments where an interest in a parcel of real estate is created, mortgaged or assigned.

Corporate Advance: Funds paid by a lender on behalf of the borrower. Example: when the lender pays to bring delinquent taxes current or purchases forced placed insurance on a property.

Corporate Resolution: An action taken by vote of the directors of an LLC (or other corporation). A title insurance company or closing agent may require corporate resolution prior to insuring a transaction or closing a deal.

County: A political division within a state, usually encompassing one or more cities or towns. Some exceptions include New York City (which contains multiple counties, 5 of which are called boroughs) and Louisiana, where they are called a Parrish

County Records: Public recorded documents where notice is given regarding chain of title, liens and other matters affecting real estate. The mortgage (or deed-of-trust) and assignment of mortgage are recorded here along with the deed to the property.

Cram Down: a court ordered reduction of the secured balance due on a loan, granted to a homeowner who has filed for personal bankruptcy. The bankruptcy court treats the outstanding mortgage balance in two segments: the amount of debt equal to the current appraised value of the home is treated as a secured claim, which the borrower must continue to pay. The amount of debt in excess of the property's value becomes an unsecured claim, which is usually not paid in full.

Credit History: A record of an individual's repayment of debt. History of one specific debt on a credit report is called a "pay string"

Creditor: One who is owed money. In note investing this is also called the lender, note holder or investor.

Credit Report: A report of an individual's credit history prepared by a credit bureau and used by a note investor to determine the level of risk associated with a specific borrower. Includes information on foreclosures, bankruptcy and other public records. Every loan or other debt included on the report is referred to as a "trade line"

Daisy Chain: Refers to a deal that has multiple brokers involved. It is very difficult to get a deal done in this scenario. Unless they are direct themselves, note investors should try to work with brokers who are direct to the seller.

DBA: "Doing Business As"

Debt: Money owed from one person to another.

Debt Service: The amount of money owed to pay all liens secured by a subject property.

Debtor: One who owes a debt.

DTI (Debt-to-Income): A calculation used by mortgage companies to qualify borrowers for a mortgage or a resolution to resolve delinquency. Calculated by dividing the borrower's gross monthly income by their debt service.

Deed: The document that transfers ownership of real estate, recorded in the county records.

Deed in Lieu: A resolution option for a delinquent borrower (typically owing more than the property is worth) in which a borrower voluntarily deeds the collateral property in exchange for a release from all obligations under the mortgage.

Deed in Lieu of Foreclosure: The transfer of title to the property from a borrower to the mortgage company to satisfy their mortgage debt and avoid foreclosure. Also called a "voluntary conveyance."

Deed of Trust: Alternative to a mortgage in western states. The document that creates a secured debt attaching a note to property as collateral. Recorded in the county records. A deed of trust contains three parties: Borrower, Trustee, and Beneficiary. The deed of trust is an instrument that identifies the original loan amount, legal description of property being used as security, the parties, and the terms in the event of default.

Default: A borrower is in default when they fail to meet the terms of their loan agreement. Usually this is based on failure to make payments on time. Non-performing loans are in default.

Deficiency Balance: The difference between what a foreclosed home sold for and the remaining mortgage balance. The mortgage company may require the borrower to pay the amount of the deficiency balance even after the collateral property has been sold.

Deferred Payments: Payments that are authorized to be postponed as part of the resolution process to avoid foreclosure.

Delinquent: Behind in payments, in default (delinquent mortgages are more than 90 days late).

Demand Letter (NOI) – "Notice of Intent" to foreclose. Gives borrower 30 days to respond prior to the lender taking the next action in the foreclosure process.

Depreciation: The decline in property value due to market forces, neglect or deferred maintenance. The difference in the original property value and the current value. Also an accounting term which shows the declining monetary value of an asset and is used as an expense to reduce taxable income

Discharge: The release of the performance of a contract or other obligation. Occurs when a bankruptcy is successfully completed by the borrower.

Door Knock: Service provided by private investigators or loan services where an agent visits a borrower's property on behalf of the lender to deliver documents, assess occupancy or give the borrower a phone for a warm-transfer to the lender's collector

Down Payment: The part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

Due Diligence: The critical process of research & analysis of all the facts about a piece of real property or mortgage conducted prior to valuing & purchasing an asset.

Due-on-Sale Clause: Provision in a mortgage that allows the lender to demand repayment in full if the borrower sells the property that serves as security for the mortgage.

E & O Insurance: Errors & Omissions. A policy designed to protect professionals, such as lenders or realtors' clients from malpractice or mistakes made by human error.

Ejectment: Forced eviction process of a homeowner after Foreclosure.

Eminent Domain: The right of the government to take private property for public use upon payment of its fair market value.

Encumbrance: A legal right or interest in land that affects a good or clear title and diminishes the land's value. It can take numerous forms, such as zoning ordinances, easement rights, claims, mortgages, liens, charges, a pending legal action, unpaid taxes or restrictive covenants. An encumbrance does not legally prevent transfer of the property to another. A title search is completed to reveal the existence of such encumbrances.

Endorsement: Also called the Allonge, an addition to the note transferring ownership of the instrument.

Engagement Letter: A letter that defines the legal relationship between two parties. Often used when hiring an attorney.

Entity: An organization that possesses a separate existence for tax purposes. Some types of entities include corporations and LLCs.

Equity: The homeowner's financial interest in a property equal to the value of property above the amount of debt owed. Equity from the homeowner's perspective is quantified by the CLTV (combined loan to value) or from a junior lien investor's perspective as the LTV (loan to value).

Escrow: An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, a note buyer may put their purchase proceeds put into escrow until the seller has delivered collateral documents (to the Escrow Account) to be reviewed for completion. Also refers to the borrower's funds held to pay taxes & insurance payments.

Escrow Account/Escrow Agent: The account or third party agent where the escrow funds or collateral documents are held to facilitate a transaction. Also, the account where borrower's funds are held to pay taxes & insurance.

Escrow Analysis: A periodic review of escrow accounts to make sure that there are sufficient funds to pay the taxes and insurance on a home when they are due. A portion of each monthly payment from the borrower is allocated towards taxes & insurance.

Estate: The ownership interest of an individual in real property. The sum total of all the real property and personal property owned by an individual at time of death.

Eviction: The lawful expulsion of an occupant from real property. Either a tenant after breaching their lease or a borrower after the property has been foreclosed.

Executor: The person or entity named in a will who has the responsibility of carrying out the terms of the will (collecting the deceased's assets, paying debts, and distributing the remaining assets to the beneficiaries).

Face Value: The balance owed on a note.

Fannie Mae (FNMA): The Federal National Mortgage Association, which is a congressionally chartered, shareholder-owned company that is the nation's largest supplier of home mortgage funds.

Federal Housing Administration (FHA): An agency of the U.S. Department of Housing and Urban Development (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

Fee Simple: The greatest possible interest a person can have in real estate.

FDIC: Federal Deposit Insurance Corporation.

First Mortgage: Also called a "Senior Lien", the mortgage that will be paid before any other recorded loans in the event there are not enough funds for all lien holders in the liquidation of the mortgaged property. Usually refers to the date in which loans are recorded, but there are exceptions.

Fixed-Rate Mortgage: A mortgage loan in which the interest rate remains the same for the life of the loan.

Forbearance Agreement: Is an agreement between the lender and the borrower in order to delay a foreclosure. The lender delays the foreclosure while the borrower begins a temporary payment plan within a designated timeframe. Allows the lender to set new terms to the loan that fit the borrower's financial situation while keeping the foreclosure action ready to initiate if the borrower fails to honor the agreement.

FMV (Fair Market Value): The property value if the property were to be sold in the current market.

Forced Placed Insurance: Insurance placed on a property to protect the lender's interest when the borrower has let their insurance lapse.

Foreclosure: Sometimes abbreviated to FC, the legal process by which the mortgaged property is repossessed by the lender from the borrower in default. Typically involving a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt. "To initiate FC" means to begin the process.

Foreclosure Prevention: Steps by which the mortgage company works with the homeowner to find a permanent solution to resolve an existing or impending loan delinquency.

FSBO (For Sale by Owner): The process of marketing, buying and selling of real estate without the representation of a real estate broker.

FTC: Federal Trade Commission

Garnishment: A legal proceeding in which a borrower's income (such as a salary) is taken in payment of a debt. The amount that is taken is set by statute and, in most states, a judgement is required before garnishment.

General Partner (GP) A member of a partnership that has the authority to make decisions for the partnership and shares in profit and loss. A partnership must have at least one GP and may also have Limited Partners.

Good Faith: Something done with good intentions, without knowledge of fraudulent circumstances, or reason to inquire further. A basic expectation of proper business etiquette.

Grace Period: A period of time after the due date of a loan in which payments may be made and not considered delinquent.

Grantee: The person to whom an interest in real property is conveyed.

Grantor: The person conveying an interest in real property.

Gross Return: Profit funds received prior to taking out any expenses or costs.

Hard Money Loan: A high-interest loan originated by private individuals based primarily upon the property equity, rather than the credit worthiness of the borrower. Typically much faster process than traditional bank loans. Often used by investors to remodel properties when traditional lenders refuse to lend.

Hardship Letter: An explanation from the borrower as to the reason why they are having trouble making their mortgage payments such as job loss, medical emergency or illness, divorce, etc. Typically required by lenders when the regular mortgage payment cannot be made.

Hazard Insurance: Insurance coverage that pays for the loss or damage to a property.

HELOC (Home Equity Line of Credit): A line of credit that's based on a percentage of the equity in a property. Typically originated as a junior lien and secured with a mortgage.

Homeowners' Authorization Letter: Homeowner's approval giving a third party permission to speak on their behalf with a lender. May also be made to authorize junior lien holder to speak with senior lien holder.

Homeowners' Options Letter: Letter many lenders send to delinquent borrowers detailing some of the options available to resolve their delinquency.

Improved Land: A parcel of land that has a structure built or has been otherwise enhanced.

Indicative Bid: Preliminary bid on a mortgage note or pool of loans prior to a complete verification of data.

Institutional Note: A note originated by a financial institution, as opposed to one made by a private company or individual.

Interest-Only Mortgage: A mortgage where the homeowner pays only the interest on the loan for a specified amount of time.

Investment Property: A property not considered to be a primary residence that is purchased by an investor in order to generate income or otherwise gain a profit.

Investor: The owner of a mortgage note, property or other asset.

Junior Lien: A mortgage debt in a subordinate position. Typically in second position but may be behind more than one other lien.

Judgment: A final determination by a court of a matter presented to it. Most often a judgment is for a sum of money.

Legal Description: A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire piece of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

Lender: A general term encompassing all mortgagees and beneficiaries under deeds of trust.

Lender's Policy: A title insurance policy which insures the validity, enforceability and priority of a lender's lien. This policy does not provide protection for the owner.

Lessee: A party to whom a lease (the right to possession) is given in return for a consideration (rent).

Lessor: A landlord; one who gives a leasehold to a lessee.

Leverage: the principle of increasing one's yield through the strategic borrowing of money

Lien: A claim against a property that affects the property owner's ability to transfer ownership to another party, the lien owner can utilize the property as security for repayment of a loan, or other claims.

LOI (Letter of Intent): Typically refers to a note buyer's purchase proposal to a seller in an effort to buy mortgage notes. Outlines the price, terms and other contingencies. Includes a line for the seller to sign upon their acceptance.

Line Of Credit: A loan sometimes called a "line of credit" where an owner uses equity in their property as collateral for a loan which permits the draw of funds up to a preset amount (see HELOC)

Liquidation: The sale of an asset to generate funds.

Liquidity: The relative speed of converting an asset to cash. Notes are typically a less liquid asset than other more commonly traded such as stocks or previous metals. Note brokers like **FIX**notes help add liquidity to the market giving investors a faster exit for their investments.

Loan: Money lent in return for the payment of interest.

Loan Boarding: The process an investor or loan servicer undergoes when reviewing the data, collateral & other documentation upon purchasing a mortgage note.

Loan Counselor: Someone who is a "resolution specialist' who negotiates with borrowers to resolve their delinquent loan status.

Loan Level: A term used to describe loans as individual assets instead of as an entire portfolio.

Loan Servicing Company: A licensed vendor that manages portfolios of mortgage notes. They collect and process loan payments, send statements to the borrower, manages the escrow account, forwarding funds to an investor, etc.

Loan Pool: A large portfolio or group of loans. Also called a "tape".

LPSA (Loan Purchase/Sale Agreement): The contract created between a buyer & seller in order to transact a mortgage note or portfolio of mortgage notes.

Loss Mitigation: The lender's effort to determine the appropriate option/resolution solution to sell the loan or bring the mortgage current to avoid foreclosure.

LTV (Loan to Value): Similar to CLTV (combined loan to value), LTV is a calculation which takes the secured debts attached to a property as a percentage of the total value of the property. If a borrower owes a $60,000 1st mortgage and the house is worth $50,000, the CLTV ratio is $60,000/$50,000 or 120%. A ratio of more than 100% means the property is underwater.

Maturity Date: The date included on the mortgage document in which the borrower promises to repay the remaining balance due.

MERS (Mortgage Electronic Registration System): Assignment of Mortgage transfer system used by financial institutions. When a loan enters the private secondary market, assignments are created out of MERS instead of the name of the bank. MERS loans can be identified by a MIN number on the first page of the mortgage.

Mitigated: Make less severe.

Modification: Change to the terms of a mortgage loan, including changes to the interest rate, loan balance or loan term. Typically recorded in the county records.

Mortgage: A lien against property to secure a loan. Recorded in the county records. Also called a Security Instrument or Deed of Trust. Transferred via Assignment of Mortgage.

Mortgagee: The lender.

Mortgage Insurance: Insurance that protects the mortgage company against losses caused by a homeowner's default on a mortgage loan. Mortgage insurance is often required if the borrower's down payment is less than 20% of the purchase price.

Mortgage Modification: A process where the terms of a mortgage are modified outside the original terms of the contract agreed to by the lender and borrower (i.e. mortgagor and mortgagee). In general, any loan can be modified to the benefit of the borrower in one or more of the following ways:

- Reduction of principal balance
- Reduction of interest rate
- Reduction in late fees

- Change in loan duration

Mortgagor: The borrower.

Motion for Relief (MFR): Motion for Relief from Stay is filed by an attorney in bankruptcy court to allow the lender to foreclose. Typically filed when the lender's mortgage is not being paid.

Notary: An officer licensed by the state who has the authority to take the acknowledgments of parties signing documents. Acknowledges and attests to the validity of others. Notarized signatures are required for recorded documents.

Note, Secured: A note is a promise to pay. Also called a Promissory Note. This document is simply an IOU made to the lender by the borrower stipulating the terms of repayment. Notes are "secured" by the recording of a mortgage or a deed of trust. After recorded, this creates a lien against the property, giving the lender collateral in the event the note is not repaid.

Note, Unsecured: No collateral or equity backing the promissory note. May have been originated as an unsecured debt or the security instrument could have been stripped later in the life of the note.

Notice of Default: A formal notice to the borrower that a default has occurred and that legal action may be taken.

Non-Performing Loan: NPL or NPN, a loan that is in default. Traded at a discount on the secondary market.

Obligee: A person to whom a legal obligation or duty is owed; for example, the payee of a note.

Obligor: A person who has placed himself under a legal obligation; for example, the lender of a note.

Operating Agreement: Document containing the terms and agreements for operating an LLC or corporation.

Owner Financing: a transaction in which the seller provides all or part of the financing, thus creating a private note.

PACER: Public Access to Court Electronic Records, a fee based website containing information from the Bankruptcy court.

Paper: A colloquial name for a note (because note investing is essentially investing in a stack of documents). Paper may be unsecured or it may be secured by real property or personal property.

Payee: The lender

Payment Status: Current, past due, delinquent, active foreclosure, etc.

Payoff Statement: Document sent to borrower from lender indicating the amount required to pay a loan balance in full and satisfy the debt.

Payor: The borrower.

Performing Loan: A loan where the borrower has made consistent payments for the life of the loan. Sometimes used synonymously with Re-Performing Loan (which means the borrower was previously in default but is now paying again).

POF (Proof of Funds): Evidenced requested by brokers and loan-sellers to qualify yourself as a capable buyer. A bank statement (with sensitive information redacted) will be typically be sufficient.

Pool Buyer: Bulk buyer of mortgage note portfolios.

Portal: Access to a vendor's online system to review information provided.

Power of Attorney: An instrument authorizing an agent, called an attorney in fact, to act for a principal.

Prepayment: To pay off all or part of a debt early

Prepayment Penalty: A fee stipulated in some notes that may be charged to a borrower if the loan is paid off early.

Promissory Note: A promise to pay. A document signed by the borrower to the lender, referred to in the industry as the Note.

Proof of Claim: A written statement filed with the Bankruptcy Court to substantiate the claim of a creditor (the lender) against the borrower.

Public Records: County Records which by law give notice to all of matters relating to real estate

Quit Claim Deed: A conveyance by which a grantor transfers whatever interest he has in a property, without warranties or obligations. Deed is transferred subject to any and all encumbrances.

Reaffirmation: Referring to a mortgage lien that's part of a bankruptcy; if the lien is reaffirmed it means the borrower acknowledges the responsibility for the debt and the lender can pursue the homeowner in the event of a default. If the borrower does not reaffirm the lien, then the lender can no longer pursue the borrower personally (but may pursue foreclosure against the mortgaged property).

Recorders' Office: Each county has an office where employees work to keep records of all real estate transactions within the jurisdiction. This is where assignments, deeds and other recordable documents are mailed to be added to the public record.

Redemption: The regaining of title to real property after a judicial foreclosure sale, usually in a specified time period that is state specific.

Refinance: A new mortgage with new terms. The new loan pays off an existing debt and is often a useful strategy to help borrowers (with decent credit & equity) pay off a non-performing loan while reducing their interest rate and payment.

Reinstatement: The borrower's process of paying missed payments to cure a default so that the loan is considered current.

REO (Real Estate Owned): Properties owned by a bank or lender after a foreclosure or "deed in lieu".

Repayment Plan: A borrower's promise to pay arrears due on a mortgage over a specified time period while still making regular monthly payments.

Re-Performing Note: This is a note that was previously in default but is now performing. Traded at a discount based on yield ranging from 8-20%+

Retainer: The upfront fee paid to a vendor or attorney to retain their services.

RESPA (Real Estate Settlement Procedure Act): RESPA requires that borrowers receive disclosures at various times, outlines servicing and escrow account practices and describe business relationships between settlement service providers.

RESPA Letter: Also known as a "hello" or "goodbye" letter, this is the existing lender's last contact and new lender's first contact with a borrower. Required to be sent whenever a loan is sold or transferred, this letter notifies the borrower and gives them important contact information of the new loan servicer.

ROI (Return of Investment): The ratio of money gained or lost, (whether realized or unrealized), on an investment relative to the amount of money invested.

Satisfaction: The document that is recorded to release a lien when a loan has been paid off in a satisfaction. Recording this document acknowledges the full repayment of the debt. Also known as Satisfaction of a Mortgage or Release of Lien

SDIRA (Self Directed IRA) – An individualized retirement account that allows the account owner to make their own investment decisions. The IRS requires that a third-party custodian hold the IRA's assets on behalf of the owner. Self-Directed IRA custodians will permit their clients to engage in investments a wide variety of investments, including, but not limited to, real estate, stocks, mortgages, precious metals, etc.

Servicer: Company that collects & accounts for principal and interest payments. See Loan Servicing Company.

Senior Lien: A mortgage having claim before any other lien or mortgage. Also called a first mortgage.

"Sharpen your Pencil": A phrase used by some brokers and mortgage sellers during negotiation to coax a buyer into taking another look at the asset or portfolio to increase their offer.

Short Sale: A loss mitigation option when the lender agrees to let the borrower sell the property for less than the full amount due and accept the proceeds as payment in full.

Sub Performing Note: A cash-flowing loan where the borrower is not making the full monthly payments.

Subpoena: A writ issued by court authority to compel the attendance of a witness at a judicial proceeding, disobedience may be punishable as a contempt of court.

Subrogation: Substitution of one creditor for another.
Tape: A large portfolio or group of loans. Refers to the pre-PC days of business when Excel spreadsheet type documents were literally printed on a roll of paper.

Tax Lien: A claim against a property which may be sold by the taxing authority arising out of non-payment of taxes. An encumbrance placed upon the property as a claim for payment of a tax liability. A tax lien may be imposed for failure to pay city, county, estate, income, payroll, property, sales, or school taxes. Tax liens and assessments take priority over most, if not all other liens and are very state-specific.

Title: The documented evidence that a person or organization has ownership of real property.

Trustee: A person or corporation who manages the investments of a trust on behalf of the trust beneficiary. Trustees must act in accordance with the investment objectives set by the trust. They may not share in any profits in the trust account, but they may charge a reasonable fee for their services.

UPB (Unpaid Principal Balance): The current balance owed by a borrower on a mortgage note.

"Upside Down or Under Water": Typically refers to a secured loan where the balance of the debt is greater than the value of the property.

Velocity of Money: The speed in which an investor can profit from their investments. A highly efficient organization can be successful closing less profitable deals at volume.

Voluntary Conveyance: The transfer of title from a borrower to the lender to satisfy the mortgage debt and avoid foreclosure, also called "Deed-In-Lieu of Foreclosure."

W-9: Form used to obtain a tax identification number for an individual or entity.

Wiped: Refers to a lien that has been extinguished at a foreclosure sale due to insufficient proceeds to cover your position.

Workout: A workout (or resolution) can be a variety of negotiated agreements arranged between the lender and borrower to address a delinquent debt to avoid foreclosure.

LIFE CYCLE OF A NOTE

Don't worry if you don't yet have a complete understanding of all the words in the **FIX**notes Dictionary, this next lesson will teach you the basics on real estate debt and where private investors fit into the industry.

Every note starts with a borrower. When purchasing real estate, many people need to borrow money from the bank to afford to buy a home. The actual document the borrower signs to promise they will repay the loan is referred to as the Note and creates a stream of income for the bank.

Once the loan is originated, it can only go in one of two directions: it can remain a performing note (when monthly payments are made consistently, providing cash-flow to the bank) or become a non-performing note (a default, when the borrower fails to make their monthly mortgage payments).

When a borrower signs the Note to buy their home, they also sign a mortgage. The mortgage is the bank's security that the loan will be repaid according to the terms of the Note. The mortgage is recorded (along with the borrower's deed to the home) in the local county's public records to tell the world that until this Note is repaid, the Bank has the right to take this specific property through the foreclosure process.

TIP

A debt that is secured by real estate is called a "lien"

PERFORMING LOANS

The typical American homeowner pays off their mortgage around 5-7 years after purchase. This is either because they sell the property and payoff the loan with the money they earned from the sale or because they refinanced the loan (borrow a new loan to pay off the old one).

Performing loans are often sold between financial institutions, in fact if you have signed a mortgage of your own, you may remember receiving a transfer letter shortly after you bought your home. However, the focus of this course is on loans that go through the next process – from performing to non-performing (and often back to a re-performing status).

NON-PERFORMING LOANS

Very rarely does a borrower take money from the bank without the intention of paying it back. The homeowner knows the consequence of a default and they don't want to lose their property! However, often by no fault of their own, an unexpected event disrupts the borrower's life – such as a death, divorce, loss of income, a medical emergency, or any combination of these events.

After 90 days of non-payment, the bank considers a loan non-performing. At this point, the loss mitigation department needs to make a critical decision. The bank can:

- modify the loan to make the terms more affordable to the borrower
- accept a short sale (sell the property for less than the loan balance)
- accept a discounted payoff (accept less than the loan balance)
- accept a deed in lieu (the borrower willing signs over the property to the bank)
- foreclose (repossess the house and resell)
- sell the note and mortgage to a third party

What's interesting to know about non-performing loans on bank balance sheets is the affect these "bad debts" have on their ability to conduct normal business. The government requires that every FDIC insured bank holds a certain amount of cash reserves in order to continue making loans and accepting deposits. Non-performing loans count against these cash reserves.

To make matters worse for the bank, they are not built to handle non-performing loan resolutions at scale. If you've ever attempted to communicate with customer service at a bank or other large corporation, you can imagine the difficulty these massive companies have of crafting individualized repayment solutions for struggling borrowers. Taking back the property becomes even more cumbersome; now these banks are in the physical real estate business. They want to collect monthly payments without managing the actual property!

Instead, the bank uses an accounting strategy called a charge-off to remove the non-performing loans from their balance sheet. A charge-off is the bank's way of saying "we don't have the time or resources to resolve this loan". Unfortunately for the borrower, the loan is still valid and until it is satisfied, their credit score suffers and they won't be able to sell their property.

NOTE BUYER TO THE RESCUE

It is at this point in our story where we introduce the hero of the secondary mortgage market:

the note buyer. A sophisticated, empathetic investor that can provide the bank with liquidity and the borrower with a resolution. After charge-off, the bank moves the non-performing loan to a trade desk to be sold for a deep discount to the amount owed.

The sale of loans at the institutional level typically happens in bulk, the bank liquidates hundreds or thousands of mortgage notes to large investment firms and specialty loan servicers. These larger buyers may work out some of the loans (make re-performing) and re-sell to other investors as cash-flowing investments or they might flip the non-performing loans to local investors better equipped to handle non-performing loans in their "backyard".

Once a non-performing loan is in the hands of a private note investor, it's a matter of locating the borrower and negotiating a resolution to the delinquent loan. This will be discussed in-depth in the Asset Management section of this guide. For now, we'll just touch on the life cycle.

WORKING OUT A DEAL

As you now know, the reason the bank decided to sell the loan was because they did not have the time or resources to come to a resolution with the borrower. Sometimes, that's simply because they couldn't make contact. A savvy note investor has the tools & time to find their borrower to share the good news: their loan is now owned by an investor who can think outside of the box and help them come to a win-win resolution.

After making contact and showing the borrower their recorded Assignment of Mortgage (the note investor's evidence of ownership, on record in the local county's public records), there are three questions that give the investor almost everything they need to know about the borrower to move forward:

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

The answers to these three questions will set the stage for the next step, the investor's exit strategy. What is the best way to help this borrower pay-off their debt? There are only two ways that a mortgage note is settled, through the property or through the borrower.

EXIT THROUGH THE PROPERTY

- accept a short sale (receive less than the balance due at property sale)
- accept a deed in lieu (the borrower signs over the property to be rented or resold)
- foreclose (the investor repossesses the house to rent or resell)

If the answer to "what do you want to do?" is to sell the property and move out – that is how the investor can help the borrower. If the property is vacant and the investor can't find the borrower, exiting through the property is their only option. If the borrower doesn't want to help themselves, sometimes the only option is to exit through the property.

EXIT THROUGH THE BORROWER

- modify the loan to make the terms more affordable to the borrower
- accept a discounted payoff (accept less than the loan balance)

When the borrower decides they want to keep their home, it's in the investor's best interest to find a way to make it affordable to them to stay. Because of the substantial discount that non-performing loans are bought and sold at, private mortgage investors have much more flexibility to find a workable solution while still running a profitable business. A discounted payoff at 50% makes a huge difference to the borrower and when the investor purchased the Note for 25% of the balance due, they've doubled their initial investment!

If the borrower doesn't have a lump sum to pay off their loan a discount, the investor should act as their personal financial advisor to find out how much the borrower can afford to pay on a monthly basis. Sometimes that means looking over their bank statements and coaching a borrower on their budget (how many times per month do they really need to eat out if they can't afford their mortgage). At the end of the day, resolving non-performing mortgage notes is about the borrower. Your job as note investor is to help them come to a sustainable repayment plan that sets them back on track. Succeed where the bank failed!

Now that you know how a note is created, how a mortgage secures that promise to pay to a property and how/why the note and mortgage are sold and then resolved by private investors, it's time to move on to the next section – History of the Opportunity.

HISTORY OF THE OPPORTUNITY

To properly explain how distressed mortgage note investing has come to be, we must first go way back in time to the Middle Ages – 1,000 years ago, when the term mortgage was coined. Translated from Old French, mortgage means "death pledge". A mortgage was created when borrowed money was secured by property as collateral. This pledge dies when the debt has been repaid or the property has been foreclosed. To this day, the general premise remains the same.

