

Real Estate Investing

INVESTING IN SECURED REAL ESTATE PAPER



Investing in Real Estate Paper

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Overview of this presentation:

- What is paper?
- Why invest in real estate paper?
- What is in a note?
- Types of note investors
- What profits can I expect?
- Examples of how to profit

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What is Paper?

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What is Paper?

- Purchase contracts
- Options
- Casino Jackpots & Lottery winnings
- Insurance settlements
- Royalties
- Judgments
- Tax lien certificates
- Leases
- Inheritances
- Annuities
- Notes

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Why Invest in Real Estate Paper?

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Why Invest in Real Estate Paper?

- Income
- Yield
- Security
- Liquidity (Use paper like cash)
- Low maintenance (NO tenants, NO toilets, NO termites, NO trash)
- PhD level of REI

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What is in a Note?

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What is in a Note?

- A promise to pay
- Payer
- Payee
- Security

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Car Note

Automobile



Note



Title



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Real Estate Note

House



Note



Mortgage



Deed



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Types of Note Investors

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Types of Note Investors

- Note broker
- Active note investor
- Semi-active note investor
- **Passive note investor**

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What Profits Can I Expect?

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What Profits Can I Expect?

- **Passive Note Investors - 6-8%**
- Semi-Active Note Investor - 8-10%
- Active Note Investor - 12% +
- Note Broker - Work for Cash

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Examples of How to Profit

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Example #1 (Real Estate Purchase Contract)

- Sandy Seller is a motivated home seller
- Randy Real Estate Investor (REI) negotiates and signs a **contract** to purchase Sandy Seller's house
- Randy REI's EMD is \$100
- Randy REI finds Rose & Ron Rehabber who offer to buy Randy's contract for \$10,000 and step into the shoes of Randy REI to close
- The offer is consummated and Randy REI has made \$10,000 on his investment of \$100

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Example #2 (Real Estate Option Contract)

- Sandy Seller is a motivated home seller
- Randy Real Estate Investor (REI) negotiates and signs an **option** to purchase Sandy Seller's house
- Randy REI's option consideration is \$100
- Randy REI finds Rose & Ron Rehabber who offer to buy Randy's option for \$10,000 and step into the shoes of Randy REI to close
- The offer is consummated and Randy REI has made \$10,000 on his investment of \$100

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Example #3 (passive investor 6-8% ROI—Short Term Hold)

- Rose & Ron Rehabbers have \$10,000 plus closing costs. The property they have under contract has an After Repair Value (ARV) of \$200,000, they have negotiated a purchase price of \$60,000; rehab costs are \$50,000.
- Rose and Ron apply for a loan from DelREIA for \$100,000
- DelREIA approves the loan and reaches out to its' passive investor list for funding.
- Ida Investor does her Due Diligence (DD) and agrees to fund the loan and receive passive income from rehabbers

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Example #4 (passive investor 6-8% ROI—Long Term Hold)

- Rose & Ron Rehabbers (Example #1) have completed their rehab and wish to sell the property to Len Landlord' LLC.
- Len Landlord agrees to pay full price of \$200,000 but only has \$20,000 + closing costs. DelREIA will fund Len Landlord for \$140,000 even though Len's credit is only ok - he had a BK four years ago due to job loss. He is an experienced landlord and member of DelREIA.
- Rose and Ron agree to take back a Second Mortgage for \$40,000.
- DelREIA reaches out to its' passive investor list for funding. DelREIA may use 3-4 passive investors to fund.