

V. PRIVATE MORTGAGE PURCHASE SECRET REVEALED (Buy-While-Refi program)
(Don't miss out, read these pages thoroughly and think of your dead deals that can be revived)

This document will provide a special link between the private mortgage business and loan originations. As far as we know, this exact concept has never been put in print by another investor. However, this is not about residential loans. Instead, we want to reveal to you a secret that we have been using for years. We feel it is time to reveal this secret in order stretch the traditional boundaries of the private mortgage business. This innovative purchase program can save many of your deals that ordinarily would not have closed. This means that you can make more money. The program allows us to throw out the yield requirements and make significantly higher offers to you and subsequently the seller.

By now everyone has read many articles on how to market for seasoned private mortgages, how to negotiate with sellers, how to work with mortgage buyers, and many other aspects of private mortgages. We do not wish to change any of the traditional methods that you are accustomed to in regards to private mortgages. Nor do we want to imply that this plan is any better than the traditional purchase. Instead, we are going to present just one more way that you can buy a seasoned private mortgage. We know there will be some critics who will doubt that this works. Therefore, it is important to note that this plan will only work in about 50% of your deals. The other 50% of the time it will not work. We call our program the, “**buy-while-refi**” plan.

When we receive a seasoned mortgage worksheet from a consultant who wishes to receive a quote, we usually make a traditional offer. We then look closely at the worksheet and ask the question, “Can we offer the payer a better deal?” If the answer to this question is, “yes,” then there is a good chance our “buy-while-refi” program will fit this transaction. If the answer is, “no,” then we make a traditional offer and move on to the next worksheet.

Example #1: To illustrate, let's assume a single-family owner occupied house sold for \$100,000 two years ago. The buyer of the house has good credit, a good job, put \$5,000 down, and the owner took back a \$95,000 mortgage. The term is 360 months, the payment is \$697.08, the rate is 8%, and there is no balloon. The current balance would be \$93,346 with 336 payments remaining. The typical investor's full offer on a mortgage like this would fall between \$81,827 at a 9.5% yield, and \$72,500 at an 11% yield. We will assume the investor's offer to be \$76,925, which is a 10.25% yield. If you wanted to make a \$1,000 commission, you would offer the seller \$75,925. Given this example, the discount to the seller would be \$17,420. There is a very high chance the seller will reject your offer and you will need to put this deal in your dead file. Now, what if you could offer the seller perhaps \$85,000 to \$88,000 through our special program? The “buy-while-refi” program gives you one more chance to save this deal. Do you think you could save a few of your deals this way?

How we can help you save the deal exemplified above: Assuming the seller accepts your tentative quote of \$85,000, the transactional negotiations shift to the payer. We require direct contact with the payer. We call him, and explain who we are, and why we are calling. We explain that our goal is to offer him a better deal than what he has now. Assuming he is cooperative and still has good credit, we might be able to offer him the following restructured terms: reduce his balance by \$1,000 to \$92,346, keep his 30 year amortization, lower the interest rate, lower his payment to perhaps \$553, and have no closing costs. His credit rating would improve since his new mortgage would be reported to the credit bureaus. He would also have no more contact with the seller. Logically it would be foolish to say no to this proposal. However, many people do say no. This is one of the reasons why our “buy-while-refi” plan only works 50% of the time.

Example #2: A single family, owner occupied home sold for \$120,000 with \$20,000 down. The \$100,000 mortgage has the following terms: 20 year amortization, 7.5% interest, \$805.59 payments, and a current balance of \$98,523 with 232 payments remaining. Traditional offers might be in the \$82,500 range at a 10% yield. Our “buy-while-refi” program might result in an offer as high as \$93,000. If you checked the yield on this you would find it to be 8.29%. The program is not based on yield, thus an offer like this is possible. The payer has to be cooperative and like our proposal. If the payer does not like any of our proposals and the seller has already rejected your traditional offer, then the deal is dead. At least you tried your best. Now it is time to move on to the next deal.