By the early 1900s in America, mortgages had variable interest rates, high down payments, and short maturities. The majority of borrowers worked with local bankers, sometimes renegotiating their loan annually. The Great Depression destabilized the market, and the government stepped in to provide confidence. The most important institutions that were created were the Home Owner's Loan Corporation (1933), the Federal Housing Administration (1936), and the Federal National Mortgage Association (1938) later known as Fannie Mae.

After World War II, the government added more programs to stimulate the real estate market. The Veterans Administration mortgage insurance gave banks the ability to write riskier loans to give more people the opportunity to buy homes. Between 1949 and the turn of the century, down payments decreased and mortgage debt relative to total income of the average household rose from 20% to 73%. Loan-to-Value ratios rose to 95% and the maximum mortgage term was extended to 30 years.

The Government National Mortgage Association (Ginnie Mae) was established in 1968 to bring uniformity and liquidity to the mortgage market while also bringing about the invention of many complicated financial instruments. In 1970, the Federal Home Loan Mortgage Corporation, known as Freddie Mac, was formed to promote home ownership by adding liquidity to the secondary market. By 2003, governmental mortgage institutions held 43 percent of the total mortgage market. Between 2003 and 2007, federal loan programs, policies and complex financial instruments designed to encourage home ownership and stabilize the market continued to expand to the point of no return…

THE SUBPRIME MORTGAGE CRISIS

In July 2007, the investment bank Bear Stearns announced that two of its hedge funds had imploded after investing in securities that derived their value from mortgages. For the years to come, the entire economy felt the pain. Two resources for an in-depth review of the crisis – the book/movie: The Big Short or the Wikipedia: Subprime Mortgage Crisis. We won't go into as much depth here as the purpose of this lesson is to show how today's mortgage note investor fits into the industry at large.

The main cause of the Great Recession was the abuse of two financial instruments: the mortgage backed security (MBS) and the collateralized debt obligation (CMO). Ginnie Mae guaranteed the first mortgage pass-through security of an approved lender in 1968. In 1971, Freddie Mac created a similar instrument in the "participation certificate". In 1981, Fannie Mae issued its first mortgage pass-through, called a mortgage-backed security. Then finally, in 1983, Freddie Mac issued the first collateralized mortgage obligation.

In theory, the MBS & CMO were excellent ideas – they packaged up thousands of mortgage notes into an asset-backed security, an investment that provided cash-flow to investors diversified across thousands of mortgage notes. In practice, the standards of the banks creating these securities slipped as easy-money poisoned the minds of an entire industry.

As a mortgage note investor in the secondary market today, mortgage backed securities and collateralized debt obligations aren't a regular part of our vocabulary. Investors like FIXnotes purchase mortgage notes referred to as "Whole Loans", each loan is a single note + mortgage that has never been securitized or packaged into complex instruments. Each loan is a standalone asset consisting of a borrower, a lender, a property and the documentation connecting it all.

WIN-WIN FOR EVERYONE

Buying a borrower's note gives note investors the power to resolve tough situations at a fundamental level; the need for affordable housing. Solving these problems for people is an incredibly satisfying position to be in, and it sure pays well!

Benefit to Banks: By selling non-performing loans, banks are able to remove what regulators consider to be "toxic" assets on their books. By giving them liquidity to unload these non-performing loans, they are able to keep doing what they do best: lend money.

Benefit to Borrowers: Without creative note investors to create viable solutions for borrowers based on their needs, many more homeowners would be forced to file bankruptcy or find other, less suitable living arrangements.

Benefit to the Community: Housing is a big part of the local economy and neglected properties bring down the value of entire neighborhoods. When a homeowner is not paying their mortgage, they're typically not paying their taxes or other obligations.

By transforming non-performing mortgages into performing assets, note investors not only help borrowers through their financial struggles but they also help improve communities.

Now that you know how the industry has developed and where note buyers fit into the market as a whole, let's take a look at the types of assets available for purchase and an overview of the strategies employed by investors of distressed mortgage debt in 2017.

NOTE INVESTING IN 2018

Now that you know where we've been, let's tackle where you're going. In this lesson, you will learn how to identify the many different types of notes on the market, choose the specific type(s) of assets you will focus on for your first purchase and highlight some of the main strategies investors use in today's market.

This course is focused on investing in residential mortgage notes so we'll forget about commercial debt for the time being. To get started with our review of the various types of mortgage notes out there, we'll look at four main criteria:

Performance (performing or non-performing)
Lien Position (senior or junior lien)
Geography (state-specific or nationwide)
Collateral (secured by what type of real estate)

As you read through the considerations below, think in terms of the ideal investment for your personal situation. Your strategy is just as much about your self-awareness as it is about your financial situation and goals. Choosing what type of assets you'll purchase and the approach you take is based on your time availability, tolerance for occasional (or often!) headaches and your abilities as a negotiator, problem solver or number cruncher. There's no need to choose just one investment strategy, and your balance can be adjusted on a deal-by-deal basis.

PERFORMING VERSUS NON-PERFORMING

The most important factor when deciding what type of loan to purchase is whether or not you want to put in the work to resolving a non-performing loan. If you have more money than time, starting your note investing career with one or more cash-flowing loans is highly recommended. Re-performing loans offer returns of ~10-20% and the heavy lifting has already been done for you.

Many investors choose to liquidate their performing loans to recapitalize and buy more non-performing loans to repeat the cycle. There is an ample supply of cash-flowing notes secured by quality real estate available for your consideration.

SENIOR VERSUS JUNIOR

Senior and junior liens (1st and 2nd position mortgage notes) are one of the main criteria that investors look at when deciding on their first note purchase. In reality, this classification is the least important of the four. There really isn't much of a difference between the two, both have the same ability to foreclose and when due diligence is conducted properly, there is a fair exchange of risk to reward for being in first position versus second.

1ST (SENIOR LIENS)

Let's start by looking at senior liens. As a more priority debt, senior liens are typically priced higher. Loan sellers base pricing on the value of the underlying collateral – the property value. Due diligence is more involved and expensive when analyzing senior liens, ordering a title report is necessary to confirm that the lien is indeed in priority position. Furthermore, making a call (or researching online) to determine the balance of any past due taxes is critical.

Paying close attention to the value and condition of the property is essential because senior liens more often resolve through the property than juniors. Researching comparable properties and analyzing the zip code demographics is more important. A bad BPO can quickly change the outlook (CASE STUDY: Hassan B in West Chester, PA)

2ND (JUNIOR LIENS)

On the flip side, junior liens offer more for your money. They are priced based on a percentage of the principal balance not including interest and late fees (about 30% of the UPB on average for a decent quality asset). Paying for title reports, BPOs and tax information isn't as often necessary in due diligence (saving ~$200 per asset in research expense).

When investing in junior liens, the most critical factor is the status and balance of any senior liens (found on the borrower's credit report). Even if there is negative equity (the value of the senior + junior is greater than the property value) a current status (borrower is making payments) for the senior is a strong indicator of the borrower's intentions for the property. Furthermore, 90%+ of senior lien servicing companies escrow taxes + insurance for their borrowers. In other words, if the senior is current, chances are good that the property is insured with no delinquent taxes.

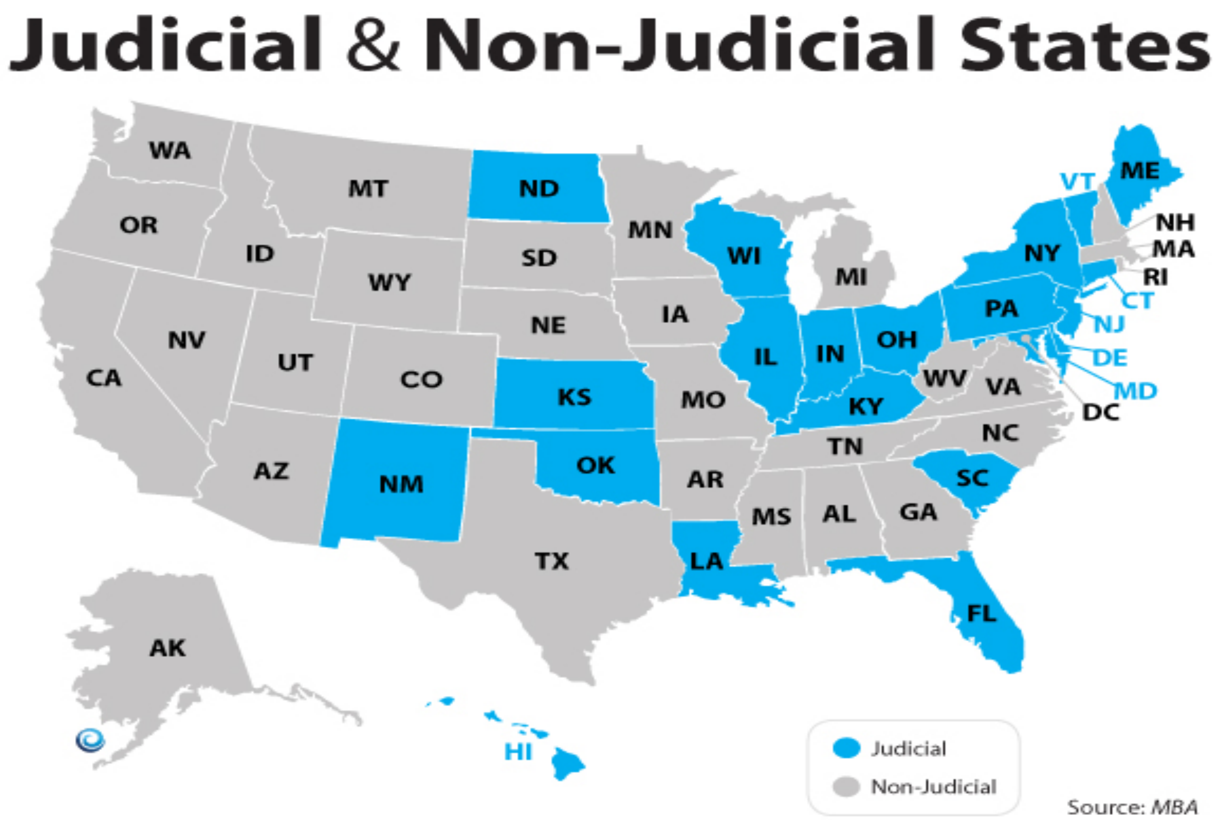
Even in situations where the senior lien status is unknown or delinquent, second liens still offer a very attractive risk/reward proposition. Note buyer with the same amount of invested capital can diversify into many more assets when choosing 2nds over 1st liens.

GEOGRAPHICAL CONSIDERATIONS

Choosing whether to focus on a specific geography versus looking nationwide for mortgage notes is purely a function of your ambition and personal goals. Nationwide buyers typically get the best deals by buying blended bulk portfolios but they need to understand more local markets and build a network of attorneys and other vendors across the country. For the most part, it is easier to develop into a nationwide second lien investor than a nationwide senior lien buyer.

When choosing specific areas to invest in, the first thing to consider is your local market or more broadly, your home state. Although note investing is typically done without ever visiting the subject property yourself, it is always advantageous to have "boots on the ground". A big advantage of working in a specific area is the ability to focus on learning the nuances of the local process and build stronger relationships with a few great realtors & attorneys.

Here is the most important distinction to make (some states can be both):



The simplest understanding of what investing in a judicial state means for note investors: foreclosure takes longer! While a non-judicial foreclosure can take a few months, judicial foreclosures can take a year or more (some notoriously slow states include NY & NJ). Basically, judicial foreclosure are completed through the court system. For more specific details see below (courtesy of foreclosure.com):

State	Judicial	Non-Judicial	Time to Foreclose	Redemption Period	State Laws
Alabama	X	X	1 - 3 Months	Up to 12 Months	Reference
Alaska	X	X	3 - 4 Months	None	Reference
Arizona	X	X	3 - 4 Months	Up to 6 Months	Reference
Arkansas	X	X	4 - 5 Months	Up to 12 Months	Reference
California	X	X	3 - 5 Months	Not Likely	Reference
Colorado	X	X	2 - 5 Months	None	Reference

Connecticut	X		5 – 6 Months	Court Determined	Reference
Delaware	X		3 – 7 Months	None	Reference
DC (Washington)		X	2 – 4 Months	None	Reference
Florida	X		4 – 6 Months	Yes	Reference
Georgia	X	X	2 – 3 Months	None	Reference
Hawaii	X	X	3 – 4 Months	None	Reference
Idaho	X	X	5 – 6 Months	None	Reference
Illinois	X		7 – 10 Months	Yes 3 – 7 Months	Reference
Indiana	X		5 – 7 Months	None	Reference
Iowa	X	X	5 – 6 Months	12 Months	Reference
Kansas	X		3 – 5 Months	Up to 12 Months	Reference
Kentucky	X		5 – 6 Months	Up to 12 Months	Reference
Louisiana	X		2 – 6 Months	None	Reference
Maine	X		6 – 10 Months	90 Days	Reference
Maryland	X		2 – 3 Months	Court Determined	Reference
Massachusetts	X		3 – 4 Months	None	Reference
Michigan		X	2 – 3 Months	Up to 12 Months	Reference
Minnesota	X	X	2 – 3 Months	6 Months	Reference
Mississippi	X	X	2 – 3 Months	None	Reference
Missouri	X	X	2 – 3 Months	Up to 12 Months	Reference
Montana	X	X	4 – 6 Months	12 Months	Reference
Nebraska	X		5 – 6 Months	None	Reference
Nevada	X	X	3 – 5 Months	None	Reference
New Hampshire		X	2 – 3 Months	None	Reference
New Jersey	X		3 – 10 Months	6 Months	Reference
New Mexico	X		4 – 6 Months	9 Months	Reference
New York	X		4 – 8 Months	None	Reference
North Carolina	X	X	2 – 4 Months	10 Days	Reference
North Dakota	X		3 – 5 Months	60 Days	Reference
Ohio	X		5 – 7 Months	Until Confirmation	Reference
Oklahoma	X	X	4 – 7 Months	Until Confirmation	Reference
Oregon	X	X	4 – 6 Months	None	Reference
Pennsylvania	X		3 – 9 Months	None	Reference
Rhode Island	X	X	2 – 3 Months	Up to 3 Years	Reference
South Carolina	X		4 – 7 Months	None	Reference
South Dakota	X	X	6 – 9 Months	Up to 12 Months	Reference
Tennessee		X	2 – 3 Months	Up to 2 Years	Reference
Texas	X	X	2 – 3 Months	None	Reference
Utah			4 – 5 Months	180 Days	Reference

Vermont	X		7- 10 Months	Up to 6 Months	Reference
Virginia	X	X	2 – 3 Months	None	Reference
Washington	X	X	4 – 5 Months	None	Reference
West Virginia		X	2 – 3 Months	None	Reference
Wisconsin	X	X	6 – 10 Months	None	Reference
Wyoming	X	X	2 – 3 Months	3 Months	Reference

SECURED PROPERTY TYPE

The final criteria we'll be looking at is the type of property securing the loan in question. There are many different classifications of real estate in the residential market, here are the most common:

Single Family: SFR, the most commonly financed property type
Multi-Family: MFR or MDU, includes duplex, triplex or more
Condo: one unit in large apartment building
Manufactured Home: includes mobile homes and other prefabricated structures
Vacant Land: raw or minimally improved land with no structures

As you gain a tolerance for risk, taking on mobile home or vacant land secured notes may be of interest but when you're just getting started, it makes sense to focus on higher quality properties in the form of single family or multi-family dwellings.

STRATEGY

Although you can delegate or outsource pretty much anything you can't (or don't want to) do yourself, the money to be made in any business is finding your highest use, the area you're best in. There are two broad areas of focus in any real estate career: office work & field work.

Working "in the field" is the hands-on labor to make repairs, handle tenant turnovers and showing up at the property when needed. Office work is finding new opportunities, negotiating deals and staying organized. In the age of the internet, our "office" is essentially anywhere you have your laptop & Wi-Fi. Note investing is interesting because the work required is disproportionately focused on work from your computer or phone. Read on to see the similarities and differences between the most common types of traditional real estate investing versus note investing strategies.

Buy & Hold Rental Property

A lot of upfront work to find & negotiate a great deal. Make quality repairs and find the best tenants and this is a long term strategy that can produce nearly passive income for investors. Depending on the quality of the rental you purchase and the ability of your contractors (if you're outsourcing upkeep of the home), you can build a rental property business with very little work "in the field" but without scale, doing the dirty work yourself is the best way to ensure you're profitable. A home is certainly an asset but the issues you'll need to handle can sometimes make you feel like you've got a major liability on your hands.

Fix & Flip Rental Property
This strategy is all about turning deals over. There is no passive income as you'll need to move from deal to deal. A solid, office routine is key if you want to generate consistent leads and maintain contact with your network. Some have done it but more have been tremendously burned attempting this business without an active present on the job site.

Buy & Hold Performing Notes
For a passive investor, this is the ideal strategy if you are limited on time but have the capital to invest. It's not necessary to physically visit your properties and there's a relatively small amount of upfront work necessary to purchase a note (we'll focus on that in the Due Diligence section of this guide). Buying a performing note is like buying a rental property with a permanent tenant that never needs any maintenance. The only downside, you stop receiving payments after the loan has been paid off (typically 10+ years).

Fix & Flip Non-Performing Notes
Although more time intensive than buying and holding cash-flowing assets, flipping non-performing notes that you have "rehabbed" into re-performing is much less time consuming then rehabbing physical real estate and the returns are often significantly higher. As with any note investing strategies, there isn't any need to leave the comfort of your "office" as virtually all of the work necessary can be completed on a laptop/cell phone. Combining the two above strategies into a "Fix & Hold" approach is another way to maximize returns for longer-term residual income.

At the end of the day, note investing is a much more viable strategy for any investor who would prefer to do the majority of their work without being location dependent. Note investors have the flexibility to work on deals in all 50 states from wherever they can get online. Buying non-performing notes is a more lucrative strategy than buying loans that are already performing but depending on your personal time availability, may be more than you're willing to commit. However – either note investing strategy is much less time-intensive than real estate investing. Buying and working out one or two non-performing loans on the side of a full-time job is very possible and as you read through the rest of this guide, you will gain a better idea of the time commitment required to be successful in this business.

We've covered the various types of loans to purchase and the high-level strategies employed to profitably invest. Now, let's figure out where to find loans for sale and how to determine whether or not you're working with a legitimate loan seller!

SOURCING & VETTING SELLERS

Now that you have a high-level understanding of the process and different investment options, it's time to focus on the most important step prior to purchasing your first note – vetting your note seller. Before we focus on how to weed out bad brokers and sketchy loan dealers, let's touch on a few sources of mortgage notes:

LOAN EXCHANGES

There are many online loan exchanges to review mortgage notes from. These are platforms to connect buyers and sellers so you're not necessarily dealing with a credible company. The guide below on vetting a seller is just as important whether you've found the buyer on a loan exchange or through another source. Here are a few in alphabetical order (no affiliations):

TIP

Before you click through and start looking for loans on any of these sites, read the rest of this module to get a better understanding of some of the preferred sources of mortgage notes for sale.

- DebtX
- FCI Exchange
- Loan MLS
- National Loan Exchange
- Note Marketplace
- Paperstac
- Watermark Exchange

BANKS & NOTE FUNDS

Going direct to the bank is the goal of most note investors but it comes with a few trade-offs. For starters, most banks require a vetting package consisting of state-specific debt-buyer licenses, loan management procedures, previous trade history and references from other major sellers among other things. Furthermore, cherry-picking individual loans is typically out of the question. Most banks are looking for bulk buyers to purchase a large portfolio of blended assets. If you decide to pursue banks directly, start with local banks or credit unions and remember – it's all about the relationship!

Purchasing loans from a note fund offers several advantages over buying directly from the bank. Most note funds allow investors to purchase loans individually. They typically have completed most of the due diligence already. A few of the most prominent note funds include:

- Granite Strategic Investments (1st Liens)
- National Note Group (2nd Liens)

- Partners for Payment Relief (2nd Liens)
- *US Mortgage Resolution (1st & 2nd liens)

*FIXnotes has an exclusive relationship with US Mortgage Resolution to offer individual loans for sale at bank-direct prices.

PRIVATE SELLERS & BROKERS

Private sellers have many reasons for liquidating their personal note inventory. Some note investors operate on the fix & flip model – buying non-performing loans, coming to a payment plan resolution with the borrower and then selling the re-performing loan to a passive investor. Others liquidate non-performing loans to recapitalize for other opportunities. Whatever the case may be, as long as you vet your seller and complete your due diligence properly, there are deals to be made.

Brokers are an interesting source of notes when they're doing business the right way. Unfortunately, Note Brokers include some of the most unsavory characters in the industry. Many brokers attempt to sell anything they can get their hands on, regardless of whether they even have a relationship with the principal seller. Daisy-chains of brokers are a major red-flag. Read on and we'll discover how to identify & eliminate this problem.

Good brokers offer much more than an introduction to a seller. Find a broker that knows the industry and will help you find answers to your questions about the assets. A broker can be a key member of your team, hunting down loans that fit your purchase preferences.

FIXnotes operates a loan brokerage the right way. We have direct relationships with all of our loan sellers and make sure the assets we list for sale are properly represented. There are never any fees to our buyers and it's always free to review assets, make offers and close deals.

VETTING YOUR LOAN SELLER

Before you spend any time analyzing loans for sale, the first step is to make sure your seller is a legitimate source. The questions below will help you determine whether or not you can trust your loan seller to provide complete, enforceable documentation for the mortgage notes you intend to purchase. Pose to the seller to protect yourself from getting burned:

Do you own the loans you're selling?

An obvious first question to ask, this will help weed out any brokers who are misrepresenting themselves as the principal seller. The next question will dig a little deeper to catch them in a potential lie:

Are your assignments recorded? Into what entity?

Since the assignment of mortgage is recorded in the public records, this is a great question to ask because you can verify it yourself. Make sure that the company (or one of their related

"Funds") owns and has their assignments in order (preferably recorded). We'll cover how to review the public records in the Due Diligence section of this guide.

Where are the original collateral files currently located?
In the note business all you're really buying is paper. That paper (the Note, Mortgage, Assignment & Allonge) is critically important to enforce the note owner's interest in the property. Some sellers flip loans that they've put under contract but haven't yet received collateral for. Others pay a custodian to hold their files in a secured facility off-site. Either way, you need to know where those documents are and when you can expect to receive them should you close a deal. A follow up question – **do you have scanned images of all of the documents & other records I can review prior to funding?**

Can we fund the deal through escrow?
Funding through escrow means that a third party will facilitate the transaction. A title company or attorney typically serves as the third party. The note buyer sends the funds, the seller sends the files and the attorney or Title Company makes sure the files are in order before releasing funds and files to their respective entities. This is a great question to ask because it cuts through all the crap. If you're dealing with a legitimate seller that is motivated to make a deal, there's no reason why they would say no to this request. The cost of escrow will fall on the buyer but the additional expense is a great insurance policy when working with a new seller. The majority of buyers don't end up using escrow, but it's a good idea to ask the question to see what the seller says.

You now know many of the sources available to purchase assets from and the best approach to ensuring your working with a reputable counter-party. Let's move on to the good stuff – Due Diligence: how to analyze and price mortgage notes before making an offer.

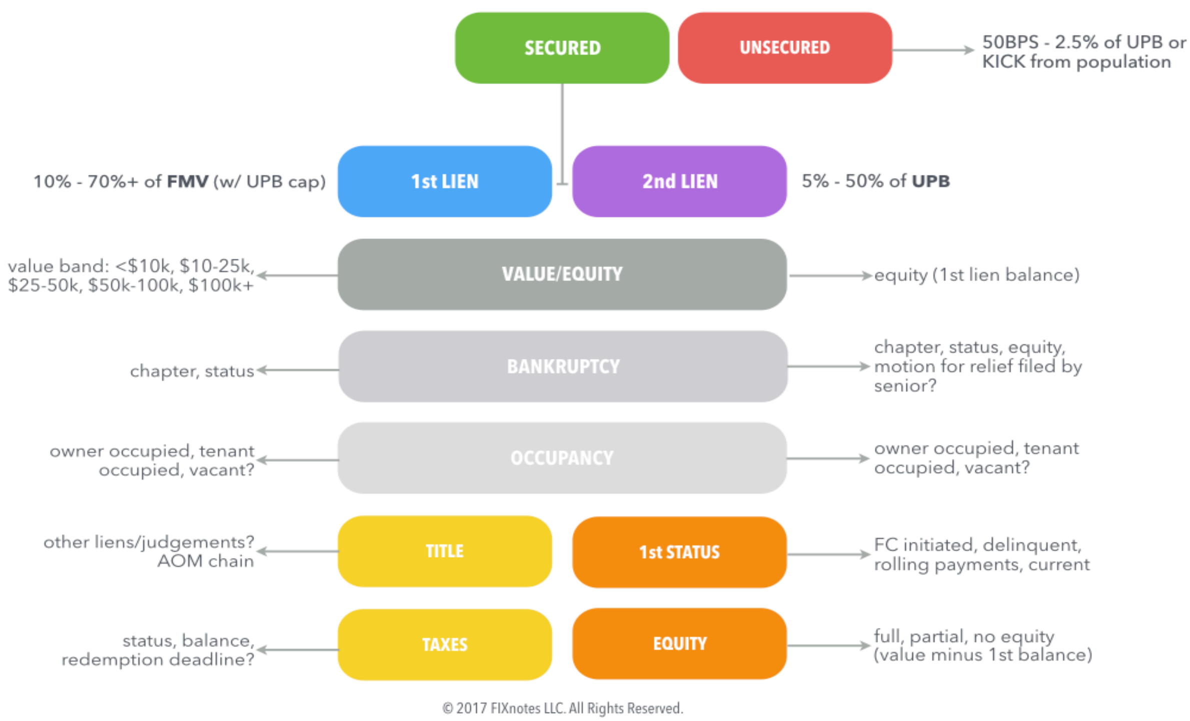
PRE-BID WATERFALL PROCESS

In today's market, sometimes you'll come across sellers who don't know what they've got. It's not uncommon for assets to be misrepresented and overpriced. Before you go through a lengthy and relatively expensive due diligence process to analyze a senior lien, make sure it's secured and in first position!

The waterfall process as it related to mortgage note due diligence is an approach to research that methodically looks at the most important criteria individually, eliminating assets from the potential acquisition as they fail to pass through each filter. As you move down the waterfall, the cost to research increases. So – you avoid paying $100 for a BPO or title report to research a property that is no longer securing the debt in question.

This process is most relevant for reviewing non-performing 1st and 2nd position mortgage notes but the research you will learn to complete in this section of the guide is equally important when reviewing any type of secured mortgage note for purchase.

SNAPSHOT OF THE PROCESS:



SECURED VERSUS UNSECURED

The first and most critical step is determining whether there is any secured collateral protecting the lender's interest in the note. Unsecured debts include credit cards, unpaid utility bills, some business lines of credit, medical debt and student loans. These type of debts were originated without any collateral. Mortgage notes can become unsecured even if they were originally secured by real estate. This can occur to junior liens if the senior lien has foreclosed already or in senior liens if the county has foreclosed for unpaid property taxes. If a loan is unsecured, it means that foreclosure is no longer an option and if non-performing, the loan is worth 50BPS (1/2 of 1%) to 2.5% of the UPB.

The most straightforward way to determine whether a mortgage note is unsecured is by researching whether the borrower still owns the property. In many cases, this is as simple as looking up the property in the county public records. If the borrower's name is still listed in the tax records, you can have a high degree of confidence that the lien is still secured.

TIP
There's a really sneaky trick that we've discovered but it doesn't work for every property. Our friend Alex Goldovsky is the founder of an excellent title company called ProTitleUSA. His order tool (on the right side of the page) provides a preview of your order that displays the current property owner under "Additional Info" when you enter your property address and zip code then "Click Here to See Price".

If this hack didn't work, here's how to do it the long way:

STEP 1 – Visit the county website
Insert the property zip code in the "Zip to County Converter" on publicrecords.netronline.com. Click the county identified in the next screen. You should now see a list of the different departments in the local county. Every county calls each departments a slightly different thing but to quickly find out the current property owner, look for the Tax Office (for a much more in-depth review, you can search the Recorder of Deeds).

