

<https://jkpholdings.com/creating-real-estate-notes/>

[Sample Sheet](#)

[Yield Chart](#)

We are not going to be talking about: How to find borrowers, How to find seller finance deals.

You created a note and there is equity in property now what.. Lets cash in?

We are wanting to take that “trapped money” and turn that into cash in your hand to buy more deals!

We become your bank and as many deals you create

## OUTLINE OF TOPICS

- [Owner Occupied vs Non-Owner Occupied \(RMLO + Underwriting\)](#)
- [Subject-to + Wrap vs Just Wrap](#)
- [Type of Security - Mortgage/ Deed of Trust vs Land Contract/Contract for Deed](#)
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100% (80/20 or 70/30)= **75% ITV** SOLID DEAL + Interest Rate 12% at least )

Purchase at 14% Yield

Property value over 50k

**Borrower PAY SERVICING FEE “borrower to pay the servicing fee”**

 [Yield Discount Owner Finance Comparison chart](#)

It is legal to sell a note via an allonge and assignment

## Owner Occupied vs Non-Owner Occupied (RMLO + Underwriting)

### - Price Change

- Non-owner = Landlord, CFDs, Bridge, Rehabs
  - Originating Interest Only (origination 3%)
  - +2%
- Owner occupied
  - 0 Change
    - requires Underwriting (call the underwriter, Mark Ross)
    - RMLO
    - +2% if not completed

## Subject-to + Wrap vs Just Wrap - Make or Break

- “3rd party borrower” vs Lender is Underlying borrower
- We will not buy wrap note where there is a “3rd party borrower” without paying off 1st (even if math doesn’t make sense)

## Type of Security - Mortgage/ Deed of Trust vs Land Contract/Contract for Deed - Price Change

\*\*Need to have longer than 1 page document \*\* - 2%

### Who is on title

- Mortgage/deed of trust
  - Discount Worry about Immediate payoff
  - Long Foreclosure possible
- Contract For Deed
  - States Ohio 20%/5 years switch
  - 2% increase return - Property condition/Rehab/Borrower issues
  - Quick FC
- Lease Option
  - Rental with % of Rent (flat amount) towards principal
  - 3% increase Return

## Note Numbers - What numbers are important! - Price Change

Not Percentage of Unpaid Principal Balance = UPB

Legal Balance = UPB + Collectible Monies

1. Present Value (PV) Principal Balance / Original Balance - Does not affect
  - a. This does not include the down payment
  - b. Amortization Schedule
2. Payment - (PMT) This is **only Principal and Interest (P&I)**
  - a. PITI = NO NO - Taxes and Interest ESCROW not Lender's money
3. **Term (N)** - KEY ITEM This sets how quickly we get the money back.
  - a. Get more Money!
    - i. Lower the Term the higher the Monthly Payment
    - ii. 25 Years Key
4. Balloon (FV- Future Value)
5. **Interest Rate (I)** = KEY ITEM this is the annual Interest earned
  - a. Get More Money
    - i. Higher the interest rate the higher the Payment

Example = 25 Year 12% 100k 1,053.22

20 year 12% 100k 1,101.09

## Using 100% vs 80/20 vs 70/30 - Does not change price

LTV (Loan to value) is biggest Player here

Depends on selling 1st or 2nd

Depending on if the 80 is a 1st or 2nd (most likely it's a 1st due to borrower not being able to afford higher interest)

1st /2nd Lien

\*\*\*This does not change our pricing it is preference:\*\*

- 100%
- 80/20
- 70/30 - Best = if buying the 1st -due to CTLV (Sub 75%)
- 50/50 - BEST

Can be (20/80) 1st vs 2nd.

## Property Value and Location - BOTH

This only affects foreclosure exits

50k Minimum - 300k (dave) 200k (Nathan)

- PROPERTY VALUE
  - 100k + Best
  - 50k-100k - Better
  - 50K< Not interested in too much risk and expenses.
    - 50k vs 1mm property same Fc, Servicings, etc..
- Location - Make or Break not Discount change
  - Based on Annual Yield Does not change price
  - Population 15k + OR 20 Miles of large City -County (100k)
  -
- State Debt License - NO - IL, KY, KS, GA, OR, WA, CA, PA,
  - Long Foreclosure States (NORTH EAST) CT - Lender present in Courtroom

## Down Payment - Make or Break

- Min 10% (skin in the game)

## Seasoning - Price Change

- (0 Seasoning) - No servicing change
  - Nathan - No change
  - Dave - Less 3 months 2% Increase (increase borrower expenses)
- Table Funding

## Type of property (Land, Mobile Home, Residential, Commercial) - Make or Break

- Raw Land - Difficult to sell
- Mobile home - Depreciate in value
- Residential Yes! 4 or less Units (prefer single family)
- Commercial Possibly

## LTV & CLTV - Make or Break

Focus here is ITV (Investment to value)

- LTV (Loan to value) = 1st lien

- CLTV (Combined Loan to value) = 1st+ 2nd
  - ITV (Investment to Value) 75%
  - 2nd - buy when buying the 1st
    - Need to know if 1st Performing
    - Need to know the Unpaid Principal Balance of the 1st
  - 2nd - performing (If first is performing as well) (nathan)

## Monthly Payment - **Make or Break**

- If borrower is paying servicing fees Does not affect it
- If Lender is paying servicing, Monthly Payment > \$300
- Servicer needs to be licensed!! - <https://www.nmlsconsumeraccess.org/>

## Usury Law

- Each state has a Usury Law which states how much Interest you can charge someone
- Speak to local RMLO
- <https://www.lendami.com/usury-laws-by-state/>

## Personal Guarantee - Business to Business Notes **Make or Break**

## Credit Score - Need to pull it and prove it (**Make or Break**)

Typically want over 680

Additional items:

- If there are any other owners of the LLC that purchased the property
- Current rental rate and what market rental rate is.
- Copy of the current lease.
- How does the borrower intend to pay the balloon payment?
- Appraisal

**BLANK ON PURPOSE**

## KEY POINTS

- Not bought based on % of UPB or % of BPO - Always bought off IRR/Yield
- Borrower pay servicing fees
- Higher interest rate
- Lowest Term
- Property Value over 50k
- Debt License STATES
- Need to have longer than 1 page document
- Owner Occupied - Underwriting required & RMLO
- Maximum 75% Investment To Value of Property Value
- 100% (80/20 or 70/30)= 75% ITV SOLID DEAL + Interest Rate 12% at least )
- Purchase at 12-14% Yield
- City Population 20k + OR 20 Miles of large City -County (100k)
- If Lender is paying servicing, Monthly Payment > \$300
- We will not buy “3rd party borrower” without paying off 1st (even if math doesn’t make sense)
- Find deals with Equity for wraps
- **TEXAS WRAP NOTES (2nd lien) borrower can’t pay servicing fee if interest rate is above 10%**

## Change pricing

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- [Note Numbers - What numbers are important!](#)
- [Seasoning](#)
- 80/20 Note
-

# Make or Break

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Does not change price

- [Using 100% vs 80/20 vs 70/30](#)

Both

- [Property Value and Location](#)

**WRAP NOTES (2nd lien) borrower can't pay servicing fee if above 10%**

- **Servicing fees are unauthorized for secondary mortgages with interest rates in excess of 10 percent. (See Texas Finance Code Chapter 342.) This includes "wrap" mortgages since a wrap mortgage's collateral continues to be subject to an unreleased lien. (See Texas Finance Code Chapter 159.)**