Here's a potential shortcut (that doesn't work all the time): search the subject property on zillow.com (you may see that the property has been sold or foreclosed – REO right on the main property page, if so it's unsecured). Scroll down and click the link called "See More Facts and Features". Scroll down to the bottom of the expanded section and if available, you will see a link for "County website" – click it and if you're lucky, this might skip you right to Step 4.

STEP 2 – Find the Tax Records Search
Not every county has online access to public records but most will have some type of search system. Hopefully the Netronline link took you to the right page, if not you'll have to click around to find it somewhere on the county website. Worst comes to worst – give the county a phone call and ask where to search property taxes online!

Step 3 – Search for the Property
Every county has a different search function. Some will allow you to search by property address, others will require a Parcel #. If you have the Zillow property details pulled up from Step 1, the Parcel # might be listed in the expanded section typically under "Other Exterior Features" in the right hand column. Copy & paste into the search!

Step 4 – Review the Tax Records
If everything worked up until this point, you should now be looking at the county's specific details for the subject property. You should see the name and address of the property owner listed somewhere in the records. Keep the address in mind for the "WHO LIVES IN THE PROPERTY" section below. We're also going to come back to this page for the "OUTSTANDING PROPERTY TAXES" section. If the owner's name matches the borrower's name provided by the loan seller, it's secured! If it doesn't match, it's not always a bad thing (the borrower may have deeded the property to another party subject to the lien) but if you see the name of a bank or LLC is highly likely that it has been foreclosed and is now unsecured.

If the steps above did not work, the best bet is to call the county and ask if they have tax search features on their website. If not, you could just ask over the phone whether the property owner is the name you have on the information from the seller.

WHAT IS THE LIEN POSITION?

If you have confirmed that the loan is still secured, the next step is determining in which lien position the mortgage note is. This is a difficult question to answer without a Title Report from the seller. When you receive information on an asset for sale, you should request access to review the scanned images of the collateral documents and any existing due diligence (BPO, credit report, title report, etc.).

Once you have a Title Report in hand, first make sure it was completed recently (within 3-6 months). Then look through the Open Mortgages section. You should be able to identify the subject lien (the mortgage note you are interested in purchasing). If there are any other liens with origination dates before yours, then the subject lien is in a junior position. If there are no other liens (or they are originated after the subject), then you're looking at a senior lien.

If you DON'T have a Title Report from the seller, we would not recommend ordering one at this time. Title Reports cost ~$100 and the purpose of this initial review is to see if you are interested in the asset without spending any money on research. If this is the case, go back to the first step of the above section and go to the website for the local county's Recorder of Deeds. Here you will be able to basically complete your own title search by looking through the public records for any other liens. Seth Williams of REItipster has a video on how to review public records yourself – Do Your Own Title Search

If you're looking at a non-performing senior lien, the price will range from 10-70%+ of the property value depending on the "value band", however, the price will never exceed the UPB (unpaid principal balance). Non-performing junior liens are priced based on the UPB, somewhere in the range of 5-50% of UPB.

VALUE OF THE PROPERTY

The value of the property is incredibly important to note investors because this is the collateral securing the debt you are owed. If the property is worth much less than the amount of debt, the borrower may decide that it isn't worth it to pay anymore. Although rare, this is called a Strategic Default. Other than looking at a recent appraisal or BPO from the seller, the best way to determine the property value for free is to review the recently sold comparable properties. Here's how to get it done on zillow.com:

STEP 1: Search the Property Address

Type in the property address at zillow.com and press enter. This should take you to the property details page of the specific property you are investigating. In the upper right hand corner you will see a button called "EXPAND", right click and open in a new tab or window.

STEP 2: Review the Zillow Algorithm Comps

In the new tab or window you just opened of the expanded property details, scroll down and look to the right column. You will see two sections, "Similar Homes for Sale" and "Nearby Similar Sales". At the bottom of the Similar Sales box, click the link to "See sales similar to your address". These sales will typically be recent and comparable property sizes but will often be relatively far away from the subject property. Make a note of these values, sale dates and the differences in property size/features before moving on.

STEP 3: Click Back to the Map

Go back to the other tab or window to the original property details page. Make a mental note of the number of bedrooms/bathrooms and the square footage. Click "CLOSE" in the upper right corner to see the map in the full screen view. Now you should see that the specific property is highlighted in green with property values of all of the much closer, neighboring homes superimposed on the map.

STEP 4: Select "Recently Sold" under "Listing Type"

Click the dropdown at the top called "Listing Type" then select the checkbox next to the yellow circle "Recently Sold". "Potential Listing" can also be selected to give you a better idea of foreclosures and other market activity. Many more colored icons over properties should now be visible.

STEP 5: Review Values of the Listed & Sold Homes

Look for the yellow circles first, zoom in or out if you have to. Mouse-over these other recently sold properties to make sure that they are similar square footage and beds/baths. Click through to the other property details page to see the date they were sold (make sure it's within 6 months or so) and that the photos (if available) look like a property in similar condition. Take notes of prices and sale dates of comparable properties, then use your best judgement to determine the value of your subject property.

TIP

Google Maps Street View will also help you explore the neighborhood.

If you're researching to purchase a senior lien, the property value is the main determiner of price. Lower value properties are priced at a lower percentage of value. For example, a non-performing senior lien on a property worth $20,000 might sell for 25% of the value while a note secured by a $100k+ valued property would be worth 70% of value or more. Remember – the bid should never exceed the UPB!

OUTSTANDING PROPERTY TAXES

Refer back to the property tax details page on the county website. Although every county is different, there should be a section on this page to review the recent tax bill. If you aren't able to determine whether or not the bill has been paid using online details, call the county and ask directly.

As we've discussed previously, property taxes are most important to review when researching senior liens. Most sellers price non-performing senior liens for sale as a function of the property value net of any outstanding taxes. In other words, a non-performing senior mortgage note on a $60,000 property might be worth $30,000 but if there are $10,000 of delinquent taxes, the seller would ask $20,000 for the note.

DOES THE PROPERTY HAVE EQUITY?

Now that you know the property value, you can determine if there is a positive equity (value of the property minus the value of any senior liens). If the mortgage note you are reviewing for purchase is a senior lien, just deduct any outstanding property taxes + the senior UPB from the property value you identified in the last section. This will show you how much positive or negative equity is available from the borrower's perspective.

If you are researching a junior lien, calculating the equity will be impossible without knowing the balance of the senior lien. If the seller has made a recent credit report available, you will find the senior balance listed as a trade line. We will get into the specifics of reading a credit report in the advanced due diligence.

Because senior liens are priced based on property values net of delinquent taxes, equity isn't a main factor in determining price. However, in junior liens, the equity is an incredibly important factor. The equity above the senior lien is the leverage the junior lien holder has against the borrower.

STATUS OF THE SENIOR LIEN

The best way to determine the status (whether or not the borrower is making payments) of the senior lien is to review a recent credit report. The senior payment history will be listed as a trade line in the report. We will review in-depth in the advanced due diligence.

After determining that a junior lien is secured, status of the senior lien is the primary driver of price. If the senior lien is headed to foreclosure, a non-performing junior lien on that property would be worth as little as 5% of the UPB. On the other hand, if the senior lien is current and the borrower is making their mortgage payments, the non-performing junior lien could be worth as much as 50% of UPB (if there is also substantial equity).

WHO LIVES IN THE PROPERTY?

Remember the address in the county's property tax details page? This is where the borrower receives their tax bill. If this address matches the subject property address, then the property is very likely to be "owner occupied". If this address is somewhere else, the subject property is most likely an investment or rental property and "non-owner occupied" (hopefully "tenant-occupied and not "vacant")

To determine whether a property is tenant occupied, Google street view may be helpful, but only if the date captured in the lower right hand corner of the screen is very recent. You may be able to see from the street view whether there are cars parked in the driveway or whether the landscaping and maintenance has been kept up-to-date. This is by no means a guarantee but a helpful data point none-the-less.

There are much more accurate ways to determine occupancy such as reviewing utility information on a skip trace report or the best way – have a realtor or someone else who is local drive by and investigate in person.

BANKRUPTCY

In the preliminary offer stage of purchasing a mortgage note we won't go into bankruptcy in-depth. If the seller has provided a credit report, you will see a potential bankruptcy filing listed under the Public Records section of the report. If you don't see a bankruptcy filing on credit, you can be fairly certain that the borrower has not filed. If they have, ask the seller if they have access to the Voluntary Petition filed by the borrower. Reading through this document will give you a much better picture of the borrower's finances. If unavailable at this time, disregard for now and make a note to come back to later if the borrower has filed for bankruptcy.

HOW TO MAKE A NO-RISK BID

Learning how to make a strong indicative offer is as much an art as it is a science. The goal is to entice the seller with a fair price and confidence that you are prepared to close the deal while giving yourself a way out in case the deal doesn't turn out to be what the seller has represented. Ideally, you will have convinced the seller to offer you exclusivity in order to review the deal without the threat of selling to another buyer while you conduct your in-depth due diligence. Some sellers don't allow exclusivity unless you are purchasing a large portfolio. Others only offer loans for sale in an auction format or in a strict purchase schedule so these instructions may need to be adapted based on the specific seller.

RECIPE FOR YOUR LOI

An LOI is a letter of intent, this is your first indication to the seller that you are interested in purchasing one or more of the assets they have for sale. An LOI can simply be the price you're willing to pay in the body of an email or it can be an actual letter, attached to your email with terms and a place for the seller to sign their approval. Here are the components of a comprehensive LOI:

Header: Your company name, address and contact information, ideally this will be formatted like a traditional letterhead to look most official.

Date + Selling Entity: Identify the date you have submitted the LOI along with the name of the selling entity. If you have the decision maker's name, address the letter to them specifically.

Introduction: "This letter serves to express our interest in LOAN #, the LIEN POSITION with a UPB of $XX,xxx.xx and intent to acquire said asset for a maximum of $XX,xxx.xx subject to the following:" Fill in the blanks with the specific details of your deal. You may want to add the property address or other information.

Loan Schedule: If you are making an offer on more than one loan, it's a good idea to include a table referencing the loan numbers, addresses, UPB and proposed purchase prices of the portfolio in question.

Terms: The specific terms you request are based on your own strategy and tolerance for uncertainty. The more terms you include, the less attractive the offer will appear to the seller. If these terms are met, you're committing to purchasing the assets, don't take your offer lightly or you could end up on a seller's black list! Some example terms:

- An exclusive due diligence period up until DATE. During this period, seller will not engage any other buyer or entertain any other offers

- Seller will provide all available due diligence materials (including but not limited to correspondence histories, loan documents and any other information related to the property or borrower.
- Upon acceptance of the terms of this LOI, we will order BPO valuations and Title/Tax reports. We reserve the right to adjust pricing or remove any assets from the population at our sole discretion based on the results of the above mentioned research
- In the event our vendor data confirms the seller's data (secured liens with no impending risk of loss to tax sale, property value of $XX,xxx.xx and an average delinquent tax balance of $XX,xxx.xx) our final bid will be equal to the maximum allocation for this portfolio of $XX,xxx.xx
- Upon satisfactory completion of due diligence, buyer and seller will execute a definitive loan sale agreement on DATE
- Closing and funding on DATE (through a third party escrow agent agreed upon between Buyer and Seller) will be subject to complete collateral documents and enforceable chain of title (original note, mortgage, all assignments and Allonges ending with our entity) with a servicing transfer date on or about DATE

Seller's Signature: If you would like to make the LOI an official agreement between you and the seller, leave a space at the bottom for the seller to sign and date with their acceptance of the offer.

Buyer's Signature: Make sure you sign you LOI yourself. And remember, if all of the terms are met and your due diligence substantiates the data provided by the seller, you're agreeing to purchase these loans at the price specified.

Proof of Funds: To further strengthen your offer, include another attachment with a screen shot of a redacted bank statement or a letter from your banker verifying that you have the funds available to cover your bid amount.

HOW TO PRESENT YOUR LOI

It's a good practice to give the seller a call before you spend the time to put together your letter of intent. Make sure that the assets in question are still available and ask if any other investors have made offers or expressed interest. If everything looks good, tell them that you will be emailing your LOI and ask that they let you know what they think right away.
Communication is key between buyer and seller in order to give you the best chance of closing a deal. By giving the seller the heads up, you're doing everything you can to make sure they get back to you quickly if any of the terms aren't acceptable or if they are ready to give you exclusivity to run your complete due diligence.

After acceptance, it's time to invest money into research and put in the work to run a complete analysis of the loan(s).

ADVANCED DUE DILIGENCE

This section includes a huge amount of value for note investors as they research assets for sale. Scroll down to the bottom of this page to find six modules to take you in-depth into the critical reports and data-points necessary to understand and properly analyze before you purchase a performing or non-performing mortgage note.

This page is your reference for the high-level process and will help connect the dots as you work through each of the modules at the bottom of this page. Some of the data you will be reviewing will come directly from the seller and will not be found from any outside vendor or data provider. We will cover this information below:

COLLATERAL

Prior to making you final offer you should be provided access to scanned images of the original collateral documents. The most critical of these are the note, mortgage, assignment and Allonge.

Note: The note includes the original terms between the borrower and lender. It might be called an Equity Reserve Agreement or Home Equity Line of Credit. If you're confused, look for a document signed by the borrower including the terms. Compare the Note terms with the payment amount, interest rate, original balance, etc. included on the seller's tape.

Allonge: The Allonge is the endorsement of the note which transfers the note to another company. This may exist as an attachment to or a stamp directly on the last page or back of the note. The general language is "Pay to the order of _______ (new owner) without recourse _______ (previous owner). When reviewing the Allonge, you should make sure that there is a complete chain from the originator of the Note through to the seller's company.

Mortgage: Also called the security instrument or Deed of Trust, the Mortgage is the document that attaches the debt to a property and should be recorded in the county records to create a lien. Make sure the Mortgage is recorded by looking for a stamp from the county recorder. This will typically include an instrument number or book/page number and will either be a stamp or a sticker on the front or back of the mortgage.

Assignment: Just like the Allonge transfers ownership of the Note, the assignment transfers ownership of the Mortgage (or Deed of Trust). Make sure you see a chain of assignments from the originator until the seller's entity (just like with the Allonge). Unlike the Allonge, the assignment is recorded in the county records. Make sure to see the recorder's stamp on the assignments included in the chain. You may find that some of the assignments are recorded but the final assignments in the chain are unrecorded and may need to be filed before you can record the assignment to your entity.

Modification: Many non-performing loans have been modified, especially if you are analyzing a re-performing loan for purchase. The modification is typically recorded and will change the terms of the loan. If the terms of the note don't match the terms on the seller's tape, see if you can find a modification agreement on file.

Forbearance Agreement: A forbearance agreement is a type of resolution or workout agreement that is not recorded in the county records. This is a temporary payment agreement that gives the borrower an opportunity to start a trial payment plan. If you see a forbearance agreement in the borrower's file, make sure to look at the dates to determine when the loan will change back to the original terms or will need to be renegotiated.

Title Policy: Most institutionally originated loans will include a title insurance policy. This policy protects the lender from any issue with title. Take a look at this Exceptions section of this document to see if the loan was originated as a senior lien or if it was junior from the start.

Loan Application: Sometimes the loan application is not included in the seller's collateral images but if available this will give you an idea of the borrower's occupation and other details from origination. You will also find the borrower's social security number on this document if you need it to pull a credit report or run a skip trace.

SERVICING RECORDS

If you're researching a re-performing loan to purchase, the servicing records are imperative to closely review. These documents include all of the contact between the servicer and the borrower along with the record of payments received.

Payoff Statement: They payoff statement shows the total balance due in excess of the unpaid principal balance (UPB). This will show the past due interest, late fees and other charges owed by the borrower. If the loan is performing, look for the borrower's most recent statement to confirm the UPB is accurate to what is included on the seller's tape.

Correspondence History: This is the contact history between the lender or servicer and the borrower. If the loan is re-performing, this will detail the calls, emails and conversation that got the loan from non-performing to paying again. This is a useful document to check to see if the seller has good phone numbers and email addresses for the borrower. Also, you can get an idea how difficult it has been to get in touch with the borrower.

Payment History: Although basically unnecessary when purchasing non-performing loan s (there aren't any payments to report), this is arguably the most important servicer document when reviewing a re-performing loan for purchase. A payment history of 6 month or 1 year of consistent payments results in what sellers call a "seasoned" loan. This means that the borrower has a proven track record of payments. You should never pay a re-performing loan price for an asset that hasn't made at least 6 payments.

VENDOR REPORTS & DATA

BPO: Broker's Price Opinion, typically costs ~$100, is a third-party report prepared by a real estate agent who has driven by the property, taken photos and reviewed recently sold comps and other properties on the market.

PACER: Public Access to Court Electronic Records, this is the government database of court records where you will find all of the bankruptcy files for anyone in the country. Costs $0.10 per page (capped at $3) per document to review.

Skip Trace: Typically costs <$20, the skip trace is a comprehensive review of every bit of data available on the borrower. This includes (but is not limited to): property records, criminal record, occupation, licenses/permits, voter registration, vehicles, relatives and neighbors.

Title Report: Costs ~$100, is completed by a title researches who reviews the county public records to aggregate all of the recorded documents related to a specific property.

Credit Report: Typically costs <$10, contains all of the borrower's "trade-lines". Each trade-line is the type, balance and status of every debt the borrower has incurred.

As you gather and review all of the necessary reports, aggregate all of the information you have collected into a copy of the "tape" (Excel Spreadsheet or Google Sheet) provided by the seller. Compare the information you have independently researched against the data provided by the seller and used to prepare your LOI. If anything is significantly different than expected, use it as a point of leverage to renegotiate your final offer.

MAKING YOUR FINAL OFFER

Once you have completed all of the research necessary to feel comfortable with the deal, reach back out to the seller with your findings and intention to move forward. If everything lines up with what was provided by the seller at the onset, it should be as straightforward as an email to the seller to prepare the contract.

If you are renegotiating the final price or removing asset(s) from the population for sale, make sure to clearly express the reasons you have for reducing the price or pulling a loan, then include the evidence for your reasons. This could mean attaching the BPO showing that the price is significantly less than represented or a title report evidencing that the lien is junior to other unexpected secured debts.

VALUE

The value of the collateral securing the debt of a loan is perhaps the most critical data point (more so for senior liens than for junior liens). Here are the primary ways of determining value, in order of accuracy:

Trust the Seller

The worst approach to property valuation is doing nothing at all. The FMV (fair market value) listed on the seller's tape (Excel Spreadsheet or Google Doc) is at best, an opinion and at worst, deliberately misleading. The key to valuation is triangulation, draw a series of values, eliminate the outliers and find the average.

Google Street View

One of the first things you should do when you begin researching a property is take a look at the Street View. Notice the condition of the property, potential occupancy status (car in driveway or overgrown) and overall quality of the neighborhood (vacant homes, cleanliness). Record the Image Date along with your details on the property in your copy of the data tape.

Demographics

Relying on demographics information from websites like City Data alone isn't worth much but it can give you a better idea of the consistency of the local market, average income, crime rates, unemployment and other pertinent info.

AVM (Automated Valuation Model)

AVMs are quick and easy to estimate a property value. Here are many options to collect a sample of values:

- Chase
- Eppraisal
- Homes.com **(select home values in dropdown before searching)**
- Realtor.com
- Redfin
- Trulia
- Zillow
- Zip Realty

Research Comps Online

Reviewing listing values and sale prices of local, comparable properties manually is a better method than relying on an AVM algorithm. Unless you have realtor's access to the MLS (multiple listing service), here's the zillow.com method of estimating a value using recent comps:

STEP 1: Search the Property Address

Type in the property address at zillow.com and press enter. This should take you to the property details page of the specific property you are investigating. In the upper right hand corner you will see a button called "EXPAND", right click and open in a new tab or window.

STEP 2: Review the Zillow Algorithm Comps

In the new tab or window you just opened of the expanded property details, scroll down and look to the right column. You will see two sections, "Similar Homes for Sale" and "Nearby Similar Sales". At the bottom of the Similar Sales box, click the link to "See sales similar to your address". These sales will typically be recent and comparable property sizes but will often be relatively far away from the subject property. Make a note of these values, sale dates and the differences in property size/features before moving on.

STEP 3: Click Back to the Map

Go back to the other tab or window to the original property details page. Make a mental note of the number of bedrooms/bathrooms and the square footage. Click "CLOSE" in the upper right corner to see the map in the full screen view. Now you should see that the specific property is highlighted in green with property values of all of the much closer, neighboring homes superimposed on the map.

STEP 4: Select "Recently Sold" under "Listing Type"

Click the dropdown at the top called "Listing Type" then select the checkbox next to the yellow circle "Recently Sold". "Potential Listing" can also be selected to give you a better idea of foreclosures and other market activity. Many more colored icons over properties should now be visible.

STEP 5: Review Values of the Listed & Sold Homes

Look for the yellow circles first, zoom in or out if you have to. Mouse-over these other recently sold properties to make sure that they are similar square footage and beds/baths. Click through to the other property details page to see the date they were sold (make sure it's within 6 months or so) and that the photos (if available) look like a property in similar condition. Take notes of prices and sale dates of comparable properties, then use your best judgement to determine the value of your subject property.

<u>Exterior BPO/CMA</u>

A Broker's Price Opinion or Comparative Market Analysis are two types of drive-by valuation estimates completed by a real estate professional that look similar to this. Expect to spend ~$100 for a report that includes photos, comparable sales/listings and a checklist of other details. You will also receive several values, from a 30 day quick sale to a regular listing price. The best BPO companies provide the data in Excel format for batch analysis of many assets at once, phone numbers for the agent that completed the report, decent photos and relatively accurate values. BPOs are a B2B product that is typically customized for one-off investor and "set-up" with an account representative. Here are some options:

- Altisource
- Assurant
- Clear Capital
- Proteck
- ValuationVision

Local Realtor Drive-By

Here's a great trick to get a BPO quality valuations on non-performing notes for free. Once you have a signed LOI, call a local realtor with this script:

"I have a mortgage note under contract, secured by a property in your market. I'm out-of-state and looking for some boots on the ground to help with this deal. It's a non-performing note so we're probably going to have to foreclose or have the borrower list the property. If you could drive-by, take a few photos and let me know what you think it's worth I would be happy to list it with you if/when we go to market."

This is sometimes a better value than a BPO because you're aligning interests with the agent. It's in their best interest to provide an accurate value since they might be listing it for you.

Interior BPO/CMA

Unless you have authorization from the seller (who will need to be in communication with the occupant of the property) to have an agent enter the property, you won't be able to complete an interior valuation prior to purchasing a mortgage note.

Full Appraisal

Apart from putting a property on the market and getting bids, the best way to value real estate is with a complete appraisal conducted on the interior and exterior of the property. An appraisal typically costs $400-600 but won't be possible without getting the seller's approval and coordinating with the inhabitant of the home

On some deals, you might be confident enough with your own online research to close a deal without paying for a BPO. Often you'll want to have someone drive by the property to investigate. Either way, it's good to triangulate a variety of sources to get the most accurate idea of the actual property value.

BANKRUPTCY

A bankruptcy is filed by the borrower when they have insurmountable debt, often in order to hold up a lien holder from following through with foreclosure. An automatic stay is created immediately upon the filing of the bankruptcy petition by the debtor which prohibits acts to collect against the borrower or property of the bankruptcy estate. There are two primary types of consumer bankruptcy: Chapter 7 & Chapter 13

Chapter 7 – Liquidation Bankruptcy

- A Trustee is appointed to sell assets the debtor (borrower) cannot protect
- The debtor protects assets by using exemptions (their homestead for example)
- Funds used from liquidated unprotected assets are used to pay creditors
- Following a discharge (successful bankruptcy) lien holders are prohibited from pursuing the borrower personally
- Debtors may not receive a personal discharge in Chapter 7 for another 7 years after receiving a discharge

Chapter 13 – Reorganization

- Debtor is required to have a steady, consistent income
- Less than $269,250 in unsecured debt and less than $807,750 in secured debt
- Trustee and Debtor develop a proposal for a repayment plan
- Court decides to accept, reject or alter the repayment plan (creditors may object)
- Plans often last for 3-5 years. Debtor may only pay a percentage of what they owe
- Discharge is obtained only upon plan completion

PACER or Public Access to Court Electronic Records is the government's repository of nationwide court records. If an active or discharged bankruptcy has been identified on a specific borrower you are researching, digging into the PACER docket is a must. After registering for an account, documents can be accessed for $0.10 per page with a maximum of $3 per download.

ACCESSING CASE DOCUMENTS

STEP 1: Once you have a user login, go to the PACER Case Locator and click the Bankruptcy tab. Next, search the borrower via social security number or name (last, first). In the results that are provided, click on the correct case number. If there are multiple for your specific borrower, choose the most recent case. If you searched by name, you may have results for multiple people with the same name, in this case you'll need to verify it's the correct borrower by verifying the address once we get into the docket.

STEP 2: Click on "History/Documents" in the left column. In the next screen make sure that "All events (history)" is selected and it is sorted by the oldest date first. Press "Run Query"

STEP 3: You will now see a complete list of the filings that have been completed in this bankruptcy case. Clicking on any of the "Doc. No." that are hyperlinks on the left will open a PDF of the specific filing. The first you want to look at is the "Voluntary Petition" near the top of the list.

VOLUNTARY PETITION

This is typically the first document that is filed by the borrower when initiating bankruptcy. It is in this document that the borrower outlines their financial situation and intentions regarding their various debts. Attached to the Voluntary Petition are a number of different schedules regarding the borrower's assets and liabilities. If you don't see these schedules included in the voluntary petition, go back to the History/Documents to a later filing to find the schedules. The most important schedule that we'll focus on next is Schedule D. Here is a complete list of the required documents for a voluntary petition (the blank forms can be reviewed at uscourts.gov):

- Summary of Your Assets and Liabilities and Certain Statistical Information
- Schedule A/B: Property
- Schedule C: The Property You Claim as Exempt
- Schedule D: Creditors Who Have Claims Secured by Property
- Schedule E/F: Creditors Who Have Unsecured Claims
- Schedule G: Executory Contracts and Leases
- Schedule H: Your Co-Debtors
- Schedule I: Your Income
- Schedule J: Your Expenses
- Declaration About an Individual Debtor's Schedules
- Statement of Financial Affairs for Individuals Filing for Bankruptcy
- Statement of Intention for Individuals Filing Under Chapter 7
- Statement of Your Current Monthly Income
- Notice Required by 11 U.S.C. § 342(b) for Individuals Filing for Bankruptcy
- Statement About Your Social Security Numbers
- Creditor Mailing List

SCHEDULE D: SECURED CLAIMS

You should definitely skim through the other schedules to get a better idea of the borrower's financial situation but you'll want to spend some extra time on Schedule D. This report will include the property value of the secured collateral along with any liens that are attached to the said property. This is important to note because if the value of the property exceeds the senior position secured lien, the borrower may make a motion to strip or cram down any junior liens, essentially turning them into unsecured debt.

STATEMENT OF INTENTIONS

In chapter 7 bankruptcies, you will find a section that covers that borrower's intent to surrender the property, retain the property and redeem or retain the property and enter into a Reaffirmation Agreement. Look for the borrower's intention regarding the property your lien is secured by.

Make sure to download the entire PDF of the Voluntary Petition and schedules so you can reference in the future without paying for another document download. There will typically be a download button near the margin of your PDF reader.

MOTION FOR RELIEF FROM STAY

Now, back out to the History/Documents. First, scroll through all of the documents to get high-level picture of everything filed for the case. If it's an active bankruptcy, you'll want to see what the most recently filed documents are. One specific document to look for is called a "Motion for Relief from Stay".

When a bankruptcy is filed there is a "stay" ordered to all creditors. This means they need to cease any legal actions that are being pursued. For mortgage lenders, this means that a bankruptcy stops the foreclosure process.

By filing a Motion for Relief, this is a creditor's way of telling the court that they aren't getting payments from the borrower and they wish to repossess the collateral. You will see Motions for other types of debt as well, but if you find one related to your property, look for the subsequent "Order on Motion for Relief from Stay" to see if the court has allowed the creditor to continue with foreclosure. If this was a senior lien in front of your junior lien you are researching then you need to make a note that the senior status is "Foreclosure Initiated", this will significantly affect the price you will be willing to pay.

BANKRUPTCY PLAN

If you can see from the History/Documents that a bankruptcy plan has been approved, open the PDF to review what the court has agreed upon for the borrower. This document will include the list of secured and unsecured creditors along with the payments owed to each.

OCCUPANCY

There are several ways to determine occupancy but we will focus on the most interesting method – Skip Tracing. Here are the various ways to determine occupancy in order of accuracy:

Google Street View

You may be able to get a general idea on the occupancy of the property after looking at Street View, just make sure that the Image Date is relatively recent.

Current Address on the Credit Report

At the top of a borrower's credit report you will typically see up to three addresses. Based on loan applications, public records and other data available to the credit bureau, these addresses include "date last reported" and provide a data point for the current occupancy address.

Property Tax Records

Identifying the mailing address of the borrower by looking at the property tax records is an easy way to add another data point to your occupancy equation. Once you have a few different sources corroborating the same information, you can be pretty certain of the actual occupancy.

STEP 1 – Visit the county website

Insert the property zip code in the "Zip to County Converter" on publicrecords.netronline.com. Click the county identified in the next screen. You should now see a list of the different departments in the local county. Every county calls each departments a slightly different thing but to quickly find out the current property owner, look for the Tax Office (for a much more in-depth review, you can search the Recorder of Deeds).

Here's a potential shortcut (that doesn't work all the time): search the subject property on zillow.com (you may see that the property has been sold or foreclosed – REO right on the main property page, if so it's unsecured). Scroll down and click the link called "See More Facts and Features". Scroll down to the bottom of the expanded section and if available, you will see a link for "County website" – click it and if you're lucky, this might skip you right to Step 4.

STEP 2 – Find the Tax Records Search

Not every county has online access to public records but most will have some type of search system. Hopefully the Netronline link took you to the right page, if not you'll have to click around to find it somewhere on the county website. Worst comes to worst – give the county a phone call and ask where to search property taxes online!

Step 3 – Search for the Property
Every county has a different search function. Some will allow you to search by property address, others will require a Parcel #. If you have the Zillow property details pulled up from Step 1, the Parcel # might be listed in the expanded section typically under "Other Exterior Features" in the right hand column. Copy & paste into the search!

Step 4 – Review the Tax Records
If everything worked up until this point, you should now be looking at the county's specific details for the subject property. You should see the name and address of the property owner listed somewhere in the records. This address is where the borrower receives their tax bill and is likely their home address. If it matches the property address, it's Owner-Occupied, if not, then the property is vacant or someone else is living there

Run a Skip Trace
Although not as accurate as visiting the property in person, a Skip Trace provides a substantial amount of information beyond just the occupancy status. Here are the different sections of data provided when ordering data from FIXnotes Due Diligence team:

Subject Information: Includes borrower's name, date of birth, SSN#, any pseudonyms, possible phone numbers, email addresses and indicators
for Bankruptcies, Liens, Judgments, Properties, Corporate Affiliations, Criminal/Traffic and Global Watch Lists Match.

Potential Subject Photos: Typically turns up nothing but in the event that a borrower's photo has made it into the public record, this will be made available here.
Possible Criminal Records: Everything from traffic court to more sinister crimes.

Possible Employers: Useful information about occupation. Although outdated, typically the Loan Application from origination is a better source of this information.

Address Summary/Details: This section includes a list of all the addresses along with a range of dates when the borrower was estimated to have been residing at each. Details include the property owners, resident phone numbers, and other property details. With further digging the utility information provides a more accurate picture of the occupancy status. Although not available in every geography, checking the name on the utility bill is an excellent data point for the borrower's current residence.

Driver's License Information: Includes all the basic information: current address, date of birth, gender, race, height, etc.

Professional Affiliations & Licenses: Although not everyone has results in this section, the information provided can be very useful for determining occupation.

Bankruptcy Records: No substitution for reviewing actual documentation in PACER but this section does provide summary information including name/phone number for the attorney and trustee who handled the case.

Liens & Judgments: A Title Report is much more comprehensive. Some liens and judgements never make it to the skip trace report.

Current/Past Property Deeds: Very useful to determine whether the borrower owns other assets. For example, an unsecured lien can be re-secured to a property through the judgement and garnishment process.

Foreclosures & Evictions: Being aware of past foreclosures and evictions is a useful data point in determining the borrower's history.

Current/Past Vehicle Information: The vehicle section is often quite comprehensive and gives you a better picture of the borrower's lifestyle. Are they focused on their image, spending above their means?

Accidents: Rarely will you see information included here but in the event that you do, this may explain the borrower's hardship that resulted in a mortgage default.

Global Watch Lists: If they are on this list, the borrower has much bigger problems than their home mortgage.

US Business Affiliations & UCC Filings: For self-employed borrowers who own their own company, business affiliations and UCC filings are an important picture of the borrower's financial situation.

Aircraft Records & Pilot Licenses: Another somewhat rare data point, this information may provide a glimpse into the borrower's lifestyle.

Voter Registrations: Nearly everyone has voter registration on file.
Hunting/Weapon Permits: Might be good to know.

Possible Relatives, Likely Associates & Neighbor Phones: It's incredible how much data is aggregated here. Everyone from family, friends and distant relatives including their phone numbers along with all of the borrower's neighbors. If you're on the hunt for a difficult subject, this information is full of leads.

Local Realtor Drive-By

We learned this trick for non-performing notes in the property value module. Once you have a deal under contract, you can start building your local team. Here's a slight change (in bold) to the script for determining occupancy:

"I have a mortgage note under contract, secured by a property in your market. I'm out-of-state and looking for some boots on the ground to help with this deal. It's a non-performing note so we're probably going to have to foreclose or have the borrower list the property. If you could drive-by, take a few photos and let me know what you think it's worth I would be happy to list it with you if/when we go to market. We're not sure if the property is occupied or not, keep that in mind on your visit and let me know if you notice signs of it being inhabited or vacant."

Order a Door Knock

It's important that you request authorization from the seller prior to ordering a door knock. Some vendors may require that a door knock order be processed through the lender. Although you may find a local realtor willing to handle the door knock for you, there are many nationwide vendors that offer the service for $20-60. Typically a door knocker is armed with a letter for the borrower, worksheet to be completed or a phone for a warm transfer to the lender. A door knock will be most useful after you have already purchased the mortgage note.

TITLE REPORT

Also referred to as an O&E report (ownership & encumbrances), the title report is arguably the most critical step in the due diligence process. This is where investors uncover issues related to the property ownership, lien position, document recording, etc.

Often times, investors are comfortable purchasing junior liens without ordering a full title report. They will certainly check to confirm that the borrower is still listed as the property owner to ensure the subject lien is secured but the majority do not spend the money on a title search.

On the other hand, very rarely do investors purchase a senior lien without reviewing a recent title report. Title issues can make or break a mortgage note deal and it's worth ~$100 to uncover any potential issues prior to acquisition. Below, we will review some of the issues that are discoverable on a title report:

TITLE DEFECTS

Vesting Issues: Vesting is the ownership status of the property. We've already touched on how to review ownership through tax records – Pre-Bid Due Diligence. The vesting information included on the title report is the most accurate picture of property ownership. If the borrower is no longer the property owner on record then the lien is unsecured.

TIP

There's a really sneaky trick that we've discovered but it doesn't work for every property. Our friend Alex Goldovsky is the founder of an excellent title company called ProTitleUSA. His order tool (on the right side of the page) provides a preview of your order that displays the current property owner under "Additional Info" when you enter your property address and zip code then "Click Here to See Price".

Lien Position: There are a number of ways a lien ends up in the wrong position that won't be obvious until you have reviewed the title report. For example, a prior mortgage may not have been satisfied. In this case, it shouldn't be difficult to have the seller coordinate with the previous lender prepare to record a satisfaction agreement as a contingency to your purchase.

Another potential issue is when a necessary subordination agreement has been left unrecorded. Lien position is determined by recording date: the earliest secured lien on record is the senior. A subsequently recorded lien is junior. Sometimes liens are recorded out of order (modification, refinance, etc.) and a subordination agreement is needed to correct the priority. If missing and necessary, this is an important contingency to add to your final purchase agreement.

Subject Mortgage Issues: You should be able to verify the specific mortgage note you are reviewing for purchase based on the recording date and amount. If missing, you may be looking at an unrecorded mortgage or a mortgage recorded in the wrong county.

Some other potential issues include incorrect, incomplete or inconsistent legal description, missing signatories or notarization. A good title company (like ProTitleUSA, will identify these issues for you).

Break in the Assignment Chain: The chain of title, or history of ownership is evidenced by a number of assignments, each transferring the ownership of a mortgage between two parties: the assignor transfer to the assignee. These parties should be consistent and logical across all of the assignments in the chain. Ideally, this chain will end with the seller's entity but occasionally, they will have an unrecorded assignment included in the collateral file. You will only be able to see recorded assignments on the title report, so make sure you are confident that the seller has the necessary original documents signed and notarized.

Severe Defects: If you see one of these issues on your title report, notify the seller and pass on the deal: unredeemable property tax deed (see below), HOA Lien Foreclosure (Nevada), Subject Mortgage Foreclosure or Deed-in-Lieu (REO), Borrower not in Chain of Title.

Unresolved Defects: These are big problems that cloud title and will be difficult and expensive to fix: Renegotiate pricing if you notice these issues on title: subordinate HOA foreclosure, subordinate mortgage foreclosure, bankruptcy trustee property transfer, large parcel splits.

Non-Issue Defects: Estate transfers due to borrower death, transfer to a third party (borrower deeds to another person or LLC without paying off mortgages), small parcel splits, mortgage foreclosure followed by recession or vacation of FC

OTHER LIENS

Delinquent Taxes: Different states have their own process regarding unpaid property taxes. Some states auction tax lien certificates off to investors after a borrower has failed to pay their taxes for a period of time. An investor pays a property owner's delinquent tax bill and then charges interest to the property owner to pay it off. If the tax lien certificate isn't redeemed (paid off), eventually the investor may petition for a tax deed and foreclose on the property. In other states, if the property taxes aren't paid, there is a tax sale held to offer the tax deed for sale to investors with no certificate process. In some states, the owner may pay off the deed to redeem the property within a certain period of time, in most tax deed states, there is no redemption.

State	Type	Interest Rate	Redemption Period	Other
Alabama	Tax Lien	12% annually	3 years	HOA Super Lien
Alaska	Tax Deed		No Redemption	HOA Super Lien
Arizona	Tax Lien	16%	3 years	
Arkansas	Tax Deed		No Redemption	
Colorado	Tax Lien	9% + discount rate	3 years	HOA Super Lien
Connecticut	Tax Lien	18% flat rate	1 year	
Connecticut	Tax Deed	18%	1 year	HOA Super Lien
Delaware	Tax Deed		No Redemption	HOA Super Lien
District of Columbia	Tax Lien	18%	6 months	HOA Super Lien
Florida	Tax Lien	18%	22 months	HOA Super Lien
Georgia	Tax Deed	20%	1 year	
Hawaii	Tax Deed	12%	1 year	HOA Super Lien
Idaho	Tax Deed		No Redemption	
Illinois	Tax Lien	18%	6 months	HOA Super Lien
Indiana	Tax Lien	10% – 15%	1 year	
Iowa	Tax Lien	24%	21 months	
Kansas	Tax Deed		No Redemption	
Kentucky	Tax Lien	12%	1 year	
Louisiana	Tax Lien	5% + 1% each month	3 years	
Maine	Tax Deed		No Redemption	
Maryland	Tax Lien	varies by county	6 months – 2 years	HOA Super Lien

Massachusetts	Tax Deed		No Redemption	HOA Super Lien
Michigan	Tax Deed		No Redemption	
Minnesota	Tax Deed		No Redemption	HOA Super Lien
Mississippi	Tax Lien	18%	2 years	
Missouri	Tax Lien	10%	2 years	
Montana	Tax Lien	10%	2-3 years	
Nebraska	Tax Lien	14%	3 years	
Nevada	Tax Deed		No Redemption	HOA Super Lien
Nevada	Tax Lien	12%	2 years	HOA Super Lien
New Hampshire	Tax Deed		No Redemption	
New Jersey	Tax Lien	18%	2 years	HOA Super Lien
New Mexico	Tax Deed		No Redemption	
New York	Tax Deed		No Redemption	
New York	Tax Lien	14%	1 year	
North Carolina	Tax Deed		No Redemption	
North Dakota	Tax Deed		No Redemption	
Ohio	Tax Deed		No Redemption	
Ohio	Tax Lien	18%		
Oklahoma	Tax Lien	8%	2 years	
Oregon	Tax Deed		No Redemption	HOA Super Lien
Pennsylvania	Tax Deed		No Redemption	HOA Super Lien
Rhode Island	Tax Lien	10% + 1% per month	1 year	HOA Super Lien
South Carolina	Tax Lien	3% per quarter	1 year	
South Dakota	Tax Lien	12%	3 years	

Tennessee	Tax Deed	10%	1 year	HOA Super Lien
Texas	Tax Deed	25% – 50%	2 years	
Utah	Tax Deed		No Redemption	
Vermont	Tax Lien	12%	1 year	HOA Super Lien
Virginia	Tax Deed		No Redemption	
Washington	Tax Deed		No Redemption	HOA Super Lien
West Virginia	Tax Lien	12%	1 year	HOA Super Lien
Wisconsin	Tax Deed		No Redemption	
Wyoming	Tax Lien	18% flat rate	4 years	

HOA/COA/IRS Liens: For properties located within a Home Owner Association or Condo Owner Association, past dues may be perfected into a lien against the real estate. In most states, these are considered a junior lien (when they are recorded after the mortgage). However, in 23 states they are considered Super Liens, see right column in the above table.

IRS Liens typically have a 120 day redemption rule (apart from 1 year in AL) and will be within statute of limitations against the borrower personally for 10 years. After the borrower sells piece of property (or any event of sale), the IRS lien will attach to the property. Since a foreclosure is an event of sale, the IRS requires the foreclosing attorney to serve the IRS notice of the foreclosure. If you notice an IRS lien on title, it will be important to notify your attorney and make sure that the IRS is named as a defendant in the event you proceed with foreclosure.

State Tax Liens or Warrants: Considered junior liens but need to be paid in foreclosure. Most states have 10-20 years statute of limitations until they expire. Negotiable, makes sure the state properly releases the lien. A great title company like ProTitleUSA will assist with negotiating these liens.

DoJ/Federal Liens: May occur due to criminal actions of the borrower. Non-negotiable.

Municipal, Environmental and City Liens: Negotiable, sometimes down to 10% or less of the balance due but with the strict understanding that whatever the violation that caused the fine has been fixed.

Code Violations and Demolition Liens: Called nuisance liens or ECB Liens (NY: Environmental Control Board). If you notice these liens on title, they are often indicative of a serious issue with the property resulting in unsafe living conditions or condemnation. Within 6 month to a year, the property might be demolished resulting in a loss of your secured collateral. This should be obvious after your BPO report or Google Street View.

Water/Sewer/Utility/Gas/City Common Charges: Know the municipal laws, in some areas these liens aren't wiped from the property in foreclosure and will need to be paid prior to transferring the deed and clearing title.

Mechanics Liens: A lien recorded against a property by a contractor or other company after work was completed but the borrower didn't make payment. Can be a first position lien if the date of service or delivery of goods is earlier then the recording date of the mortgage. Otherwise, will be wiped in foreclosure if there is no equity to pay after the mortgage(s) have been paid.

Judgements: If the borrower has a previous judgement that is not named as a defendant in the lender's foreclosure proceeding, it will stick to the property and continue as a secured lien (within the statute of limitations).

PROPERTY TAXES

Unless the senior lien is non-performing, junior lien holders don't need to be as concerned with delinquent property taxes. This is because when the borrower is making payments to the senior lien, the senior lien is protecting their interest by making sure property taxes are paid.

When the senior is non-performing (especially when you are looking to purchase the senior), property taxes are critically important to review. Here are the steps on how to research the property taxes yourself:

STEP 1 – Visit the county website

Insert the property zip code in the "Zip to County Converter" on publicrecords.netronline.com. Click the county identified in the next screen. You should now see a list of the different departments in the local county. Every county calls each departments a slightly different thing but to quickly find out the current property owner, look for the Tax Office (for a much more in-depth review, you can search the Recorder of Deeds).

Here's a potential shortcut (that doesn't work all the time): search the subject property on zillow.com (you may see that the property has been sold or foreclosed – REO right on the main property page, if so it's unsecured). Scroll down and click the link called "See More Facts and Features". Scroll down to the bottom of the expanded section and if available, you will see a link for “County website” – click it and if you’re lucky, this might skip you right to Step 4.

STEP 2 – Find the Tax Records Search

Not every county has online access to public records but most will have some type of search system. Hopefully the Netronline link took you to the right page, if not you’ll have to click around to find it somewhere on the county website. Worst comes to worst – give the county a phone call and ask where to search property taxes online!

Step 3 – Search for the Property

Every county has a different search function. Some will allow you to search by property address, others will require a Parcel #. If you have the Zillow property details pulled up from Step 1, the Parcel # might be listed in the expanded section typically under “Other Exterior Features” in the right hand column. Copy & paste into the search!

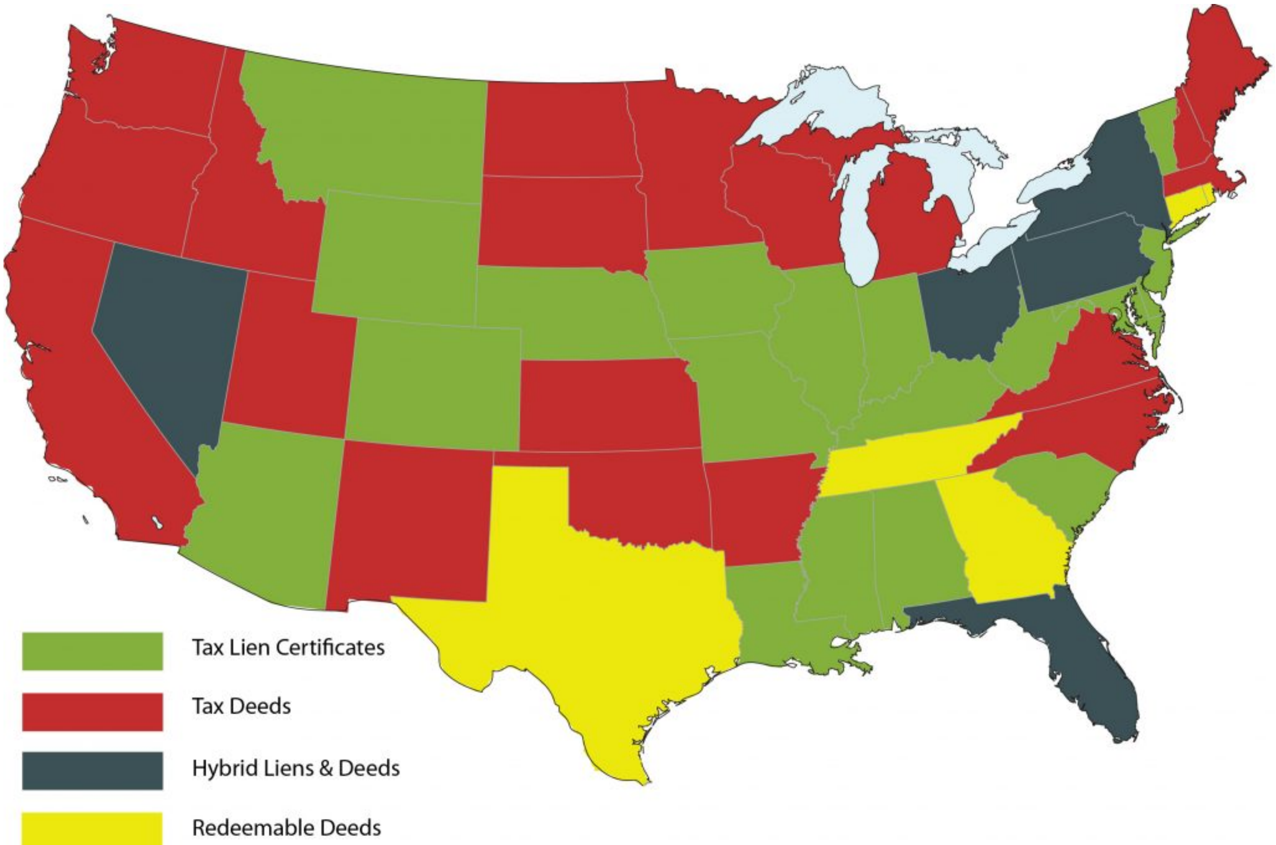
Step 4 – Review the Tax Records

If everything worked up until this point, you should now be looking at the county’s specific details for the subject property. Find the tax information section, tab or page within the property details. Make sure to review all years and add up the total amount of delinquent taxes owed.

Even if you think you’ve found everything you need online, it’s still a great idea to call the county and ask about the specific parcel and the process in general.

TAX LIEN CERTIFICATES & TAX DEEDS

The primary differences between tax liens and tax deeds is that tax liens are typically longer-term where tax deeds are short-term, especially when there is no redemption period. Be wary, especially in tax deed states to make sure you don’t lose your secured property interest in a tax foreclosure.



If and when you run into a tax lien certificate or tax deed sale, it's a great idea to speak with a local attorney. In the mean times, here's a list for your reference and below you will find more detailed information:

State	Type	Interest Rate	Redemption Period
Alabama	Tax Lien	12% annually	3 years
Alaska	Tax Deed		No Redemption
Arizona	Tax Lien	16% annually	3 years
Arkansas	Tax Deed		No Redemption
California	Tax Deed		No Redemption
Colorado	Tax Lien	9% + discount rate	3 years
Connecticut	Tax Lien	18% flat rate	1 year
Connecticut	Tax Deed	18%	1 year
Delaware	Tax Deed		No Redemption
District of Columbia	Tax Lien	18%	6 months
Florida	Tax Lien	18%	22 months
Georgia	Tax Deed	20%	1 year
Hawaii	Tax Deed	12%	1 year
Idaho	Tax Deed		No Redemption
Illinois	Tax Lien	18%	6 months
Indiana	Tax Lien	10% – 15%	1 year
Iowa	Tax Lien	24%	21 months

Kansas	Tax Deed		No Redemption
Kentucky	Tax Lien	12%	1 year
Louisiana	Tax Lien	5% + 1% each month	3 years
Maine	Tax Deed		No Redemption
Maryland	Tax Lien	varies by county	6 months – 2 years
Massachusetts	Tax Deed		No Redemption
Michigan	Tax Deed		No Redemption
Minnesota	Tax Deed		No Redemption
Mississippi	Tax Lien	18%	2 years
Missouri	Tax Lien	10%	2 years
Montana	Tax Lien	10%	2-3 years
Nebraska	Tax Lien	14%	3 years
Nevada	Tax Deed		No Redemption
Nevada	Tax Lien	12%	2 years
New Hampshire	Tax Deed		No Redemption
New Jersey	Tax Lien	18%	2 years
New Mexico	Tax Deed		No Redemption
New York	Tax Deed		No Redemption
New York	Tax Lien	14%	1 year
North Carolina	Tax Deed		No Redemption
North Dakota	Tax Deed		No Redemption
Ohio	Tax Deed		No Redemption
Ohio	Tax Lien	18%	
Oklahoma	Tax Lien	8%	2 years
Oregon	Tax Deed		No Redemption
Pennsylvania	Tax Deed		No Redemption
Rhode Island	Tax Lien	10% + 1% per month	1 year
South Carolina	Tax Lien	3% per quarter	1 year
South Dakota	Tax Lien	12%	3 years
Tennessee	Tax Deed	10%	1 year
Texas	Tax Deed	25% – 50%	2 years
Utah	Tax Deed		No Redemption
Vermont	Tax Lien	12%	1 year
Virginia	Tax Deed		No Redemption
Washington	Tax Deed		No Redemption
West Virginia	Tax Lien	12%	1 year
Wisconsin	Tax Deed		No Redemption
Wyoming	Tax Lien	18% flat rate	4 years

Alabama
Sale Type: Tax Lien Certificates
Interest Rate: 12% APR
Bid Method: Premium Bid
Redemption Period: 3 Years
Sale Date(s): May
State Statute(s): Section 40-30-1 through 40-10-198, Articles 1-7
Over-the-Counter: Yes
State Website: http://www.alabama.gov/portal/index.jsp

Alaska
Sale Type: Tax Deed
Interest Rate: N/A
Bid Method: Varies by Municipality **Redemption Period:** 1 year minimum
Sale Date(s): Varies by Municipality
Statute Section(s): Title 29, CH 45, Article 2
Over-the-Counter: County – NO State -YES
State Website: http://www.state.ak.us/

Arizona
Sale Type: Tax Lien Certificates
Interest Rate: 16% annually **Bid Method:** Bid down interest rate
Redemption Period: 3 Years **Sale Date(s):** February **Statute Section(s):** Title 42, CH 18
Over-the-Counter: Yes
State Website: http://www.az.gov/

Arkansas
Sale Type: Tax Deed
Bid Method: Premium Bid
Sale Date(s): Year Round
State Statute(s): Title 26, Sub Title 4, CH 37
Over-the-Counter: http://www.cosl.org/

California
Method of Sales: Tax Deeds
Bid Style: Premium Bid
Auctioning Period: Spring (Varies by County) **Governing Statutes:** Div. 1, Part 6,7,7.5
Over-the-Counter: No
Website for CA: http://www.ca.gov/

Colorado

Sale Type: Tax Lien Certificates **Interest Rate:** 9%
Bid Method: Highest Bid **Redemption Period:** 3 Years
Sale Date(s): October – December
Statute Section(s): Title 39, Article 11
Over-the-Counter: Yes

Connecticut
Sale Type: Hybrid
Interest Rate: 18% APR **Bid Method:** Premium Bid
Redemption Period: 1 Year
Sale Date(s): June
Statute Section(s): Title 12, CH 204, 205
Over-the-Counter: No

Delaware
Sale Type: Hybrid – Tax Deed w/ Redemption Period **Interest Rate:** 15% Penalty
Bid Method: Premium Bid
Redemption Period: 60 Days
Sale Date(s): Year Round (Varies by county)
State Statute(s): Title 9, CH 87
Over-the-Counter: No
State Website: http://delaware.gov/

Florida
Sale Type: Tax Lien Certificates & Tax Deeds
Interest Rate: 18% minimum of 5%
Bid Method: Bid Down Interest **Redemption Period:** 2 Years
Sale Date(s): Annual Lien Sale in May; Year-Round Deed Sales
Statute Section(s): Title 14 Chapter 197
Over-the-Counter: Yes

Georgia
Sale Type: Hybrid Tax Deeds
Interest Rate: 20% Penalty for 1st year and 1% per month thereafter
Bid Method: Premium Bid
Redemption Period: 1 Year
Sale Date(s): Varies by County
Statute Section(s): Annotated Sections 48-2-40-40; 48-3-19,20; 48-4-42,45; Title 48, CH 3,4
Over-the-Counter: No
State Website: http://www.georgia.gov/

Hawaii
Sale Type: Redemption Tax Deeds **Interest Rate:** 12%
Bid Method: Premium Bid **Redemption Period:** 1 Year
Sale Date(s): Infrequent
Statute Section(s): Title 14, CH 246
Over-the-Counter: No

Idaho
Sale Type: Tax Deed
Interest Rate: N/A
Bid Method: Premium Bid
Sale Date(s): Summer
Statute Section(s): Title 31, CH. 8, Title 63, CH. 10
Over-the-Counter: Yes
State Website: http://www.idaho.gov/

Illinois
Sale Type: Tax Lien Certificates **Interest Rate:** 18%
Bid Method: Bid Down Interest
Redemption Period: 2-3 years
Sale Date(s): Varies by County
State Statute(s): CH 35, Title 7
Over-the-Counter: http://www.iltaxsale.com/demo/index-2.php

Indiana
Sale Type: Tax Lien Certificates
Interest Rate: 10%
Penalty: 1st 6 months, 15% Penalty 2nd 6 months
Bid Method: Premium Bid
Redemption Period: 1 Year
Sale Date(s): Varies by county (August – October)
Statute Section(s): Title 6, Article 1.1, CH 24
Over-the-Counter: No

Iowa
Sale Type: Tax Lien Certificates
Interest Rate: 24% per annual
Bid Method: Rotational
Redemption Period: 1.75 years

Sale Date(s): 3rd Monday in June
State Statute(s): Title X, CH 446 – 448
Over-the-Counter: No

Kansas
Sale Type: Tax Deed
Bid Method: Highest Bidder
Sale Date(s): Annually (Varies by county)
State Statute(s): CH 79, Article 23,24,28
Over-the-Counter: Yes
State Website: http://www.kansas.gov/

Kentucky
Sale Type: Tax Lien Certificates
Interest Rate: 12%
Bid Method: Premium Bid
Redemption Period: 1 Year
Sale Date(s): April-May
State Statute(s): Title IX, CH 91, Title XI, CH 134
Over-the-Counter: No
State Website: http://www.kentucky.gov/

Louisiana
Sale Type: Redemption Tax Deeds
Interest Rate: 12 % + 5% Penalty
Bid Method: Bid Down Interest
Redemption Period: 3 Years
Sale Date(s): January – April
State Statute(s): Article VII, Sec. 25
Over-the-Counter: No
State Website: http://www.louisiana.gov/

Maine
Sale Type: Tax Deeds
Bid Method: Premium Bid
Sale Date(s): Year Round **State Statute(s):** Title 36, Part 2, CH 105
Over-the-Counter: No
State Website: http://www.maine.gov/

Maryland
Sale Type: Tax Lien Certificate

Interest Rate: 24% Baltimore City, 20% Garrett County, 20% Montgomery County, 24% Price George's County **Bid Method:** Premium Bid
Redemption Period: 6 Months
Sale Date(s): Year Round
State Statute(s): Title 14
Over-the-Counter: Yes

Michigan
Sale Type: Tax Deed
Bid Method: High Bid
Sale Date(s): June
State Statute(s): Chapter 211
Over-the-Counter: Yes (State Owned)

Minnesota
Sale Type: Tax Deed
Bid Method: Highest Bidder
Sale Date(s): Fall (May Vary by County) **Statute Section(s):** Chapters 279-282
Over-the-Counter: Yes
State Website: http://www.state.mn.us/

Mississippi
Sale Type: Tax Lien and Tax Deed **Interest Rate:** 18% APR **Bid Method:** Highest Bidder
Redemption Period: 2 Years
Sale Date(s): April and August
State Statute(s): Title 27
Over-the-Counter: Yes
State Website: http://www.mississippi.gov/

Missouri
Sale Type: Tax Liens & Tax Deeds **Interest Rate:** 10% APR **Bid Method:** Premium Bid
Redemption Period: 2 Years
Sale Date(s): Year Round **Statute Section(s):** Chapters 140 & 141
Over-the-Counter: Yes
State Website: http://www.mo.gov/

Montana
Sale Type: Tax Lien
Interest Rate: 10%
Bid Method: Highest Bidder **Redemption Period:** 3 Years
Sale Date(s): July

State Statute(s): 15-17-911
Over-the-Counter: No

Nevada
Sale Type: Tax Lien
Interest Rate: 10% per annum + 2% penalty
Bid Method: Rotational
Redemption Period: 3 Years
Sale Date(s): First Monday in March
State Statute(s): Chapter 77
Over-the-Counter: Yes
Sale Type: Hybrid Tax Deed **Interest Rate:** 12% APR **Bid Method:** Highest Bidder
Redemption Period: 2 Years
Sale Date(s): Year Round
State Statute(s): Chapter 361

New Jersey
Sale Type: Tax Liens
Interest Rate: 18% per annum
Bid Method: Bid down the interest or premium
Redemption Period: 2 years
Sale Date(s): Varies by county
Statute Section(s): Title 54, Subtitle 2 CH 5
Over-the-Counter: No
State Website: Div. of Local Govt. Svcs.

New Mexico
Sale Type: Deed
Bid Method: Competitive high bid
Sale Date(s): Year-round
Statute Section(s): NM Statutes – CH 7, Article 38
Over-the-Counter: No
State Website: State of New Mexico Property Tax Division

New York
Sale Type: Tax Deeds (Except NYC)
Bid Method: Highest Bid
Sale Date(s): Year Round
Statute Section(s): CH 50-a, Article 11
Over-the-Counter: Yes
State Website: http://www.ny.gov/

North Carolina
Sale Type: Tax Deed
Bid Method: Highest Bid
Sale Date(s): Year-Round
State Statute(s): CH 105, Sub CH II, Article 26
Over-the-Counter: Yes
State Website: http://www.ncgov.com/

Ohio
Sales Types: Tax Lien and Tax Deeds
Interest Rate of Return: 18%
Bidding Methods: Premium Bid, Bulk Bid
Redemption Period: 1 Year
Sale Dates: Deeds all year around, Liens annually
State Statute(s): Title 57 CH 5721, 5723
Over-the-Counter: No
Ohio State's Website: www.ohio.gov

Oklahoma
Sale Type: Tax Deed
Bid Method: Highest Bidder
Sale Date(s): June
State Statute(s): Title 68 Article 31
Over-the-Counter: Yes
State Website: www.ok.gov

Oregon
Sale Type: Tax Deed
Bid Method: High Bid/Lottery
Sale Date(s): Year Round
Redemption Period: None/1 Year/2 Years
State Statute(s): Volume 3
Over-the-Counter: Yes
State Website: http://oregon.gov

Pennsylvania
Sale Type: Tax Deeds
Bid Method: Public Auction
Sale Date(s): Varies by County

State Statute(s): Title 72, Taxation and Fiscal Affairs
Over-the-Counter: Yes
State Website: www.pa.gov

Rhode Island
Sale Type: Tax Lien Certificates/Tax Deeds
Interest Rate: 10%+1%
Bid Method: Highest Bidder
Redemption Period: 1 Year
Sale Date(s): Year Round
State Statute(s): Title 44, CH 9
Over-the-Counter: No
State Website: www.ri.gov

South Carolina
Sale Type: Lien Certificates
Interest Rate: 3%-12%
Bid Method: Highest Bidder
Redemption Period: 12 – 18 Months
Sale Date(s): Fall
Statute Section(s): Code of Laws of SC – Title 12, CH 51
Over-the-Counter: No
State Website: www.sc.gov

Tennessee
Sale Type: Redeemable Tax Deed
Interest Rate: 10% APR
Bid Method: Premium Bid
Redemption Period: 1 Year
Sale Date(s): Varies by County
State Statute(s): Title 67
Over-the-Counter: Yes – County Surplus Property
State Website: http://www.state.tn.us/
Tennessee County Website: http://tennesseeanytime.org/local/counties.html
Contact Info for all Counties:
http://www.comptroller1.state.tn.us/PAnew/ListAssessorsTrustees.asp

Texas
Sale Type: Redeemable Tax Deed
Interest Penalty: 25% Penalty per 6 Month Period
Bid Method: Premium Bid

Redemption Period: 6 Months or 2 Years
Sale Date(s): First Tuesday of Every Month
Statute Section(s): Ch. 34, Tax Sales and Redemption – Sec 34.01
Over-the-Counter: Yes – Struck Off, Trustee, or Land Trust Properties
Texas State Website: http://www.texas.gov/en/Pages/default.aspx
Texas County Website: http://www.texascounties4u.org/websites.html

Utah
Sale Type: Tax Deeds
Bid Method: Highest Bidder/Bid Down % of Ownership
Sale Date(s): 3rd Thursday in May
State Statute(s): Title 59, Ch. 2
Over-the-Counter: Yes
State Website: http://www.utah.gov/index/html
Utah County Website: http://www.uacnet.org/county/

Virginia
Sale Type: Redeemable Tax Deed
Interest Rate: 10% APR
Bid Method: Premium Bid
Redemption Period: 1 Year
Sale Date(s): Varies by County
State Statute(s): Title 67
Over-the-Counter: Yes – County Surplus Property
State Website: http://www.state.tn.us/
Tennessee County Website: http://tennesseeanytime.org/local/counties.html
Contact Info for all Counties:
http://www.comptroller1.state.tn.us/PAnew/ListAssessorsTrustees.asp

Washington
Sale Type: Tax Deeds
Interest Rate: N/A
Bid Method: Highest Bidder
Sale Date(s): Winter
State Statute(s): Title 84
Over-the-Counter: Yes
State Website: http://access.wa.gov
Washington County Website: http://www.mrsc.org/byndmrsc/counties.aspx
Washington County Officials Website:
http://www.wacounties.org/waco/county/map.html

Wisconsin
Sale Type: Tax Deed
Interest Rate: N/A
Bid Method: Highest Bidder
Redemption Period: N/A
Sale Date(s): Year Round
State Statute(s): Ch. 74 & 75
Over-the-Counter: Yes
State Website: http://wisconsin.gov
Wisconsin County Website:
http://coastal.lic.wisc.edu/wisconsin-ims/wisconsin-ims.htm

Wyoming
Sale Type: Tax Lien Certificates
Interest Rate: 15% + 3% Penalty
Bidding Method: Random Selection
Redemption Period: 4 Years
Typical Sale Period: Summer
State Statute(s): Title 39, Ch. 13
State Website: http://wyoming.gov
Wyoming Resource: http://www.wyo-wcca.org/

CREDIT REPORT

Junior lien investments live and die by the credit report, more specifically – the status of the senior lien. In this module, the main objective is to determine the value and payment status/history of the senior lien trade-line.
A credit report, produced by one of three main credit bureaus (Transunion, Equifax and Experian), is a financial report consolidating all of a person's borrowing history into a single document. The report consist of numerous trade-lines, representative of all the borrower's debts, secured and unsecured. These trade-lines are categorized according to the debt type:

- Open account (30, 60 or 90 days)
- Revolving or Option (credit card, etc.)
- Installment (fixed number of payments)
- Line of Credit
- Mortgage

It's a good idea to skim through all of the trade-lines in order to get a better picture of the borrower's financial status; are they making their car payments? Do they owe student loans or medical debt?

For a comprehensive guide on understanding everything in a report, read through the specific credit bureau's documentation, this guide will focus specifically on things to look for as a mortgage note investor.

Transunion: How to Read a Credit Report
Equifax: Consumer Credit Report User Guide
Experian: Credit Profile Report

CURRENT ADDRESS
One of the first things you'll see on the credit report is a list of several addresses along with dates. These are the addresses reported to credit bureau by the borrower when they have applied for loans or submitted financial information to banks and credit unions. It's a good idea to note the current address on the credit report as an occupancy data point.

FICO SCORE
The borrower's FICO score is the three major credit bureau's way of distilling all of the subject's financial history into one, three digit number. This is an important number to take note of because it affects the borrower's ability to refinance their mortgage. An excellent exit strategy for a non-performing note is to have the borrower refinance the debt. In a low interest rate

environment, this is especially attractive. Unfortunately, without a strong score, this won't be a viable strategy.

PUBLIC RECORDS

This is one of the next sections included on the credit report and will summarize important information such as bankruptcy records or involuntary liens and judgements against the borrower.

SENIOR LIEN

Most credit reports will include a summary section near the beginning of the report, take a look at this section first to make sure you see a mortgage debt listed. Next, we'll find the trade-line details of the mortgage. Some reports group trade-lines into two sections: Collections, consisting of the past due debts and then the regularly paid debts. The senior lien trade line will be identifiable in one or the other.

Identifying the Senior

First, skim through the entire report, look at the amount of the various debts and the number of current accounts versus delinquent ones. The mortgage(s) should stand out to you pretty quickly as one of the largest debts on the report. Assuming you are purchasing the junior lien, you should see at least two mortgages.

One of the trade-lines should match the origination date and balance provided on the seller's data tape, the other is typically a larger balance and originated on the same day or earlier – that's the senior. Sometimes there will be many mortgage trade-lines listed.

First make sure that you don't bother with the loans that have already been paid off. If they are active with different balances, the borrower likely owns multiple properties. You'll need to compare the mortgage trade-lines against what the seller has provided on the data tape to find the correct mortgage that is secured by the property (if the seller has provided access to the collateral documents, you can typically find the origination balance of the senior on the title insurance policy). Or, if you don't have any senior lien information provided, use your best judgement to find the lien with the same, or earlier origination date and larger balance than the subject junior lien.

If the multiple mortgage trade lines all have the same balance, it's likely the same loan being transferred multiple times. Keep looking until you find the active account, the others should be marked as closed/transferred.

Determining the Payment Status

The first thing you'll want to look at before you begin reviewing the senior lien details is the Reported Date. Make sure that the date reported is recent. If the borrower has filed for bankruptcy or the lien has been transferred, the credit reporting will stop and the trade-line will include stale information. Once you are sure that it is an active trade-line, look at the status on the right side or near the bottom of the trade-line. You should copy this status and add to your due diligence columns on the seller's data tape:

- Current: paying as agreed
- Semi-Current: consistently 30/60 days late (rolling)
- Delinquent: 90+ days late
- Foreclosure Initiated
- Foreclosure, Collateral Sold (unsecured)

Reading the Pay String
The pay string is the last 2 years of payment history in the form of a string of numbers and ideally looks something like this:
111111111111
111111111111

You don't want to see this:
543211221321
232222113211

Experian uses "C" instead of 1 to mean current, but otherwise here is the key:
1 – Pays as agreed (current)
2 – 30–59 days past the due date
3 – 60–89 days past the due date
4 – 90–119 days past the due date
5 – 120 days or more past the due date

The first digit in the top row is the current month, working left to right, you are reading each month through the most recent calendar year then the following row is the previous year. Seeing a borrower slip behind and then go into foreclosure on the senior lien is a bad sign and will significantly affect the value of the junior.
Calculating the Payoff Balance
Once you have found the correct senior lien trade line and determined the status, you will see several amounts, the payment amount, origination balance, current balance and past due amount. To calculate the equity available in the property, you will need to determine the total payoff amount of the senior lien. This is equal to the current balance + past due balance.

TIP
Many bureaus don't report the past-due balance past $65,000, be careful.

UNDERSTAND THE CONTRACT

Below, you will find a standard, AS-IS Mortgage Loan Purchase Sale Agreement that some of our sellers use on the FIXnotes Trade Desk.

MORTGAGE LOAN SALE AGREEMENT

THIS MORTGAGE LOAN SALE AGREEMENT ("Agreement") is entered into and effective the 1st day of January, 2020, by and between SELLER LLC, a Pennsylvania corporation ("Seller") and FIXnotes LLC ("Buyer"), a Pennsylvania limited liability company with a business address at 2001 Market Street, Suite 2500, Philadelphia, PA 19146

WITNESSETH:

WHEREAS, Seller is Owner of the Mortgage Loans with the power to sell, transfer, assign and convey the Mortgage Loans,

WHEREAS, Seller desires to sell the Mortgage Loans,

WHEREAS, Buyer desires to purchase the Mortgage Loans for the consideration and under the express terms, provisions, conditions and limitations as set forth herein; and

WHEREAS, Seller and Buyer desire to enter into this Agreement to establish the definite terms and conditions governing the purchase and sale of such Mortgage Loans;

NOW, THEREFORE, in consideration of the mutual promises herein set forth and other valuable consideration, the receipt of which is hereby acknowledged, Seller and Buyer, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings indicated:

"Agreement" means this Mortgage Loan Sale Agreement, including the cover page and all Addenda, Exhibits and Schedules hereto.

"Assignment of Mortgage" means, with respect to any Mortgage Loan, an original or certified copy of an assignment of the related Mortgage, and notice of transfer or equivalent instrument in recorded or recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the assignment and pledge of such Mortgage.

"Current Balance" means the unpaid balance in United States Dollars for each asset identified in the Mortgage Loan Schedule attached hereto as Exhibit A.

"Bill of Sale" means the document to be delivered to Buyer on or after the Closing Date, in the form attached hereto as Exhibit B, together with a Schedule.

"Claim" means any claim, demand or legal proceeding.

"Closing" means the simultaneous delivery by Seller and Buyer on the Closing Date (hereinafter defined) of documents and funds, and the performance of the acts herein provided to be performed at the Closing.

"Closing Date" means January 1, 2011, unless otherwise specified by written agreement between Seller and Buyer.

"Cut-off Date" means the date one business day prior to the Closing Date, unless otherwise specified by written agreement between Seller and Buyer.

"Foreclosure" means an action or process pursuant to the laws of the jurisdiction in which Mortgage Property is located by which the Mortgage Property is sold and the proceeds applied to the outstanding balance of a defaulted Mortgage Loan.

"Loan Servicing" or **"Servicing"** means the essential processes of managing mortgage loan accounts generally, including but not limited to payment processing, investor reporting, escrow administration and default management.

"Mortgage" means, with respect to any Mortgage Loan, the mortgage, deed of trust or other instrument securing the related Mortgage Note, which creates a first or second lien on the fee in Mortgaged Property and/or a first or second lien on the leasehold estate in Mortgaged Property securing the Mortgage Note, together with assignments.

"Mortgage Loan(s)" means a delinquent loan evidenced by a Mortgage Note.

"Mortgage Loan Documents" means, with respect to each Mortgage Loan, the Mortgage Note evidencing such Mortgage Loan along with any endorsement or Allonge, the Mortgage or Deed of Trust securing the Mortgage Note along with any assignments of mortgage, and any other documents or instruments in Seller's possession or control creating, relating to, or evidencing the Mortgage Loan.

"Mortgage Loan Schedule" means the list of Mortgage Loans attached hereto as Exhibit A.

"Mortgage Note" means, with respect to each Mortgage Loan, the promissory note or other evidence of indebtedness evidencing such Mortgage Loan.

"Mortgaged Property" means, with respect to each Mortgage Loan, the related Obligor's fee and/or leasehold interest in the real property (and/or all improvements, buildings, fixtures, building equipment and personal property thereon (to the extent applicable) and all additions, alterations and replacements made at any time with respect to the foregoing) and all other collateral.

"Obligor" means, with respect to each Mortgage Loan, the current and unreleased obligor(s) on the related Mortgage Note or other evidence of indebtedness, including, without limitation, any and all guarantors, sureties or other persons or entities liable thereon.

"Purchase Price" means the amount offered or bid by Buyer to purchase the Mortgage Loans and accepted by Seller.

"Transfer Date" means the date by which the Mortgage Loan Documents and all data in whatever format required to service the Mortgage Loans shall be delivered by Seller to Buyer, and on which the rights and obligations of servicer of record of the Mortgage Loans shall transfer from Seller to Buyer (as more fully set forth in Article III and elsewhere herein), which shall be no more than thirty (30) days following Closing.

"Transfer Documents" means all documents that are required to be delivered on the Transfer Date by Seller or the Buyer pursuant to Article III.

ARTICLE II
PURCHASE AND SALE OF THE MORTGAGE LOANS

Section 2.1. Agreement to Sell and Purchase Mortgage Loans. Seller agrees to sell and Buyer agrees to purchase, the Mortgage Loans described in the Mortgage Loan Schedule attached hereto as Exhibit A and made a part hereof by reference, subject to the terms, provisions, conditions, limitations, waivers and disclaimers set forth in this Agreement. Buyer acknowledges that the Agreement is dependent on Seller fully closing the transaction to acquire the Mortgage Loans. Should Seller's transaction to acquire the Mortgage Loans not be completed within seven (7) business days of closing, this Agreement is null and void; and, the full Purchase Price and any deposit monies received will be returned to Buyer within seven (7) business days.

Section 2.2. Purchase Price/Payment. Buyer shall pay to Seller in immediately available funds in United States Dollars by wire transfer as instructed by Seller. The Purchase Price herein is $22,578.00 (TWENTY TWO THOUSAND FIVE HUNDRED SEVENTY EIGHT AND 00/100 DOLLARS) which represents full payment for the Mortgage Loans set forth in the Mortgage Loan Schedule. Upon confirmation of receipt of the wire transfer, Seller shall commence the transfer of the Mortgage Loans and documents as more fully set forth in Article III.

Section 2.3. Payments Received/Adjustments to Purchase Price. If Seller receives any payments or other consideration distributed or paid by or on behalf of an Obligor with respect to the Mortgage Loans (hereinafter "payment") prior to the Cut-off Date, Seller shall be entitled to accept such payment and Buyer shall be entitled to a credit equal to: (x) the "bid percent" (defined as the percentage derived by dividing the Buyer's purchase price in dollars by the unpaid note balance due under the Mortgage Loan) times (y) the payment amount received by the Seller. Such credit shall be applied against the Purchase Price, to the extent such Purchase Price did not reflect a reduction of such payment. If Seller shall receive any payment on or after the Cut-off Date, Seller shall pay over and/or deliver such payment to Buyer on or within 30 days of its receipt thereof and, if necessary, with an endorsement in the form substantially as follows: "Pay to the order of FIXnotes LLC without representations, warranties, and without recourse." Seller may indicate on the records related to any of the Mortgage Loans the date of receipt and amount of any payments. If Seller has deposited payments received from any Obligor and issues a check or payment therefor to Buyer, Buyer shall retain the risk that any such payment so deposited by Seller shall be returned uncollected due to insufficient funds of other reasons. Seller shall have a period of thirty (30) days after the date Seller delivers to Buyer payments made by or on behalf of any Obligor after the date of this Agreement, to notify Buyer in writing that any such payments were returned uncollected and specifying the amount thereof, whereupon Buyer shall immediately, and not later than thirty (30) days following receipt of such notice, pay to Seller the amount of such payment by cashiers or certified check and identifying thereon this Agreement and the specific asset(s) to which such payment relates.

ARTICLE III
TRANSFER OF MORTGAGE LOANS AND TRANSFER DOCUMENTS

Section 3.1. Transfer of Mortgage Loans. The Mortgage Loans shall be transferred and assigned pursuant to the Bill of Sale, in the form attached hereto as Exhibit B and made a part hereof by reference, which Bill of Sale shall sell, transfer, assign, set-over, quitclaim and convey to Buyer all right, title and interest of Seller in and to each of the Mortgage Loans sold, any payment received by Seller from and after the Cut-Off Date, if any, subject to the provisions of Section 2.3 hereof, the Mortgage Loan Documents, and any applicable insurance proceeds and condemnation awards related to the Mortgage Loans relating to rights accrued by Seller after the Cut-Off Date. On or immediately following the Closing Date, Seller shall execute and deliver to Buyer the Bill of Sale and such other documents as are proper or appropriate for the legal transfer of Seller's right, title and interest in and to the Mortgage Loans purchased pursuant to this Agreement (specifically, however, not inclusive of individual Mortgage Loan assignments, which matter is controlled by Sections 5.11 and 6.1 (f) hereof).

Section 3.2. Transfer of Documents. On the Transfer Date, Seller shall deliver to Buyer (i) the Mortgage Documents in Seller's possession, (ii) such information in Seller's possession that may be necessary to Buyer to service the Mortgage Loans. Buyer shall bear the expenses of transportation and storage of such Transfer Documents and of other documents, instruments and files to be delivered to Buyer pursuant to this Article III.

Section 3.3. Additional Documentation. In the event Buyer requests Seller to execute and deliver other documents which are reasonably required, including "lost note affidavits" or other similar documents in addition to the initial Transfer Documents, Buyer shall furnish Seller with copies of the proposed other documentation for review and approval. Seller shall respond to such requests in a reasonable period of time not to exceed thirty (30) days from the date a written request is received. All costs, fees and expenses of preparing and filing or recording any such other documentation shall be the sole responsibility of Buyer.

Section 3.4. Notices. Seller shall forward to Buyer, within a reasonable period of time after receipt, all written notices or other information received by Seller concerning any of the Mortgage Loans purchased by Buyer.

ARTICLE IV
SERVICING

Section 4.1. Servicing After Closing Date. The Mortgage Loans shall be sold and conveyed to Buyer on a servicing-released basis. Seller (or Seller's predecessor owner of the Mortgage Loans) shall send "good-bye" letters to Obligors in accordance with applicable law. Buyer shall send "hello" letters to Obligors in accordance with applicable law. Buyer shall submit a draft "hello" letter to Seller for approval prior to sending such letters to Obligors. As of the Transfer Date, all rights, obligations, liabilities and responsibilities with respect to the servicing of the Mortgage Loans shall pass to Buyer. Seller shall have no obligation to perform any servicing activities with respect to the Mortgage Loans after the Transfer Date, except those required by law, if any.

Section 4.2. Interim Servicing/Buyer Bound. Between the Closing Date and the Transfer Date, Seller shall continue to service the Mortgage Loans to be transferred, and in connection therewith, Seller shall have the right to, among other things, postpone any pending foreclosure sale until after the Transfer Date or complete any foreclosure proceeding and transfer the rights therein and in any foreclosed collateral to Buyer on the Transfer Date. Buyer shall be bound by the actions taken by Seller prior to the Transfer Date. Seller shall not make any advances on the Mortgage Loans after the Closing Date without Buyer's written permission. Seller shall not be responsible for the failure to meet or toll any proof of claim, discharge, limitation, notice, hearing, trial, penalty or payment date or any other deadline in connection with a Mortgage Loan after the Closing Date. In no event shall Buyer be deemed a third party beneficiary of any servicing contract or agreement between Seller and any servicing agent and in no event shall Seller or any servicing agent be deemed a fiduciary for the benefit of Buyer with respect to the Mortgage Loans.

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS OF BUYER

Buyer hereby represents, warrants, and covenants as of the Closing Date and as continuing representations, warranties and covenants that survive execution of this Agreement as follows:

Section 5.1. Authorization. Buyer is duly and legally authorized to enter into this Agreement and has complied with any and all laws, rules, regulations, charter provisions, bylaws and operating agreements to which it may be subject and that the undersigned representative is authorized to act on behalf of and bind Buyer to the terms of this Agreement.

Section 5.2. Binding Obligations. Assuming due authorization, execution and delivery by each party hereto, this Agreement and all of the obligations of Buyer hereunder are the legal, valid and binding obligations of Buyer, enforceable in accordance with the terms of this Agreement, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

Section 5.3. No Breach or Default. The execution and delivery of this Agreement and the performance of its obligations hereunder by Buyer will not conflict with any provision of any law or regulation to which Buyer is subject or conflict with or result in a breach of or constitute a default under any of the terms, conditions or provisions of any agreement or instrument to which Buyer is a party or by which it is bound or any order or decree applicable to Buyer.

Section 5.4. Due Diligence. Buyer has been urged, invited and directed to conduct such due diligence review and analysis of the Mortgage Loan documents files, and related information, together with such records as are generally available to the public from local, county, state and federal authorities, record-keeping offices and courts (including, without limitation, any bankruptcy courts in which any Obligor(s), guarantor or surety, if any, may be subject to any pending bankruptcy proceedings), as Buyer deems necessary, proper, or appropriate in order to make a complete informed decision with respect to the purchase and acquisition of the Mortgage Loans.

Section 5.5. No Sale of Securities. The transactions contemplated by this Agreement are not intended in any way to constitute the sale of a "security" or "securities" within the meaning of any applicable securities laws, and none of the representations, warranties or agreements of Buyer shall create any inference that the transactions involve any "security" or "securities."

Section 5.6. [intentionally omitted]

Section 5.7. Enforcement/Legal Actions. Buyer agrees and represents that Buyer shall not institute any enforcement or legal action or proceeding in the name of Seller, or any subsidiary thereof, or make reference to any of the foregoing entities in any correspondence to or discussion with any particular Obligor regarding enforcement or collection of the Mortgage Loans except to identify the origination of the Mortgage Loans. Buyer also warrants and covenants not to take any enforcement action against any Obligor which would be commercially unreasonable or create any liability for Seller. Buyer shall not misrepresent, mislead, deceive, or otherwise fail to adequately disclose to any particular Obligor or guarantor the identity of Buyer as the owner of the Mortgage Loans. Seller shall have the right to seek the entry of an order by a court of competent jurisdiction enjoining any violation hereof.

Section 5.8. Compliance. Buyer agrees to abide by all applicable legal requirements of federal, state and local governments or agencies in respect to the Mortgage Loans, including but not limited to, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Federal Consumer Credit Protection Act "Truth-In-Lending") and Regulation Z issued thereunder, the Federal Equal Credit Opportunity Act and Regulation B issued thereunder, and any other applicable Federal law or regulation or any applicable State law or regulation. Buyer hereby warrants and represents that it holds all licenses required by the relevant jurisdictions to service the Mortgage Loans.

Section 5.9. Insurance. Buyer or any entity that will be collecting the Mortgage Loans on Buyer's behalf has $1,000,000.00 general comprehensive liability insurance coverage and $1,000,000.00 errors and omissions insurance coverage. At all times that the Buyer owns the Mortgage Loans, Buyer shall maintain these specified coverages.

Section 5.10. No Contact with Obligor. Buyer shall have no right to communicate with any Obligor or otherwise take any action with respect to any Mortgage Loan or any Obligor until the Transfer Date.

Section 5.11. Assignments. Buyer shall be responsible for preparing any assignments, and for the recording and/or filing of the originals of any such assignments and any power of attorney as the same may be necessary, proper or appropriate and shall pay all costs, fees and expenses for such recording and/or filing. Seller agrees to execute such documents as appropriate subject to the limitation imposed by Section 6.1((f) hereof. As to any Mortgage Loan where Mortgage Electronic Registration Systems, Inc. (MERS) acts as the nominee of the holder of the security interest, Seller shall notify MERS of the transfer of the beneficial interest from Seller to Buyer. Any related fees payable to MERS shall be the responsibility of Buyer.

Section 5.12. Risk Factors. Buyer acknowledges, understands and agrees that the acquisition of these Mortgage Loans involves a high degree of risk and is suitable only for persons or entities of sophistication and substantial financial means that have no need for liquidity and who can hold the Mortgage Loans indefinitely and/or bear the partial or entire loss of value. Buyer represents and warrants that it has read and understood the following specific risks (which list is not exclusive or exhaustive) associated with the purchase of the Mortgage Loans subject to this Agreement, and that it has been given the opportunity to ask questions or make inquiries with respect to the same:

- **Illiquid Financial Instrumen**t. There is no publicly-traded market for the Mortgage Loans. The Mortgage Loans are not convertible into cash or any cash equivalent and there is no ascertainable or readily-accessible exchange for their purchase and sale. Accordingly, there may be no manner to recoup your investment in the Mortgage Loans or to mitigate the risk of loss after you purchase them.

- **No Guaranty of Payment or Performance by Underlying Debtor**. The value of the Mortgage Loans depends on the willingness of the underlying borrower to make payment. There is no guarantee that the borrower will honor his/her obligations under the Mortgage Loans. If the borrower fails to make payment under the Mortgage Loans, this may cause the value of the Mortgage Loans to decline and/or eliminate any value in the Mortgage Loans.

- **Collateral is of Speculative Value.** The Mortgage Loans are secured by a second mortgage in borrower-owned real estate. However, the value of the property is uncertain. Insufficient value in the underlying real property may negatively affect the value of the Mortgage Loans, including eliminating any value in the Mortgage Loans.

- **Mortgage Loans are Subordinate to a Senior Mortgage.** The Mortgage Loans are subordinate to a senior mortgage. The senior mortgage-holder has the first right to dispose of the collateral in order to satisfy senior mortgage debt. The fact that the Mortgage Loans are secured by a second mortgage, entitling the holder to payment – should any possibility payment be available – only after the primary may negatively affect the value of the Mortgage Loans, including eliminating any value in the Mortgage Loans.

- **Foreclosure is a Lengthy, Expensive Process with No Guarantees as to Outcome.** In the event that a borrower does not perform under a Mortgage Loan, the Mortgage Loan owner may be able to initiate foreclosure proceedings. However, foreclosure is a lengthy, expensive process that varies by state and requires significant transactional expense, including attorneys' fees. There is no guarantee that initiating foreclosure will result in any value to the Mortgage Loan holder. Certainly, electing foreclosure as a remedy may negatively affect the value of the Mortgage Loans, including eliminating any value in the Mortgage Loans.

- **Macroeconomic Risk.** The value of the Mortgage Loans may be significantly affected by factors outside the control of the Mortgage Loan holder or the borrower. Trends in the macro-economy, including financial, legal, and regulatory, may negatively and materially impact the value of the Mortgage Loans and the remedies available to the Mortgage Loan holder in securing rights against the borrower and/or the underlying collateral.

- **Conflict of Interest.** Certain principals of the Mortgage Loans Seller are also acting as consultants and co-ventures of you, the Mortgage Loans Buyer. That is, certain principals of the Mortgage Loans Seller have an economic interest in this transaction with respect to the Mortgage Loans Buyer. This conflict of interest has been disclosed to you and you, as the Mortgage Loans Buyer, bear the risk of this conflict. You have been afforded the opportunity to ask questions and make inquiries in order to complete your due diligence with regard to this risk factor.

- **Mortgage Loans that You Are Buying Were Selected from a Larger Pool – And Not at Random.** The Mortgage Loans in the portfolio you are buying have been selected by managers of the Seller from a larger portfolio. The Mortgage Loans you are buying have not been selected at random, nor are they necessarily a representative sampling of the larger portfolio. You, as the Mortgage Loans Buyer, bear the risk of this selection process. You have been afforded the opportunity to ask questions and make inquiries in order to complete your due diligence.

- **Risk of Total Loss.** The presence of the foregoing risk factors, which are not intended to be exhaustive in addressing the risks inherent in an investment in the Mortgage Loans, means that the Mortgage Loans you are purchasing may ultimately have no value whatsoever. Accordingly, you must consider the possibility in making this investment that the value of your financial investment may ultimately be zero or, indeed, that purchasing the Mortgage Loans may actually result in losses beyond the amount of your original investment.

ARTICLE VI
REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER

Seller hereby represents and warrants that:

- (a) Seller has taken all necessary action to authorize its execution, delivery and performance of this Agreement and has the power and authority to execute, deliver and perform this Agreement and all the transactions contemplated hereby.
- (b) This Agreement and all the obligations of Seller hereunder are the legal, valid and binding obligations of Seller, enforceable in accordance with the terms of this Agreement, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

- (c) Seller is duly organized, validly existing, and in good standing under the laws of the state of its organization.
- (d) Seller requires no approval of the transactions contemplated by this Agreement from any state or federal regulatory authority having jurisdiction over Seller or, if any such approval is required, such approval has been or will, prior to the Closing Date, be obtained.
- (e) The consummation of the transactions contemplated by this Agreement will not result in the breach of any term or provision of the Certificate of Organization of Seller.

(f) Seller agrees to honor requests for execution of Assignments of Mortgage from Seller to Buyer or of endorsements of Mortgage Note from Seller to Buyer if made within thirty (30) days following the Transfer Date, after which Seller shall not be obligated to honor such requests.

ARTICLE VII
INDEMNIFICATION

Section 7.1. Indemnification by Seller. Seller will indemnify and hold harmless Buyer and its affiliates and each of their respective officers, directors, employees, partners, members, managers, shareholders, agents and representatives (collectively, the "Buyer Indemnitees") from and against any loss, claim, liability, damage, cost or expense, or diminution of value, involving a third-party claim including, without limitation, reasonable fees and disbursements of counsel, incurred by any of Buyer Indemnitees based upon (a) any breach by Seller of any representation, warranty, covenant or agreement contained in this Agreement or in any document delivered in connection herewith, or (b) any conduct, action, or inaction of Seller occurring, arising or related to the period on or prior to the Closing Date (whether known or unknown on the Closing Date). In the event any claim, action, suit or other actual or threatened proceeding is instituted against Buyer based upon any of the foregoing, Seller shall have the right, but shall not be required, to assume Buyer's defense, in a manner and with counsel reasonably acceptable to Buyer, and to directly pay for all losses, judgments, damages, costs or expenses (including reasonable attorney's fees and disbursements) which may be imposed or incurred. Without limiting the foregoing, Seller may not settle any claims, action, suit or proceeding for which it has assumed Buyer's defense without the prior written consent of Buyer, not to be unreasonably withheld.

Section 7.2. Indemnification by Buyer. Buyer will indemnify and hold harmless Seller and its affiliates and each of their respective officers, directors, employees, partners, members, managers, shareholders, agents and representatives (collectively, the "Seller Indemnitees") from and against any loss, claim, liability, damage, cost or expense, or diminution of value, involving a third-party claim including, without limitation, reasonable fees and disbursements of counsel, incurred by any of Seller Indemnitees based upon (a) any breach by Buyer of any representation, warranty, covenant or agreement contained in this Agreement or in any document delivered in connection herewith, or (b) any conduct, action, or inaction of Buyer occurring, arising or related to the period on or after the Closing Date (whether known or unknown on the Closing Date). In the event any claim, action, suit or other actual or threatened proceeding is instituted against Seller based upon any of the foregoing, Buyer shall have the right, but shall not be required, to assume Seller's defense, in a manner and with counsel reasonably acceptable to Seller, and to directly pay for all losses, judgments, damages, costs or expenses (including reasonable attorney's fees and disbursements) which may be imposed or incurred. Without limiting the foregoing, Buyer may not settle any claims, action, suit or proceeding for which it has assumed Seller's defense without the prior written consent of Seller, not to be unreasonably withheld.

ARTICLE VIII
REPURCHASE OF MORTGAGE LOANS

Section 8.1. Disclaimer Regarding Mortgage Loans. Seller makes no representations and warranties other than those set forth in this Agreement. Buyer is aware that the Mortgage Loans are delinquent, that Seller's (and/or its predecessor-owners') efforts to collect the delinquencies have been unsuccessful, and acknowledges that the Purchase Price reflects the foregoing. Therefore, the Mortgage Loans are being sold to Buyer "as is" with no additional representations and warranties, express or implied. Seller expressly disclaims any such warranties and Buyer acknowledges and accepts such disclaimer.

Section 8.2. Remedies. It is understood and agreed that the obligation of Seller set forth in Section 7.1 constitutes the sole remedy available to Buyer in respect to a breach of Seller's representations and warranties. In no event shall Seller be liable for any additional damages, including, without limitation, consequential, punitive or exemplary damages, with respect to any such breach and, notwithstanding anything to the contrary contained herein, in all cases, Seller's aggregate liability (including legal fees) to Buyer shall not exceed the purchase price set forth in Section 2.2.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Survival. The representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing Date and delivery of the Mortgage Loans to Buyer and shall not terminate, notwithstanding the termination of this Agreement, for a period of one (1) year from the Closing Date, unless otherwise specified in this Agreement. The representations and warranties of Seller in this Agreement are unaffected by and supersede any provision in any endorsement of any Mortgage Loan or in any assignment with respect to such Mortgage Loan to the effect that such endorsement or assignment is without recourse or without representation or warranty.

Section 9.2 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.3 Construction. Unless the context otherwise requires, singular nouns and pronouns, when used herein, shall be deemed to include the plural of such noun or pronoun and pronouns of one gender shall be deemed to include the equivalent pronoun of the other gender.

Section 9.4 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

Section 9.5 Entire Agreement. This Agreement, along with all Addenda, Exhibits and Schedules hereto, contains the entire agreement between the parties and supersedes all prior agreements, arrangements and understandings relating to the subject matter thereof. There are no written or oral agreements, understandings, representations or warranties between the parties other than those set forth herein.

Section 9.6 Headings. The headings of the Articles and Sections contained in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement of any provision hereof.

Section 9.7 Notice of Claim of Litigation. Each party shall promptly notify the other immediately upon discovery by the party of any claim, threatened claim or litigation filed which arises from or relates to any of the Mortgage Loans purchased hereunder, or any claim, threatened claim or litigation arising from or related to this Agreement that may affect the other party. Failure to give such notice to an indemnifying party will not affect indemnification hereunder except to the extent that such failure adversely affected the indemnifying party.

Section 9.8 Notices. All notices and other communications under this Agreement must be in writing (including a writing delivered by electronic transmission) and are deemed to have been duly given: (a) when delivered, if sent by registered or certified mail (return receipt requested); (b) when delivered, if delivered personally or by facsimile or email (if followed by a complete and correct copy of the same delivered by first class mail or reputable overnight courier); or (c) on the first following business day, if sent by United States Express Mail or other reputable overnight courier, in each case to the parties at the addresses set forth on the signature page(s) hereof or at such other addresses as shall be specified by like notice.

Section 9.9 Governing Law. The laws of the Commonwealth of Pennsylvania, U.S.A. (excluding that body of law known as conflicts law), and the applicable federal law, will govern all disputes arising out of or relating to this Agreement. With respect to any dispute or litigation arising out of or relating to this Agreement as to which arbitration is, for whatever reason, not required pursuant to Section 9.10 of this Agreement: (i) the parties agree that it shall be filed in and heard by the federal or state courts with jurisdiction to hear such disputes in Montgomery

County, Pennsylvania; and (ii) the parties hereby submit to the personal jurisdiction of such courts. If any provision of this Agreement is held by a court or arbitrator of competent jurisdiction to be contrary to law, then the remaining provisions of this Agreement will remain in full force and effect.

Section 9.10 Dispute Resolution. Any controversy, claim or dispute between the parties concerning any breach or alleged breach of this Agreement or performance or nonperformance of any obligation under this Agreement which cannot be resolved by negotiation will be resolved by binding arbitration under this Section 9.10 and the then-current Commercial Rules and supervision of the American Arbitration Association (the "AAA"). If any part of this Section 9.10 is held to be unenforceable, it will be severed and will not affect either the duty to arbitrate or any other part of this Section 9.10. The arbitration will be held in Philadelphia, Pennsylvania before a sole disinterested arbitrator who is knowledgeable in mortgage loan secondary market purchase and sale issues, and experienced in handling commercial disputes. The arbitrator's award will be final and binding and may be entered in any court having jurisdiction. The arbitrator will not have the power to award punitive or exemplary damages, or any damages excluded by, or in excess of, any damage limitations expressed in this Agreement. Each party will be entitled to receive in any court of competent jurisdiction injunctive, preliminary or other equitable relief, in addition to damages, including legal fees and expenses, to remedy any actual or threatened violation of its rights with respect to this arbitration provision.

Section 9.11 Attorney's Fees. If either party becomes involved in litigation (including bankruptcy proceedings), arbitration or other proceedings arising out of or relating to this Agreement, the court or arbitrator in arbitration shall award legal expenses (including, without limitation, reasonable attorney's fees, court costs and other legal expenses) to the prevailing party. The award for legal expenses shall not be computed in accordance with any court schedule, but shall be as necessary to fully reimburse all reasonable attorney's fees and other legal expenses paid or incurred in good faith, regardless of the size of the judgment or award, it being the intention of the parties to fully compensate for all the reasonable attorney's fees and other legal expenses paid or incurred in good faith. For the purpose of this Agreement, the terms "attorney's fees" or "attorney's fees and costs" shall mean the fees and expenses of counsel, printing, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals, librarians and others not admitted to the bar but performing services under the supervision of any attorney. The terms "attorney's fees" or "attorney's fees and costs" shall also include all reasonable fees and expenses incurred with respect to appeals, arbitrations and bankruptcy proceedings, and whether nor not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred.

Section 9.12 Relationship of Parties. The relationship between the parties is an independent contractor relationship, and Seller is not, and shall not represent to third parties that it is acting as, an agent for and on behalf of Buyer.
Section 9.13 Rights Cumulative: Waivers. The rights of each of the parties under this Agreement are cumulative, may be exercised as often as any party considers appropriate and are in addition to each such party's rights under any other documents executed between the parties or, except as otherwise modified herein, under law. The rights of each of the parties hereunder shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing. Any failure to exercise or any delay in exercising any such rights shall not preclude any other or further exercise of that or any other such right. No act or course of conduct or negotiation on the part of any party shall in any way preclude such party from exercising any such right or constitute a suspension or any variation of any such right.

Section 9.14 Severability. In the case any provision in this Agreement shall be found by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 9.15 Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

Section 9.16 Confidentiality. The Agreement, the consideration paid for the Mortgage Loans, and the nature and terms of the transactions contemplated hereunder will be kept confidential and will not be disclosed by either party without the written consent of the other, except to the extent such disclosure (a) is required to be made under any applicable court order, law or regulation, (b) is required to be made to any tax, building or other regulatory authority, financing provider, agent, auditor or legal or financial advisor of either party, (c) is made by either party to its employees, officers, directors, shareholders, managers, members, financial advisors, consultants, partners, affiliates, lenders and attorneys who need to know such terms for purposes of evaluating the transaction or other proper business purpose.

IN WITNESS WHEREOF, each of the undersigned parties to this Agreement has caused this Agreement to be duly executed in its name by one of its duly authorized officers or members, all as of the date first written above.

CLOSING CHECKLIST

Congratulations, your offer has been accepted! The seller should have sent you a contract to sign and provided wiring instructions. Before you send the funds, make sure you have a countersigned contract returned from the seller.

Once you send the wire, here's a checklist of everything that needs to happen to properly transfer the file:

Preparation of Assignment & Allonge: As soon as the seller has received your funds, they should begin preparing the assignment of mortgage and Allonge to note necessary to transfer the mortgage note to your company. These will be shared with you for approval prior to having them signed and notarized.

Servicing Transfer: This should also happen as soon as the deal is funded unless you keep the loan with the same servicer, then you'll need to set up an account and ask for an internal transfer. If transferring to a new company (or self-servicing), the seller will notify their loan servicer to deboard the asset and transfer to the servicer of your choosing. Here is the information you will need to send them:

- Servicer Name
- Servicing Contact Email
- Toll Free Phone Number
- Hours of Operation
- Payment Address
- Correspondence Address
- Collateral Shipment Address (should be your office/home address)

RESPA Hello/Goodbye Letters (TILA): When the servicer is able to process the transfer request, they will prepare a RESPA (Real Estate Settlement and Procedures Act) Goodbye Letter notifying the borrower that they will be ceasing and you will be starting to service the loan. Senior lien transfers also require a TILA (Truth in Lending Act) notification. You or your servicer will send a Hello Letter with the same language as the goodbye.

Collateral Shipment: We try our best to have our collateral files shipped within a week but every seller has their own standards. You should receive a tracking number from the seller shortly following closing.

Assignment Recording: Once you receive the original collateral files, you'll need to have the final assignment of mortgage recorded in the local county records to evidence your ownership of the asset and complete your purchase.

SEAMLESS SERVICING TRANSFER

By now, the seller should have everything they need from you to set the transfer in motion:

- Servicer Name
- Servicing Contact Email
- Toll Free Phone Number
- Hours of Operation
- Payment Address
- Correspondence Address
- Collateral Shipment Address (should be your office/home address)

-levelRESPA LETTERS

The seller will send you their RESPA Goodbye Letter to be approved prior to mailing to the borrower. You should prepare your Hello Letter with the same dates. You or your servicer will send this Hello Letter (BONUS: copy & paste this template for Microsoft word mail merge, just change FIXnotes LLC to your servicing entity and create a spreadsheet using the merge «tags» as column headers):

«Date»«Mortgagor_1» «Mortgagor_2»
«Property_Address»
«Property_City», «Property_State» «Property_Zip»

Notice of Assignment, Sale or Transfer of Servicing Rights

You are hereby notified that the servicing of your loan, that is, the right to collect payment from you, is being transferred from «Seller» to FIXnotes LLC as the servicer.

The assignment, sale or transfer of the servicing of your loan does not affect any term or condition of the loan documents or mortgage instruments, other than the terms directly related to the servicing of your loan.

Except in limited circumstances, the law requires that your previous servicer send you this notice at least 15 days before the effective date of transfer or at closing. Your new servicer must also send you a notice not later than 15 days after the effective date of the transfer or at closing.

Your loan was previously serviced by «Seller». If you have any questions relating to the transfer of servicing from your previous servicer, call customer service at «Seller», «Seller Phone» between «Seller Hours of Operation». This is a toll free number.
Your new servicer's contact and payment addresses will be:
Customer Correspondence & Loan Payment Address:
FIXnotes LLC
2001 Market Street, Suite 2500
Philadelphia, PA 19146

If you have any questions relating to the transfer of servicing to FIXnotes LLC, please call customer service at 320-365-1005 between 9:00 a.m. and 6:00 p.m. (Eastern Time), Monday through Friday.

Effective «Effective Date», «Seller» will not be accepting payments from you. Future payments must be sent to FIXnotes LLC at the loan payment address listed above. If you are currently having your payments automatically withdrawn from your checking or savings account, «Seller» will stop that service on «Service Transfer Date». Please be sure to send a check to FIXnotes LLC for your next payment.

You should also be aware of the following information, which is set forth in more detail in Section 6 of the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. 2605)
During the 60 day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer before its due date may not be treated by the new servicer as late, and a late fee may not be imposed on you.

Section 6 of RESPA (12 U.S.C. 2605) gives you certain consumer rights. If you send a "qualified written request" to your loan servicer concerning servicing of your loan, your servicer must provide you with a written acknowledgement within 20 business days of receipt of your request. A "qualified written request" is a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, which includes your name and account number, and your reason for the request. If you want to send a ""qualified written request" regarding the servicing of your loan, it must be sent to the above address for FIXnotes LLC

Not later than 60 business days after receiving your request, your servicer must make any appropriate corrections to your account, and must provide you with a written clarification regarding any dispute. During this 60 business day period, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to such period or qualified written request. However, this does not prevent the servicer from initiating foreclosure if proper grounds exist under the mortgage documents.

A business day is a day on which the offices of the servicer are open to the public for carrying on substantially all of its business functions.
Section 6 of RESPA also provides for damages and costs for individuals or classes of individuals in circumstances where servicers are shown to have violated the requirement of that section. You should seek legal advice if you believe your rights have been violated.

Sincerely,
FIXnotes LLC

DATA TRANSFER

Along with sending the goodbye letter, the seller's servicer should also prepare an export of all the data related to the borrower, loan accounting and servicing records. If you have chosen a servicer of your own, that transfer will take place between the representatives of each company. If you are self-servicing, you're going to need a place to organize and monitor the data on the loan.

KEEP THE PAYMENTS COMING

If you're buying a re-performer, the most important payment is first. Make sure your borrower is aware of the servicing transfer and has arranged to mail a check or submit new ACH instructions for automatic deposit to your servicing company.

AUDITING THE COLLATERAL DOCS

Purchasing Notes is all about the paper. Although secured by a real property, the actual asset you'll take possession of when you buy a notes is a folder of documents. There are four categories of files related to mortgage notes:

Original Bank Documents
Loan Servicing Files
Investor Due Diligence
Legal Documents

ORIGINAL BANK DOCUMENTS

There are four primary document necessary for a complete collateral file: Note, Mortgage, Assignment and Allonge. These are critical to review first and should be the original files that the borrower has signed ("wet ink"). Anything beyond these four documents is helpful but not necessary (such as the original appraisal, loan application, title insurance policy, HUD settlement statement, mortgage riders, assignment of rents, etc.)

Note: Also called a Promissory Note, Fixed Rate Loan Note, EquityLine, Home Equity Line of Credit, etc. This is the borrower's promise to pay and will include the amount borrowed, interest rate, payment amount and other terms.

You should first check the signature for real pen ink. Then, compare the data from the original agreement with the details from the seller's loan data export.

If you have received a copy instead of the original or you're missing the entire note, you will need to have the seller prepare a Lost Note Affidavit (LNA), to recreate the enforceable document. This will not affect your ability to collect.

NOTE

Date May 14, 2001 City , State

Property Address [redacted] City DETROIT State MICHIGAN Zip Code 48235

1. **BORROWERS PROMISE TO PAY** In return for a loan that I have received, I promise to pay U.S. $ 48,000.00 (This amount will be called "principal"), plus interest to the order of the Lender. The Lender is Guaranty National Bank of Tallahassee

I understand that the lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note will be called the "Note Holder."

2. **INTEREST**
I will pay interest at a yearly rate of 12.990 %.
Interest will be charged on unpaid principal until the full amount of principal has been paid.

3. **PAYMENTS** I will pay principal and interest by making payments each month of U.S. $ 541.00
I will make my payments on the 18th day of each month beginning on June 18, 2001 . I will make these payments every month until I have paid all of the principal and interest and any other charges, described below, that I may owe under this Note. If, on May 18, 2026 , I still owe amounts under this Note, I will pay all those amounts, in full on that date.
I will make my monthly payments at 4501 Singer Court Third Floor, CHANTILLY, VIRGINIA 20151 or at a different place if required by the Note Holder.

4. **BORROWERS FAILURE TO PAY AS REQUIRED**
(A) Late Charge for Overdue Payments
If the Note Holder has not received the full amount of any of my monthly payments by the end of 10 calendar days after the date it is due, I will promptly pay a late charge to the Note Holder. The amount of the charge will be 5.000 % of my overdue payment, but not less than U.S. $ 27.05 and not more than U.S. $ N/A . I will pay this late charge only once on any late payment.
(B) Notice From Note Holder
If I do not pay the full amount of each monthly payment on time, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date I will be in default. That date must be at least 10 days after the date on which the notice is mailed to me or, if it is not mailed, 10 days after the date on which it is delivered to me.
(C) Default
If I do not pay the overdue amount by the date stated in the notice described in (B) above, I will be in default. If I am in default the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount.
Even if , at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.
(D) Payment of Note Holders Costs and Expenses
If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back for all of its costs and expenses to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys fees.

5. **THIS NOTE SECURED BY A DEED OF TRUST**
In addition to the protections given to the Note Holder under this Note, a Deed of Trust, dated the same day as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Deed of Trust describes how and under what conditions I may be required to make immediate payment in full of all amounts that I owe under this Note.
Some of these conditions are described as follows:
Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lenders prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust.
If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

6. **BORROWERS PAYMENTS BEFORE THEY ARE DUE**
I have the right to make payments of principal at any time before they are due but may be required to pay a prepayment charge. A payment of principal only is known as a "prepayment." When I make a prepayment, I will tell the Note Holder in a letter that I am doing so. A prepayment of all of the unpaid principal is known as a "full prepayment." A prepayment of only part of the unpaid principal is known as a "partial prepayment." If I make a full prepayment or a partial prepayment within 36 months from the date of this Note, I will be required to pay a prepayment charge. This charge will be imposed on the amount of the prepayment that exceeds twenty percent (20 %) of the original principal amount of the Note in a twelve (12) month period. This charge will not exceed the amount equal to two percent (2 %) on the amount prepaid in excess of twenty percent (20 %) of the original principal amount of this Note.
The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no delays in the due dates or charges in the amounts of my monthly payments unless the Note Holder agrees in writing to those delays or changes. If I choose to make a partial prepayment, the Note Holder may require me to make the prepayment on the same day that one of my monthly payments is due. The Note Holder may also require that the amount of my partial prepayment be equal to the amount of principal that would have been part of my next one or more monthly payments.

7. **BORROWERS WAIVERS**
I waive my right to require the Note Holder to do certain things. Those things are: (A) to demand payment of amounts due (known as "presentment"); (B) to give notice that amounts due have not been paid (known as "notice of dishonor"); (C) to obtain an official certification of nonpayment (known as a "protest"). Anyone else who agrees to keep the promises made in this Note, or who agrees to make payments to the Note Holder if I fail to keep my promise under this Note, or who signs this Note to transfer it to someone else also waives these rights. These persons are known as "guarantors, sureties and endorsers."

8. **GIVING OF NOTICES**
Any notice that must be given to me under this Note will be given by delivering or by mailing it by certified mail addressed to me at the Property Address above. A notice will be delivered or mailed to me at a different address if I give the Note Holder a notice of my different address. Any notice that must be given to the Note Holder under this Note will be given by mailing it by certified mail to the Note Holder at the address stated in Section 3 above. A notice will be mailed to the Note Holder at a different address if I am given a notice of that different address.

9. **RESPONSIBILITY OF PERSONS UNDER THIS NOTE**
If more than one person signs this Note, each of us is fully and personally obligated to pay the full amount owed and to keep all of the promises made in this Note. Any guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to do these things. The Note Holder may enforce its rights under this Note against each of us individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note. Any person who takes over the rights or obligations under this Note will have all of my rights and must keep all of my promises made in this Note. Any person who takes over the rights or obligations of a guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to keep all of the promises made in this Note.

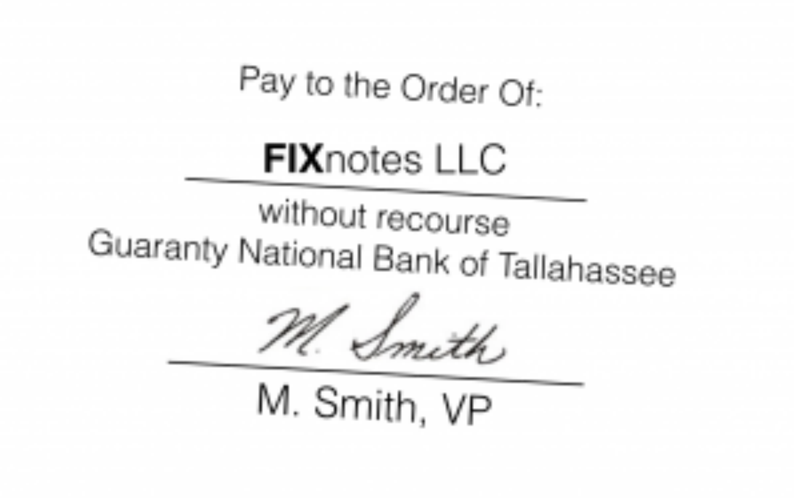
NOTICE TO BORROWER: Do not sign this Note if it contains blank spaces. All spaces should be completed before you sign.

[redacted]

Borrower [redacted] -Borrower

Borrower -Borrower

Allonge: Also sometimes called an Assignment of Note, the Allonge is the endorsement to the note and becomes part of the note document. Unless you are buying directly from the bank that originated the loan, there will be a chain of endorsements documenting the history of ownership.



Most of the time, the Allonge will be prepared as a separate page that will be added to the end of the Note. Sometimes, the Allonge will be found stamped onto the note like the image to the right. You'll find it on the last page or back of the note. Starting with the original Lender, trace the ownership through each company until your entity.

Here's an example of a full page Allonge:

ALLONGE TO THE NOTE

LOAN #: 11041000737
Previous Loan #:
Borrower: [redacted]
Date of Note: 05/14/2001
Loan Amount: $48,000.00
Property Address: [redacted], DETROIT, MI 48235

For value received, I hereby transfer, endorse and assign the within Note and Deed of Trust / Mortgage securing the same, so far as the same pertains to said Note.

Pay to the order of: ____, Without Recourse

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee under Greenwich Investors XL Pass-Through Trust Agreement dated as of March 1, 2012
By: WMD Asset Management, LLC,
a Delaware limited liability company,
its Attorney-in-Fact

Signature: ____________________

Printed Name: [redacted]

Title: Managing Director

You'll notice a few things on the above example:

Pay to the order of:______ is blank

Many banks and other corporations create Allonges to blank in order to facilitate a faster liquidation of the asset. The buyer will need to write in their entity, like a blank check (or write in the correct entity if the blank Allonge is in the middle of the chain).

Signed by Attorney-in-Fact

Sometimes you'll have a tricky time deciphering the chain when other signors are introduced. The most common to look for is SBM (successor by merger). Because of the massive consolidation of the banking industry, many institutions have been acquired by others, resulting in some assignments/Allonges executed by the entities that have bought out smaller banks, for example: PNC Bank SBM to National City Bank.

If the Allonge transferring ownership from the seller to your entity is missing or any part of the "chain" is broken, you will need to request that a new Allonge is prepared and executed (signed).

Mortgage: Also called the Security Instrument or Deed of Trust, the mortgage is what turns the note into a lien by securing the debt to real estate. The first step when you find the mortgage is to verify that it has been recorded in the county records, you will notice this as a stamp or sticker, typically placed in the upper right hand corner of the page containing the reference number (liber, book/page and/or instrument number) In the example below, you will see the instrument number is redacted in red.

The mortgage includes all of the terms of the agreement but mostly focuses on what happens if the borrower defaults. This is what gives the lender the right to foreclose if the borrower fails to pay back their debt. Typically attached to the last page of the mortgage, the Legal Description identifies the secured property in the most specific terms.

We won't reproduce an entire mortgage here, see the first page so you know what to look for:

4850721
200143

Liber-33956 Page-93
[redacted] 5/29/2001
Bernard J. Youngblood, Wayne Co. Register of Deeds

01066607 MAY 29 2001

[Space Above This Line For Recording Data]

MORTGAGE

THIS MORTGAGE is made this **14th** day of **May 2001** between the Mortgagor, [redacted], husband & wife

whose address is [redacted], **DETROIT, MICHIGAN, 48235** (herein "Borrower"),

and the Mortgagee, **Guaranty National Bank of Tallahassee**

a corporation organized and existing under the laws of **VIRGINIA** whose address is **4501 Singer Court, Third Floor, CHANTILLY, VIRGINIA 20151** (herein "Lender").

WHEREAS, Borrower is indebted to Lender in the principal sum of U.S. $ **48,000.00** which indebtedness is evidenced by Borrower's note dated **May 14, 2001** and extensions and renewals thereof (herein "Note"), providing for monthly installments of principal and interest, with the balance of the indebtedness, if not sooner paid, due and payable on **May 18, 2026**.

TO SECURE to Lender the repayment of the indebtedness evidenced by the Note, with interest thereon; the payment of all other sums, with the interest thereon, advanced in accordance herewith to protect the security of this Mortgage; and the performance of the covenants and agreements of Borrower herein contained, Borrower does hereby mortgage, grant and convey to Lender, with power of sale, the following described property located in the County of **WAYNE**, State of Michigan:

SEE SCHEDULE "A" ATTCHED

Return to:
USA TITLE, LLC
4501 SINGER COURT - SUITE 100
CHANTILLY, VA 20151
1-888-411-2939

which has the address of [redacted] [Street] **DETROIT** [City]

Michigan **48235** [Zip Code] (herein "Property Address");

MICHIGAN - SECOND MORTGAGE - 1/80 - **FNMA/FHLMC UNIFORM INSTRUMENT** **Form 3823**

ITEM 4631L1 (9707)

GREATLAND
To Order Call: 1-800-530-9393 Fax 616-791-1131

JRC-01-0000075394

RMtG GPS

TIP

To review complete loan files, sign up as a **FIX**notes buyer.
If the mortgage is missing or the file provided in the collateral isn't an original don't worry. Because it's a recorded instrument, it's not a problem to get a new copy.

Assignment (AOM): Also called a Corporate Assignment of Mortgage or Assignment of Deed of Trust, Assignment of Security Instrument, the AOM is how the mortgage or deed of trust is transferred to a new company. As you did with the Allonge, you will need to verify that the Assignment chain is unbroken from the lender to the seller's company then to your company.

You will need to verify that the complete AOM chain, through to the seller's entity, has been recorded in the county records. Just like the mortgage, this will typically be a stamp or sticker in the upper right corner. If any of the chain are unrecorded it is important to make sure that they are recorded in proper order. We'll review recording an assignment after we see what one looks like:

01164750 NOV 26 2001

Liber-35187 Page-151
[redacted] 11/26/2001
Bernard J. Youngblood, Wayne Co. Register of Deeds

Record and Return to:
FIXnotes LLC
2001 Market St
Suite 2500
Philadelphia, PA 19103

SPACE ABOVE THIS LINE FOR RECORDER'S USE

ASSIGNMENT OF MORTGAGE

For value received, the undersigned, hereby grants, assigns and transfers to assignee: **FIXnotes LLC**, 2001 Market St, Suite 2500, Philadelphia, PA 19103 all beneficial interest under that certain Mortgage dated: 5/14/2001

Mortgagor(s): [redacted] **Husband & Wife**

In the amount of $48,000.00, recorded 5/29/2001 as Instrument #: [redacted] in Book/Volume: 34534 Page: 45 of the Official Records of **Wayne** County, State of **MI** describing the land therein:

Property Address: [redacted]**, DETROIT, MI 48235**

Together with the Note therein described or referenced to, the money due and to become due thereon with interest, and all rights accrued or to accrue under said Mortgage.

Assignor:
Guaranty National Bank of Tallahassee
4501 Singer Court, Third Floor, Chantilly, VA 20151

By: [redacted]
Authorized Officer

STATE OF Iowa
COUNTY OF Black Hawk

On 4-5-12, before me, [redacted], a Notary Public in and for Black Hawk in the State of Iowa, personally appeared [redacted], Authorized Officer, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity, and that by his/her/their signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal,

[redacted]
Notary Expires: 04/01/2014 #752074

[redacted]
NOTARIAL SEAL IOWA
COMMISSION NO. 752074
MY COMMISSION EXPIRES
April 1, 2014

(This area for notarial seal)

RECORDING YOUR ASSIGNMENT

You will first have to identify if there are multiple assignments that need to be recorded. If so, put a post-it note on the corner of each with instructions to "Record 1st", "Record 2nd" and so-on, in the order of those that are not previously recorded, ending with your entity.

Next, look up the county where the mortgage was recorded (Netronline). Give the county recorder a call and ask how much it costs, multiply this by the number of documents you have to send. Ask if they a webpage with the specifications so you can make sure your assignment include everything necessary.

If you are recording multiple assignment at the same time, it's helpful to the recorder to include a cover letter explaining the documents enclosed. It's also necessary to include a self-addressed, stamped, return envelope so that the recorder can easily mail you back the recorded assignment.

Finally, verify the address where you should mail the original(s), stuff your envelope and send it off! It can take up to a month or more to receive the recorded original back in the mail depending on the county. You can always call and check on it.

When you've increased your volume it's a great idea to enroll in an e-recording service. E-recording will allow you to scan and upload documents to many counties from your office, sometimes recording within an hour or less.

LOAN SERVICING FILES

Although typically kept as digital files, some investors include hard copies of these documents in their physical collateral files. You may see some of the following documents when auditing your collateral folder:

Resolution Agreement: If you're buying a re-performing loan with different terms than the original note, the resolution, forbearance or work-out agreement is necessary to enforce the payment plan. A modification agreement is another type of resolution agreement that is typically recorded in the county records.

Payment History: Also necessary when buying a cash-flowing loan. The payment history is the evidence of the previously received payments. This should have been sent from the previous servicer to the new servicer along with all of the accounting for the loan.

Contact History: The contact history will include the correspondence between the servicer and the borrower. Will often be sent as a raw data export to the new servicer to be uploaded into their loan management platform.

Current Statement/Payoff Quote: It's fairly impractical to include every statement as a hard copy in the borrower's collateral folder but it's useful to have at least one printed payoff quote or statement in the folder.

Amortization Schedule: The amortization schedule, like a previous or current mortgage statement is helpful to have a hard copy of in order to verify accounting and ensure that the current accounting is consistent with the historical statements.

INVESTOR DUE DILIGENCE

BPO, Title Report, Credit Report, Skip Trace

It will be interesting to see previously completed due diligence if included in the collateral folder. Some investors will have printed copies of the previous reports to include in the file. We won't go into depth here as we've covered these documents extensively in the Advanced Due Diligence section of the guide.

LEGAL DOCUMENTS

Bankruptcy Files: The voluntary petition, motions and other bankruptcy filings are sometimes printed out and included in the original collateral folder but typically these are kept in digital form.

Foreclosure Documents: The foreclosure complaint and the filings leading up to it (notice of default, lis pendens, etc.) are often kept in original paper form in the collateral file. Occasionally you will see files that are drafts but haven't been filed or used in any official capacity. Look through these documents carefully to determine which are necessary and relevant.

Borrower Documents: It's possible that you will find other unexpected documents in your collateral file. For example, a power of attorney, forbearance or modification agreement. Skim through anything that doesn't look familiar to get accustomed with the included documents in your collateral folder.

Now that you have gone through the original collateral folder from the seller, generally understand the documents included and mailed out your assignment(s) for recording, you're ready to learn high-level servicing strategy to manage performing or non-performing notes.

HIGH-LEVEL SERVICING STRATEGY

After you have received & audited your collateral files (making sure to send your assignment to the county for recording), it's time to begin your servicing strategy. We highly recommend boarding your mortgage note with a loan servicing company, especially if you are purchasing a re-performer. There will be a one-time boarding fee (<$50) to get the loan into the servicer's system. Then for standard servicing, most companies charge $25 or less per loan per month (make sure to have the servicer waive any minimum fees if you don't have enough assets yet).

SERVICING COMPANIES

The most basic level of servicing (for $25 or less), typically includes collecting payments, sending statements and processing on-going/year-end accounting. Although many investors attempt to "fly-under-the-radar" and self-service, contracting loan servicing to a licensed entity is a legal requirement (unless you pursue costly servicing licenses yourself). To run a legitimate Mortgage Note business, you'll want to sign on with a servicer. Here are three potential options:

- Land Home Financial Services
- FCI Lender Services
- Madison Management

Servicing Cash-Flowing Loans: If the loan is re-performing, servicing the loan with a licensed servicer is 100% worth paying for. Even if you're a DIY type of investor, $25 per month for servicing is a small price to pay for the convenience of delegating these task of collecting payments and accounting (not to mention the legal ramifications).

Servicing Non-Performing Loans: There are three main approaches to the logistics of servicing non-performing loans: self-servicing, client managed or full service. For the time being, we'll set aside the legal concerns of "flying-under-the-radar" (although discouraged, it's your decision on how you would like proceed) and provide an overview of these options for education purposes only.

SELF-SERVICING

As you have probably guessed, we do not condone self-servicing but for education purposes only, here's an overview: The note buyer sends their own RESPA letter to the borrower, identifying their company as the servicer of record. Next, they pursue the borrower on their own: skip-tracing, negotiating, preparing a resolution agreement and accepting payments themselves. Although it may save a couple hundred dollars in the short term, this is not a recommended strategy.

CLIENT MANAGED

As a hybrid between self-servicing and full service, many servicing companies offer a "client managed" option. This type of agreement provides minimal loan servicing for ~$25 per asset, per month. The loan servicer essentially "parks" the loan with no collection letters or any outbound communication efforts.

Some note investors choose this option and then pursue the borrower themselves. One approach consists of the investor handling the skip-tracing to locate the borrower then making courtesy calls or sending soft collection letters to notify the borrower that they are the new lender and open to working out a win-win resolution on the delinquent mortgage.

Another strategy is to send the borrower as a lead to a local realtor to introduce the idea of a short-sale. Other investors hire an attorney right away to attempt phone/mail contact with the borrower.

Once contact is made and a deal is negotiated, many investors bring the servicer bank into the loop to prepare the resolution agreement, facilitate the borrower signing, add the investor as additionally insured to the borrower's policy, set-up an ACH agreement and collect the first payment. This represents a hybrid approach that gives the investor the opportunity to add value as the deal maker and the servicer to handle the paperwork at a fixed cost (~$300 for a forbearance or modification agreement)

FULL SERVICE

Exactly what you think it is, full service puts all of the outreach, lettering and collection efforts on the servicer. Every servicer has its own fee structure for collections. Some offer a monthly rate (~$90 per asset) plus costs ($300 for resolution agreement, etc.) others charge on a contingency plan (~30% of the total collected, with minimum fees).

Deciding on what servicer and what strategy is entirely dependent on the investor's budget, goals and risk-tolerance. Many investors opt for a hybrid approach described above, paying for Client Managed until they have a deal "teed up" then turning on Full Service for a month to delegate the final steps of closing the deal to the servicer.

At the end of the day, the most important thing to consider as an investor of distressed debt is how you can add value to the borrower's situation. The best things come to those who have good intentions and strive to do the right thing.

PROACTIVE PORTFOLIO MONITORING

As a performing or non-performing note investor, it's very important to keep tabs on the status of your investments. Unless you have your servicer handling these tasks on a monthly or quarterly basis for you, take time to read through this guidance on proactively monitoring your portfolio.

IS YOUR ASSIGNMENT RECORDED?

One of the biggest mistakes an investor can make is not recording their assignment of mortgage. The assignment lets the public know who should be notified in any events related to the property/borrower. As a secured lien holder, you will be given a heads up if/when the property is severely delinquent on taxes, the HOA/taxes/other lien holder is pursuing a foreclosure or if the borrower files for bankruptcy. Make sure your assignment is recorded ASAP in order to give yourself ample notice of any of these events.

BORROWER BANKRUPTCY

As we have mentioned above, a recorded lien holder will be notified in the event of a bankruptcy. In the unlikely event that your assignment takes longer than expected to record (rejected by the county or delayed due to unforeseen circumstances), you may want to check on any active filings manually.

Although there are companies that can provide tax/BK monitoring on a portfolio for a small fee, these services are really only viable after reaching scale. A handful of loans is reasonable to have an employee keep an eye on or monitor yourself. In order to check for a bankruptcy, head to the PACER Case Locator and search the borrower by their SSN#. If you get a hit, check the status and filing date on the right side to make sure you aren't looking at an old or dismissed bankruptcy. If you do notice a recently filed, active BK, refresh your memory by re-reading our Bankruptcy module.

TAX STATUS

Investors of non-performing senior liens (or re-performing seniors that are not escrowing taxes), should be very keen to keep an eye on the status of the property taxes. If taxes become significantly delinquent to the point of the county offering the tax deed or tax lien certificate for auction, you will be notified as a secured lien holder but if for any reason, you wish to check on the status yourself, re-read our Tax module.

SENIOR LIEN STATUS

As a junior lien holder, the status of the senior lien is arguably the most important data-point relating to your investment. When it's current, you know the borrower intends on sticking around, if it starts to slip – there's a problem. Checking property taxes is rarely necessary for junior lien holders (unless the senior lien is no longer current).

When you first completed your Due Diligence, a recent credit report should have been reviewed. We went into detail in our Credit Report module. Now that you own the loan, it doesn't make a lot of sense to pull a new credit report every time you need to check the status (if you do, make sure you are ordering a "soft" pull).

Instead, you can utilize the senior lien servicer's automated phone system to check the borrower's status whenever you want.

Step 1: Identify the Servicing Company
Pull up the previous credit report, find the senior lien trade-line and make a note of the lender or servicing company listed. Make sure you are looking at the active mortgage (re-read the Credit Report module for guidance).

Step 2: Find & Call their Automated Number
Some credit bureaus will list the creditor's contact information near the end of the report. Check here first by scrolling to the end of the document and skimming the list of creditors for the senior lien holder. If there's a phone number, you're all set – give it a ring.

If no phone number is available you should be able to find the automated account information number with a quick Google search.

Step 3: Follow the Prompts, Get the Data
Now that you're on the phone with the bank or servicer's robotic system, plug in the requested data to verify the borrower's information then wait to hear the current balance, last payment date, payment amount and next due date. Every servicer is different so you'll have to get used to the specific process – write it down for next time!
One thing seems to remain consistent with every servicer – if you hear "please wait while we connect you with a representative", the borrower is most likely in default on their senior mortgage. It can be a difficult process but you may be able to send the representative your assignment of mortgage as evidence of your secured lien in order to discuss the account. More often however, you will be required to send a Borrower's Authorization to Release Lending Information. If/when you get in touch with the borrower it's a great idea to have one of these signed for future convenience.

IMPORTANT
Never attempt to impersonate the borrower!

PROPERTY LISTINGS

A final item to note when conducting your monthly or quarterly portfolio monitoring is listing status. If the borrower has decided to sell their home with a realtor it will be MLS listed and the populated to all the real estate websites. The borrower may also decide to try selling it themselves (FSBO = for sale by owner), in this case it may only visible on one website.

For the best results, Google the property address and scroll through the results. Check Zillow for any listing details and any FSBO websites that are included in your results. This is a quick, useful search that may also uncover that the property has been listed for rent or in foreclosure.

Now that you've got proactive portfolio monitoring under your belt, let's get into the good stuff – Advanced Resolution Strategies. Move on to the next lesson for the details.

ADVANCED RESOLUTIONS

Resolving non-performing mortgage notes is as much an art as it is a science. It's a delicate balance between being aggressive and compassionate with the goal of reaching a win-win that resolves a difficult situation with the most practical solution.
There are really only three questions necessary to open a dialogue with the borrower. Whether that be through your servicer, attorney or handled yourself is on you to decide (and be aware of the risks). These questions are:

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

Once you have an answer and further details from the borrower into each of these lines of inquiry, you're ready to move on to pursuing one or more of the exit strategies referenced in the six modules below. For now, let's unpack these three questions.

WHAT HAPPENED?
Referred to as the borrower hardship, what you're trying to get to here is the reason the borrower stopped making their payments. Before this question is asked, make sure you have studied the loan data and are familiar with the general information (such as the last payment date). If you have access to a skip trace, you may have a head start on some follow up questions.

WHERE ARE YOU NOW?
You've established what caused the default, now you're determining whether this hardship has been overcome, if the borrower's situation has improved. Make sure detailed notes of this conversation are recorded because you may require evidence or follow-up from the borrower on some of the information provided.

Find out where the borrower is currently residing. If they're working, find out where and how much they're earning. Ask some specific follow-up questions based on their hardship. Get as much, detailed information as you can. The more they share, the better you will be able to help them come to a mutually agreeable resolution.

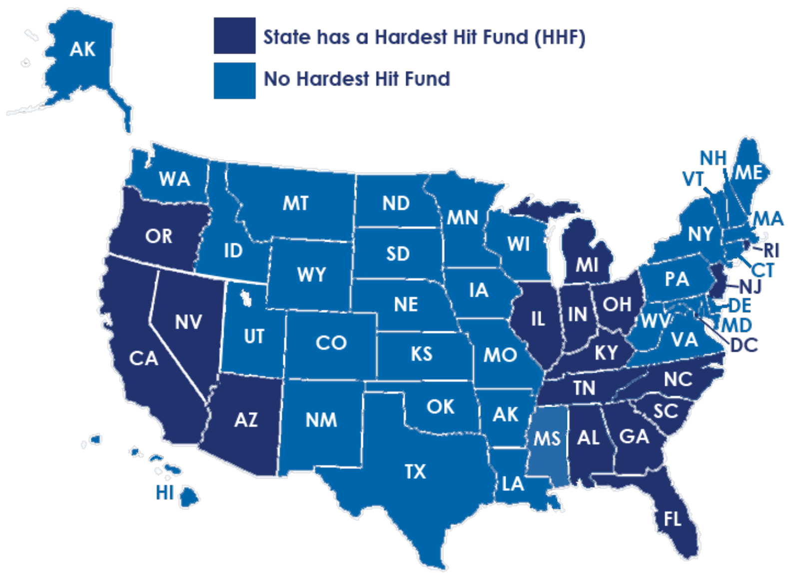
WHAT DO YOU WANT TO DO?
There are two paths that the answer to this question may take: does the borrower want to keep the house or move on. If they want to stay in the house you will need to discuss their monthly budget for a re-payment plan or the possibility of a lump-sum payoff.
If they are ready to cut their losses and move from the property, the conversation will take a different course. Ask if they've tried to sell the home before. If they know how much it's worth

and whether there are any substantial repairs necessary. Don't make any promises at this time, just get as much detail as you can.

Once you are satisfied with the amount of information you have gathered it's incredibly important to set a follow up meeting. Depending on how the conversation went, the borrower might have some homework to do. It's very helpful to have them put together their financial information including bank statements and pay stubs.

HARDEST HIT FUND (HHF)

Until December 31st, 2020 applications are still being accepted by many of the state-specific HHF administrators. The HHF provided more than $7.6 billion to give support to homeowners in the states hit hardest by the economic crisis. Agencies in 18 states have used the Fund to develop programs to stabilize local housing markets and help families avoid foreclosure.



Use the map and chart below for quick reference. For detailed information, head to the state-specific information website by clicking the state name below.

State	MPA	Reinstatement	2nd Lien Reduction	Transition Assistance	Principal Reduction	Blight Elimination
Alabama	•	•		•	•	
Arizona	•	•	•	•	•	
California	•	•	•	•	•	
Washington D.C.	•	•				
Florida	•	•			•	
Georgia	•	•			•	
Illinois	•	•			•	•
Indiana	•	•		•	•	•
Kentucky	•	•				
Michigan	•	•			•	•

Mississippi	•	•				
Nevada	•	•	•		•	
New Jersey	•	•				
North Carolina	•	•			•	
Ohio	•	•	•	•	•	•
Oregon	•	•		•	•	
Rhode Island	•	•		•	•	
South Carolina	•	•		•	•	
Tennessee	•	•				

EXIT STRATEGIES

The following exit strategies will be reviewed in detail in the modules below. For now here is a summary of what we'll cover

Discounted Payoff: Unless there is substantial equity for the borrower to afford a full payoff, distressed note investors typically seek a lump sum discounted payoff.

Payment Plan: If the borrower doesn't have the funds available for a lump sum payoff, a payment plan is the next best option. Often, you will negotiate for a down payment to cover past due interest or late fees in addition to a monthly commitment.

Sell the Note: A note sale is a great strategy after a payment plan has been put in place and "seasoned" for six months or longer. It's also a way to cut your losses if you need to liquidate a non-performing loan.

Short Sale: If the borrower is not interested in keeping the property the note investor can help them put the home on the market for sale. If there is not enough equity to pay off the lien(s), the sale is referred to as a short sale.

Deed-in-Lieu: This gives the borrower the ability to walk away from their debt in exchange for signing over the property to the lender. Depending on the investor's intention and the value of the property, they may be able to offer "cash for keys" to help the borrower afford a down payment or security deposit on their new residence.

Foreclosure: A very small percentage of investors that file foreclosure actually end up taking back the property. Foreclosure is often times the "wake up call" the borrower needs to realize that they need to make a decision or one will be made for them.

For a more in-depth review of these various exit strategies, move on to the modules below:

DISCOUNTED PAYOFF

The most straightforward exit strategy for a non-performing 1st or 2nd position mortgage note is a lump-sum payoff. When the lender or note investor accepts less than the amount owed, we call this a DPO (discounted payoff).

Unlike the original lender who would take a loss by discounting the payoff of the loan, a non-performing note investor has much more flexibility to offer a significant discount to the borrower while still remaining profitable themselves.

This module will cover a few areas to offer discounts to the borrower, some general negotiation techniques and several sources of funds for the borrower.

WHAT TO DISCOUNT

When you purchased a non-performing note, you based many of your pricing decisions based on the UPB (unpaid principal balance). The UPB is just the beginning of the total amount due. The borrower's total payoff balance consists of unpaid interest, late fees and potentially other charges. Read through your mortgage document to fully understand the terms of default.

When deciding your "bottom-line" on the deal, consider the value of the property and the total amount of equity available to the borrower. Although completely in your rights as the lender, demanding the total payoff balance from the borrower is rarely reasonable and doesn't make sense from a business or humanitarian perspective. A good place to start is to discount or eliminate the interest and late fees if the borrower is willing and able to pay off the rest of the loan.

NEGOTIATION

"The one who speaks first loses" is a business axiom that applies very succinctly to negotiating a discounted payoff with the borrower. If the borrower conversation turns to a payoff, it's nice to bring up the possibility of a discount but keep your conversation around your ability to reduce the interest & late fees at this point.

When the time is right, ask the borrower – in order to payoff this ($ total payoff amount) debt, how much do you think you could come up with? You might be surprised by the number! Make no promises over the phone, in fact the best approach is to "pass the buck" to a third party – the "Investment Committee". Any request made by the borrower will need to be reviewed & approved by your committee.

Once you have a number from the borrower, it's all a matter of timing. The sooner they can make a payment, the better discount you can offer. If the number they think they can afford is above your bottom-line payoff for the deal, put a time constraint around it. Would it take a week to make the payment, by the end of the month? Use the payoff amount and payoff date as the levers to work towards a scenario that is practical for the borrower and profitable for you.

WHERE TO FIND THE FUNDS

Existing Assets: Unless the cash is already in the bank, some borrowers may choose to liquidate stocks, vehicles or other property in order to raise the funds to take advantage of a discounted payoff.

Family & Friends: Depending on the situation, the borrower may have a friend or family member that would be willing to help eliminate their mortgage note. If necessary, instead of satisfying the lien, you can offer to transfer the lien to a friend or family member. This way, whoever they are borrowing the money from can purchase the note as leverage instead of just paying it off.

Hardest Hit Fund: The state specific HHF are winding down but there are still funds left to disburse before December 31st, 2020. Click through to the state of interest in the chart on Advanced Resolutions.

Hardship Withdrawal: One of the best sources of funds unbeknownst to most borrowers is their 401k or other retirement plan. A hardship withdrawal allows the borrower to take funds from their retirement account early to save their primary residence from foreclosure. Even if they are not at retirement age, this withdrawal can be made penalty free. You will typically have to produce a letter for the borrower to bring to their custodian as evidence of the hardship.

Refinance the Loan: If the borrower's credit score is high enough to qualify for a new mortgage, one of the best ways to pay off their non-performing note is with a new bank loan. Interest rates are historically low so this is a great opportunity for a borrower to lock in a great rate, reduce their payment amount and payoff your note.

BASIC FORM OF AGREEMENT

Here's a brief form to base your own discounted payoff agreement around. Add your company letterhead and specific details and this should do the trick for a quick, clean exit of your mortgage note.

Loan Number / Property Address

Dear Borrower,
On behalf of FIXnotes LLC, Senior Lien Holder, I have agreed to allow the discounted payoff of the 1st mortgage lien on the above referenced property in exchange for $29,545.24. This discounted payoff is good through December 31st, 2020 and is null and void after that date.

Upon closing and receipt of Funds for $29,545.24, FIXnotes LLC, Senior Lien Holder, will release the Lien and waive their right to pursue collection of any deficiency following the completion of the discounted payoff.

Wiring Instructions

Lender Signature

RELEASE OF LIEN

Following a successful receipt of funds, the lender needs to hold up their end of the bargain and release the lien from the property by recording a satisfaction in the county records. Research the form of the satisfaction of mortgage for the borrower's local county. This is a simple document that you can typically draft, execute and record without the need for an attorney.

PAYMENT PLAN

Often times a better option for both the borrower and investor than a discounted payoff, a payment plan gets the borrower out of default and sets up an ongoing stream of income for the investor. In this module we will learn about how to structure a plan and the various types of payment agreements.

STRUCTURE THE PLAN

As with any resolution agreement, everything begins with the third question we asked the borrower in Advanced Resolutions: What do you want to do? If they want to stay in the home but can't afford to pay off the loan, a payment plan is the logical next step.

Per the original Note and Mortgage, the borrower will remain in default until they reinstate the loan. The reinstatement amount is typically the sum of all of the payments they have missed since their date of default (the next due date). For many non-performing loans, this represents a huge sum of money that most borrowers don't have access to. In fact, many investors would probably be happy to take the reinstatement amount as a DPO.

Of course, you are well within your legal rights to draw a hard line and demand the total reinstatement amount to force foreclosure but if you're anything like the FIXnotes team, you would prefer to help people. Instead of being unreasonable with your tactics, consider a down payment + payment plan. For example, if the borrower can come up with the funds to pay 50% of their past due interest and start making their regular monthly payment, you could forgive the late fees and match their 50% towards arrears.

PAYMENT AGREEMENT OPTIONS

Forbearance: By definition, forbearance is refraining from doing something a lender is entitled to do (foreclose for example). As a result of the vague nature of this type of agreement, there are many possibilities. The most common use is a trial payment plan. The forbearance is the lender's agreement to not pursue foreclosure as long as the borrower continues making an agreed upon payment. There is typically no grace period and it is the lender's responsibility to be strict with their enforcement of the agreement.

Because a forbearance is just a trial payment plan, the borrower will have to come to a more sustainable resolution following 6-12 months or more of consistent payments. If the borrower proves they are responsible and capable of upholding the plan, the lender may wish to put in place a longer term agreement.

Here is some standard forbearance agreement language:

During the term of this Agreement, Noteholder agrees to forbear from legal action to enforce the terms of the Loan Documents, provided that: (a) Borrower complies with all the terms and conditions of the Agreement; (b) there is no further default under the Loan Documents; (c) no third party, including without limitation, any other creditor of Borrower or any other person holding an interest in the Property, takes any action that may adversely affect Noteholder's interests or necessitate legal action by or on behalf of Noteholder; and (d) no bankruptcy, receivership, or other insolvency proceeding is instituted as to Borrower or Borrower's assets, including the Property. Notwithstanding the foregoing, Borrower understands, acknowledges, and agrees that Noteholder's forbearance does not constitute a waiver of the default and the Noteholder is under no obligation to dismiss or withdraw from any pending foreclosure proceedings; however, Noteholder shall postpone any previously scheduled foreclosure sale that otherwise would occur during the term of this Agreement.

Here's a powerful strategy to incorporate into the forbearance agreement to ensure that the borrower makes all of their payments (or face the consequence of the lender recording the deed to their home):

Contemporaneously with the execution of this Agreement, Borrower shall execute a Deed in Lieu of Foreclosure as evidence of Borrower's good faith.

Reinstatement: As we have mentioned above, a reinstatement occurs when the borrower pays the full amount to bring the loan current. A reinstatement agreement may also offer the discounts suggested above. Another option is a reinstatement payment plan, where the reinstatement amount is paid off over time, typically in addition to the regular monthly payment.

Modification: A modification, or loan mod is an official change of terms for the mortgage note. Virtually everything is fair play to adjust. The lender may choose to recapitalize the loan balance (increasing the UPB by adding in the past due interest and late fees), or create a balloon payment at the end of the term.

Technically, a modification should be recorded in the county records with the mortgage but many lenders opt to leave the modification unrecorded if the borrower is successfully making payments. If a modification is recorded after any other liens have been secured to the property, you will need to have a subordination agreement signed by these other lien holders to ensure that your debt remains in the correct priority.

SELL THE NOTE

Whether you want to liquidate a non-performing loan that you have made re-performing or cut your losses on a non-performing deal you can't figure out, this module will give you the information you need to get the most for your note.

In order to maximize value selling notes you must reduce uncertainty and mitigate risk for the buyer. This can be accomplished by including up-to-date due diligence and keeping organized records. Let's start by looking at non-performing loan sales.

SELLING NON-PERFORMING NOTES
If your due diligence is out-of-date, it might be a great idea to first order new research on the loan: BPO, Title Report, Credit Report, and Skip Trace.

TIP
Purchase our comprehensive due diligence to maximize value of loan sales.

Depending on the situation, your non-performing loan may have increased in value since purchase, especially if you bought it as a bulk portfolio. Many note investors operate on a "buy wholesale, sell retail" model. By acquiring large quantities of assets at a time, they are able to pick up loans at the best price. Then, by adding value with comprehensive due diligence and allowing retail investors to cherry-pick individual assets, they are able to quickly flip unworked, non-performing loans for more than their cost basis.

SELLING CASH-FLOWING NOTES
Fixing & flipping non-performing notes is an excellent business model. Just like when a rehabber flips a home, selling a fresh, cash-flowing asset that was once in rough shape creates a positive effect on the community and for the end buyer while compensating the investor with significant profits for putting in the work. For the most part, buyers look for 6 months or more of "seasoning" – you should have a payment history outlining consistent payments to prove that the borrower is capable of maintaining their payment plan.

Even if you plan to buy & hold all of your notes, it's still very important to stay organized with your documentation and accounting. If and when you need to sell a cash-flowing note for the highest price, the buyer will want to make sure that the previous owner has clean files and proper accounting.
Boarding cash-flowing notes with a loan servicer provides huge benefits for peace of mind, compliance and accuracy. Many buyers will severely discount re-performing loans that are self-serviced and since your loan servicer handles much of the legwork when transferring an asset to a buyer, there's no reason why you wouldn't hire one.

WHERE TO SELL NOTES

There are many places to market and liquidate mortgage notes but the best place to buy or sell performing and non-performing loans is the FIXnotes Trade Desk.

We share masked data (sanitized of all sensitive information) to the world on our public Inventory. With your help, we aggregate a digital file of all of your collateral and due diligence information. Our fully-vetted buyers (under non-disclosure) have access to the complete loan data in order to formulate their offers.

As we receive offers on your loans, we will help you decide on the best price & execution. If necessary, we will negotiate with the buyer to close at a fair price that ensures a successful transaction. Once you've agreed to move forward with a loan sale, FIXnotes will assist with contract preparation and execution. We'll also give you the help you need to initiate the servicing transfer, prepare the assignment/Allonge and ship the collateral docs.

CLOSING A NOTE SALE

Once you've received a final offer that is acceptable, here are the necessary steps to selling a loan.

STEP 1: Prepare the Loan Sale Agreement

First things first – get it under contract! Even if you have already finalized a price, you may have some additional negotiations on the purchase agreement. As soon as both parties are in agreement on the terms and conditions of the sale, email the buyer a PDF contract for their execution.

STEP 2: Counter-Sign & Send Wiring Instructions

After the buyer has scanned, signed and returned the Loan Sale Agreement via email, add your signature to the document. DO NOT sign the bill of sale at this time (this will serve as the buyer's "receipt" once you have received funding). Along with the fully executed agreement, include the wiring instructions and return an email to the buyer.

It's also a good idea to ask for the information you'll need for the servicing transfer at this time, here is the requested information from the buyer:

- Servicer Name
- Servicing Contact Email
- Toll Free Phone Number
- Hours of Operation
- Payment Address
- Correspondence Address
- Collateral Shipment Address (should be your office/home address)

STEP 3: Initiate Servicing Transfer

The seller should notify you when they have initiated the wire. Once you have confirmed good funds, reach out to your loan servicer with the above information from the buyer to begin the servicing transfer. CC the buyer on the email so they are aware that the process is moving forward. If you do not have a servicer in place, you will need to prepare and send the RESPA letter yourself. Get the details in the Seamless Servicing Transfer module.

STEP 4: Prepare & Execute AOM/Allonge

Before you deliver to the buyer the documents that they have purchased, you will need to complete the file with the assignment of mortgage and Allonge which effectuate the transfer of ownership. Before you sign/notarize, send the documents to the buyer for approval.

STEP 5: Ship Original Collateral Files

Finally, add the newly created and executed assignment and Allonge to the original collateral file and ship it out to the buyer's specified address. You may wish to insure the shipment for the cost of recreating the documents in the event the package is lost. It's overkill to insure the delivery for the purchase price of the mortgage note because a collateral file can be reconstructed as long as you have scanned images of all of the files.

SHORT SALE

A short sale, or sale of the property for less than the amount of debt owed, is often times the most preferable exit strategy. Although taking back the deed to the property will typically result in a higher sale price, it also comes with the liability of owning the home for however short a period of time. By assisting the borrower with putting the property on the market themselves, you can get paid off without ever being on the deed.

If conversations with the borrower have resulted in a decision that they can no longer afford the home, you'll want to first decide whether a short sale or deed-in-lieu (DIL) is more effective for your goals. Taking back the deed through a DIL is more involved so we'll get into the details in the next section.

A short-sale is the way to go if you want the most straightforward exit with minimal amount of effort. With this resolution, you are giving the borrower the push in the right direction but otherwise, you won't have anything to do until an offer is received.

STEP 1: Find a Local Realtor
Look for a realtor in the area that has actively sold other comparable homes in the last 3-6 months. It won't be difficult to find the best realtors via Google.

STEP 2: Interview one or more Realtors
You'll want to ask the realtor if they've ever done a short sale before and whether they would be interested in helping with yours. You might want to explain that you have purchased the note and you're much more responsive and easier to work with than a typical lender. You may have to call a few realtors until you get the feeling that you've found the right one. Once you're ready give them the property address and get their initial impressions. Then give them a few days to drive-by the property, look at some comps and give you a potential listing price.

STEP 3: Email Follow-up
After you get off the phone, send the realtor an email with the property address and expectations:

Good day REALTOR!

Thanks for taking my call. Per our conversation, our company owns the mortgage note secured and is working with the borrower to list the below referenced property for sale:

PROPERTY ADDRESS

We'd like to have you list it ASAP but before we can take the account to the next steps we need a better idea what it's worth and how long you think it will take to sell.

It would be super helpful if you could drive by, take a few photos, look at the comps and let me know what you think.

Thanks!

STEP 4: Connect Borrower & Realtor

After a few days the realtor should have replied with their opinion on the property. If you are comfortable with moving forward first give the borrower a call to notify them that you have found a great realtor and will be connecting them via email. Then send another email to the realtor with the borrower CC'ed. It can be as simple as:

Good day REALTOR,

Please meet BORROWER (CC'ed), owner of the subject property.
Their phone number is (XXX) XXX-XXXX

Per our conversation, please list the property for $XX,xxx.xx.

BORROWER will sign the listing agreement.

Thanks!

STEP 5: Respond to Offers

As the lender, you're in the driver's seat. All offers will come through you, because without your approval to take a discounted payoff on the loan (a "short" sale), the lien will not be released and title will not be clear for the buyer. If the realtor is decent, the price is set right and the market is fairly active, you should start receiving offers soon. Reject, counter or approve as you see fit.

STEP 6: Close the Deal, Release the Lien

Once you've settled on an offer that works, instruct the realtor to move forward with closing. They may require a short-payoff approval on your company letter-head to take the next steps. Provide your wiring instructions and once you have received funds, prepare and record a satisfaction/lien release to complete the process.

DEFICIENCY BALANCE

Depending on the situation with the borrower (and the state laws regarding deficiency), you may have the option to pursue collection of the deficiency balance following the short sale. However, if you proposed the short sale as a way to fully satisfy the borrower's debt then it would be incredibly disingenuous to pursue.

The deficiency balance is the difference between the amount of debt owed and the sale price of the property. For example, if the home sold for $60,000 but the borrower owed $100,000 then there is a $40,000 deficiency balance still owed by the borrower. Since the property has been sold, this deficiency is an unsecured debt. Unsecured debt can be collected by seeking a judgement against a borrower. This judgement can then be used to garnish wages or other assets.

DEED-IN-LIEU

Most of the time, if the borrower doesn't want to keep the property, a short sale is the most straightforward exit strategy to sell the home and payoff your mortgage note. However, sometimes a deed-in-lieu (DIL) is a more strategic play.

A deed-in-lieu is a document that conveys the property back to the lender to pay off the debt. "In lieu" of paying off the loan, the borrower deeds the property back to the note holder. Depending on the economics of the deal, sometimes it even makes sense to pay the borrower to sign the deed back to you. This is called "cash for keys".

DEED-IN-LIEU AS LEVERAGE

As we briefly mentioned in the payment plan module, a deed-in-lieu can be used as leverage in other repayment agreements to ensure the borrower makes the agreed payments. When you have the borrower sign the payment plan agreement they also sign a deed-in-lieu. The deed-in-lieu is only to be recorded in the event that the borrower fails to make their monthly payment. In other words – you don't have to go through a costly foreclosure action, and instead can instantly record the deed to the house in the event you aren't paid per the agreed terms.

CONSIDERATIONS BEFORE ACCEPTING DIL

Unlike a short sale, where your obligations end with the recording of a lien release (unless you choose to pursue a deficiency judgement), a DIL puts you in the real estate business. Because you are going to own the subject property once the deed is recorded, you need to be sure you know what you're getting into. Here are some important steps to take prior to agreeing to this exit strategy:

Verify Title: Upon accepting a DIL, the note holder becomes subject to all existing liens on the property at the time the DIL is legally delivered. In other words, without properly reviewing title, you may be making yourself subject to unknown junior liens or tax liens.

In scenarios where there are substantial junior liens also secured by the subject property, a foreclosure makes more sense in order to strip these other debts and grant clean title back to the lender. If you do move forward with the DIL, you will want to purchase title insurance to protect your interest in the transfer.

Review the Property: Before purchasing real estate, it's pretty obvious that you need to make sure it's in the condition expected. It's important to remember that accepting a DIL is buying real estate. Before agreeing to allow a deed-in-lieu with the borrower, connect the borrower with a realtor to do an interior walk through and report back to you with photos and their opinion of the property.

Use the step-by-step from the last module on short sales to find a decent realtor to give you a boots on the ground presence in the local neighborhood. Before you even consider the possibility of taking back the deed you need to know how long and at what price the property will sell at as-is. It's also incredibly important to have a game plan as soon as you take back the property. Are you going to sell as-is, fix & flip or rent it out?

CLOSING + AFTER THE DIL

Make sure to work with a title insurance company to close the deal and record the deed along with a lien release. Making sure you've been conveyed clean title right off the bat will save you many difficulties down the line.

Here's where things get really interesting. You're now in the real estate business, most likely working remotely, possibly thousands of miles away from your investment. It's important to build up a local team that you can trust to turn this deal into dollars. By now you should already have a realtor. If your plan is to sell the property as-is, instruct your realtor to put it on the market ASAP.

It's a great idea to ask your realtor what they would do with the property if it was their investment. Is making the repairs worth it? It might make sense to spend $500 or less just to clean up the landscaping. Ask the right questions and build a good relationship with your local team, they are your lifeline on this deal!

FORECLOSURE

Foreclosure, the ultimate leverage of a mortgage note investment. In this module we will discover more on the history of foreclosure as a legal proceeding, look into the different types of foreclosure, the documents necessary to effectuate the process and link to summaries of every single state-by-state policy.

HISTORY

(Excerpt from "Handbook of Foreclosure Management" by Dennis Jankowski)

"The development of foreclosure law as we know it today began hundreds of years ago. It can be traced back to Anglo-Saxon times before the conquest of England by William the Conqueror in 1066 and, at different times, it unjustly favored both the mortgagee (lender/beneficiary) [and] the mortgagor (borrower/trustor). In the fourteenth century, when a borrower would execute a deed to the property pledged as security to the lender, the lender would become the owner of land just as if a sale had occurred.

Foreclosure did not exist as a process in those early times since the borrower's failure to pay the debt off by the law day automatically extinguished their rights to the property. This resulted in extreme hardship for the borrower who began to petition the King for relief. At this point in history, the advantage was in favor of the lender since often the borrower lost a substantial amount of equity in the property with their failure to pay the debt by the redemption date. This brings us to the next development in the evolution of the foreclosure process, the foreclosure sale. The theory was that justice would be served if the property could be sold to the highest bidder in order to provide sufficient funds to pay the lender and provide the borrower with the surplus funds, which would constitute a recovery of their equity.

As these changes to the method in which a mortgage was enforced occurred, it became apparent that the mortgage no longer acted as a deed, but had emerged as a lien on the property which was enforceable upon the default of the borrower."

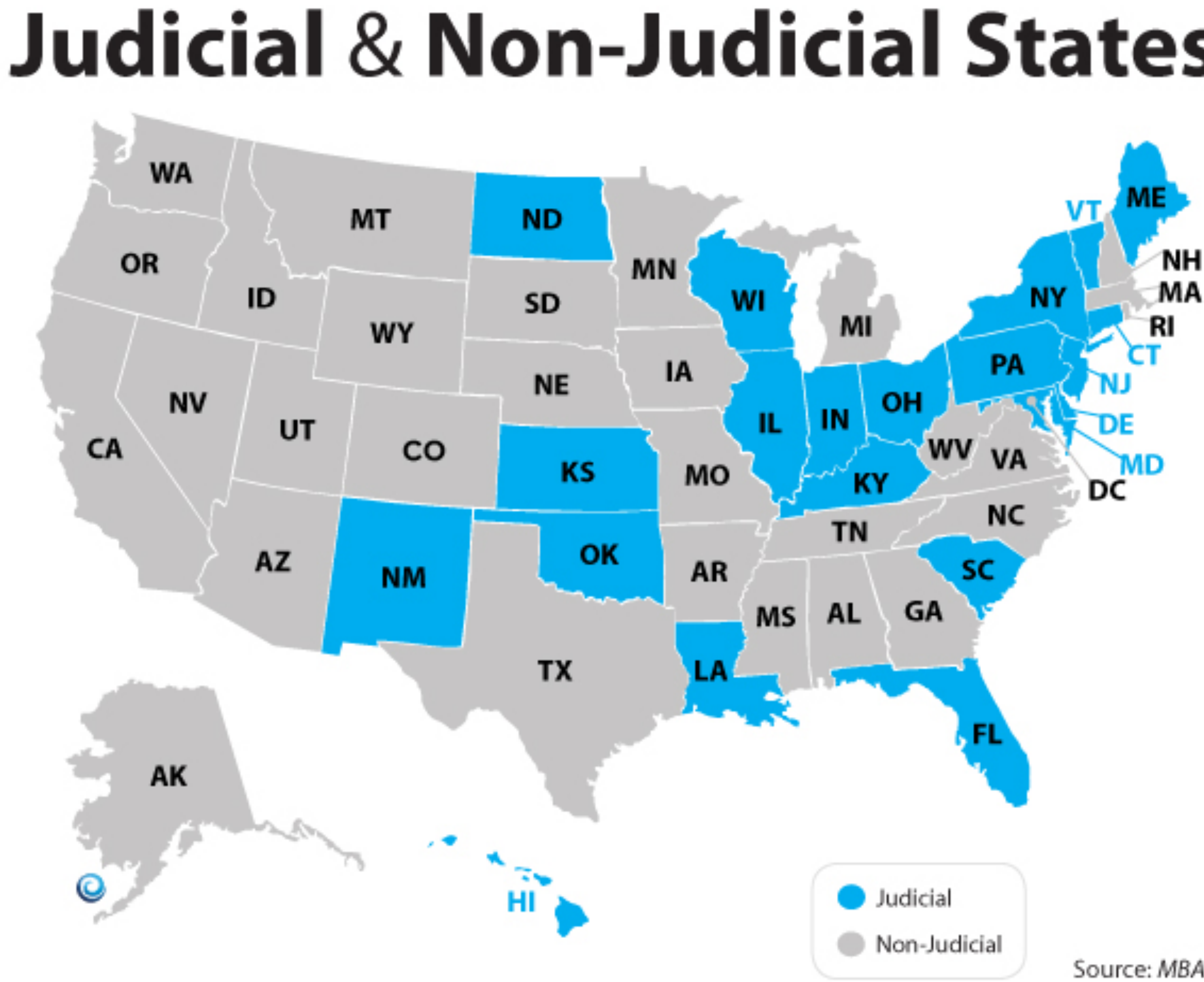
And that brings us to today, where a mortgage lien is enforced through the foreclosure process, a legal proceeding designed to bring an equitable solution to a breached contract.

JUDICIAL VS NON-JUDICIAL

Judicial Foreclosure: The foreclosure lawsuit is filed in court and is handled by licensed attorneys. Judicial foreclosure may be combined with other lender remedies such as a receivership where a court appointed receiver collects the rents and profits and manages the property until the action is concluded. Judicial foreclosure requires court action, which incurs attorney fees and costs. A lis pendens or notice of pending action should be recorded to evidence the action in the particular County's Recorder's records.

Non-Judicial Foreclosure: A private (non-court) process created by contract and regulated by statute. Typically shorter and less costly than judicial foreclosures. Many investors price this difference into their offers or focus on non-judicial states.

The following map is a bit of an over simplification as some states do allow for either/or. For much more detailed information, see the state-specific summaries at the bottom of this module.



In both judicial and non-judicial foreclosures, the borrower always has the opportunity to pay off the debt (reinstatement amount) prior to the foreclosure sale. Post-sale redemption is not allowed after a non-judicial foreclosure, but is permitted with a judicial foreclosure.

TYPE OF DEFAULT

Monetary Default: A default which occurs due to non-payment.

Non-Monetary Defaults: Arises when a default occurs, which is non-monetary in nature. A close inspection of your mortgage documents will reveal many possible default triggering events. For example, a borrower has allowed the secured property to fall into disrepair, conducted illegal activities from the premise, or deeded the property to a third party without providing notification (the "due-on-sale" clause).

FORECLOSURE DOCUMENTATION

Specific documentation is based on the state where the foreclosure proceeding takes place. Different states have different terminology. The following is by no means a comprehensive list and as with everything in this guide: it is important to discuss with a local attorney. For much more detailed state-specific foreclosure information, scroll down to the state summaries at the bottom of this module.

Notice of Default, Demand Letter, Notice of Intent, etc.: Prior to initiating legal action, the lender is required to send a letter to the borrower explaining that a foreclosure will be filed if the borrower does not reinstate the loan. This letter notifies the borrower that if the past due amount is not paid within 30 days, the foreclosure procedure will start.

Lis Pendens: Judicial foreclosures require a lis pendens (Latin for "suit pending"). The notice of lis pendens is recorded in the county public records. The purpose of the notice is to inform the public that a lawsuit involving the property is pending. This is normally a short document that references the property legal description.

Complaint for Foreclosure/Petition for Foreclosure: The judicial foreclosure process starts when the lender sues a delinquent borrower in the county where the property is located. This document is then served to the borrower along with a summons which they will typically have 20 days to respond to. If the borrower fails to respond, the court will automatically grant a judgment of foreclosure in favor of the lender.

Notice of Trustee's Sale: A Notice of Trustee's Sale is the foreclosure document that establishes the foreclosure sale date, time, and location; it will also contain an estimated total debt amount of the Deed of Trust being foreclosed upon. This document is signed by the current trustee or record on the subject Deed of Trust and, in Nevada, their signature must be notarized.

Trustee's Deed upon Sale: A Trustee's Deed upon Sale document establishes the new ownership of the property based upon the results of the foreclosure sale. The information on the Trustee's deed Upon Sale includes the name of the purchaser, whether or not the purchase was the beneficiary under the subject Deed of Trust and the purchase amount. This document is signed by the current trustee and must be notarized.

STATE SPECIFIC DETAILS

State	Judicial	Non-Judicial	Time to Foreclose	Redemption Period	State Laws
Alabama	X	X	1 – 3 Months	Up to 12 Months	Reference
Alaska	X	X	3 – 4 Months	None	Reference
Arizona	X	X	3 – 4 Months	Up to 6 Months	Reference

Arkansas	X	X	4 – 5 Months	Up to 12 Months	Reference
California	X	X	3 – 5 Months	Not Likely	Reference
Colorado	X	X	2 – 5 Months	None	Reference
Connecticut	X		5 – 6 Months	Court Determined	Reference
Delaware	X		3 – 7 Months	None	Reference
DC (Washington)		X	2 – 4 Months	None	Reference
Florida	X		4 – 6 Months	Yes	Reference
Georgia	X	X	2 – 3 Months	None	Reference
Hawaii	X	X	3 – 4 Months	None	Reference
Idaho	X	X	5 – 6 Months	None	Reference
Illinois	X		7 – 10 Months	Yes 3 – 7 Months	Reference
Indiana	X		5 – 7 Months	None	Reference
Iowa	X	X	5 – 6 Months	12 Months	Reference
Kansas	X		3 – 5 Months	Up to 12 Months	Reference
Kentucky	X		5 – 6 Months	Up to 12 Months	Reference
Louisiana	X		2 – 6 Months	None	Reference
Maine	X		6 – 10 Months	90 Days	Reference
Maryland	X		2 – 3 Months	Court Determined	Reference
Massachusetts	X		3 – 4 Months	None	Reference
Michigan		X	2 – 3 Months	Up to 12 Months	Reference
Minnesota	X	X	2 – 3 Months	6 Months	Reference
Mississippi	X	X	2 – 3 Months	None	Reference
Missouri	X	X	2 – 3 Months	Up to 12 Months	Reference
Montana	X	X	4 – 6 Months	12 Months	Reference
Nebraska	X		5 – 6 Months	None	Reference
Nevada	X	X	3 – 5 Months	None	Reference
New Hampshire		X	2 – 3 Months	None	Reference
New Jersey	X		3 – 10 Months	6 Months	Reference
New Mexico	X		4 – 6 Months	9 Months	Reference
New York	X		4 – 8 Months	None	Reference
North Carolina	X	X	2 – 4 Months	10 Days	Reference
North Dakota	X		3 – 5 Months	60 Days	Reference
Ohio	X		5 – 7 Months	Until Confirmation	Reference
Oklahoma	X	X	4 – 7 Months	Until Confirmation	Reference
Oregon	X	X	4 – 6 Months	None	Reference
Pennsylvania	X		3 – 9 Months	None	Reference
Rhode Island	X	X	2 – 3 Months	Up to 3 Years	Reference
South Carolina	X		4 – 7 Months	None	Reference
South Dakota	X	X	6 – 9 Months	Up to 12 Months	Reference

Tennessee		X	2 – 3 Months	Up to 2 Years	Reference
Texas	X	X	2 – 3 Months	None	Reference
Utah			4 – 5 Months	180 Days	Reference
Vermont	X		7- 10 Months	Up to 6 Months	Reference
Virginia	X	X	2 – 3 Months	None	Reference
Washington	X	X	4 – 5 Months	None	Reference
West Virginia		X	2 – 3 Months	None	Reference
Wisconsin	X	X	6 – 10 Months	None	Reference
Wyoming	X	X	2 – 3 Months	3 Months	Reference

Congratulations! You've made it through the final chapter of **FIX**notes How to Invest in Mortgage Notes. Head over to FIXnotes.com for more content: webinars, case studies & assets for sale