Example #3: A single family, owner occupied home sold for \$100,000 with \$5,000 down. The good credit buyer assumed an existing \$60,000 first, and the seller took back a \$35,000 second. The terms on the first and second both have 8% interest rates for 30 years, with no balloons. The note is seasoned for 1 year. The traditional offers will probably be limited to a max combined LTV of 75%. Thus, the resulting full offer for the second mortgage would be no more than

\$15,000. Assuming the seller does not want to sell a partial, and he is appalled by your low offer, the deal is dead. But it does not have to be dead. With our “buy-while-refi” plan we might be able to offer you \$25,000 for the second mortgage, through a refinance of all mortgages. Of course, this is subject to the same conditions mentioned above.

Example #4, this time the payer has bad credit: Single Family, O/O house with a value of \$100,000. Payer owes \$99,000; interest rate is 10%, for a remaining 29 years. Four of the payer’s twelve payments have been over 30 days late. The seller is desperate and will only take a full offer. The best offers you have been able to get have been somewhere between declines and \$40,000-50,000 partials. With our “buy while refi” program, we may be able to offer you as much as \$75,000 for a full purchase. Of course, this is subject to the same conditions mentioned above.

What Are We Actually Doing? We are attempting to refinance the payer on the note while we buy the mortgage from the seller. This creates a pure win-win situation. The seller gets significantly more for his mortgage, you get to save a deal and make money, and we get a new loan. The payer benefits in perhaps a number of ways, by lowering his payment, lowering the interest rate, shortening the term, lengthening the term, reducing what is owed, or perhaps removing an upcoming balloon. Depending on the situation, we do not advise telling the seller what we are doing in the beginning. The program is rather complex for the typical seller, and you might scare him away. Eventually, either we will explain the program to the seller or you will. This program will not only save deals, but it can also put extra money in your pocket. There is also a bonus to this, “buy-while-refi” program. If the seller accepts your original offer and we can do our program, you may be able to make a lot of extra money. However, the program is complex, due to the necessary involvement of another party, the payer. This program will not work in all cases but will add to your options.

STEPS TO TAKE WITH OUR “BUY-WHILE-REFI” PROGRAM:

1. You should get your regular quotes on your worksheet including our regular quote, subject to the normal yield and LTV requirements. When you receive a “buy while refi” fax along with your worksheet you will know that you have another option. Keep this fax with your worksheet. **If we included a possible “buy-while-refi” offer on your worksheet it is important that you do not make your offer to the seller based on this figure.**
2. You should present your offer to the seller as you always do. If he ultimately rejects it, now it is time to move to plan-B, which is our special program. Tell the seller that you work with a company that may be able to offer him/her significantly more. However, the company will need to speak directly with the payer to gain more underwriting comfort about his mortgage. If the seller refuses to give permission to call the payer, then our special program will not work.
3. Assuming that the seller gives permission to call the payer, we will then call the payer and introduce ourselves. We will explain who we are and what we can do for him. We will ask him questions to see if he qualifies. If he does not qualify, then our program will not work. If he likes what we have to offer and desires to proceed, we will make you an offer to buy the mortgage.
4. You then go back to the seller with your revised offer that is based on ours. If accepted, get a signed purchase agreement and request the typical due diligence information from the seller.
5. Assuming that you send us the package, we will continue processing the file. We will continue to work directly with the payer, and we may ask for your permission to work directly with the seller as well.

We are actually making the payer a new loan. Assuming you are not a licensed mortgage broker, it is important to point out that you will not be involved in this loan process. You are not earning any points or loan fees. Your commission is earned in one of two ways, which will be determined on a case-by-case basis. (1) The usual manner, in that the seller’s mortgage is being discounted and you decide the commission; (2) we may have to treat this as a straight refinance and your earnings will be discussed at that time. Please note that in about 50% of the cases this “buy-while-refi” program will require that the seller or the consultant pay for the appraisal.

TYPICAL MORTGAGES WHERE THE PROGRAM WORKS AND DOESN’T WORK: This program typically works best when the first mortgage is greater than \$75,000. It works with residential and commercial mortgages. The more seasoning the higher the success rate, however, only one month of seasoning is required. The existing note interest rate should ideally be higher than 8%, but lower rates will work. The longer the amortization period the more dramatic the program effect will be. Good credit works best, but we can also work with bad credit or even people in foreclosure. It works great with some second mortgages. The program works best if the difference between the current balance and your typical offers is large. The program does not work if the seller wants a partial or any other offer other than a full purchase. It does not work with business notes, land, portfolios, or any non-real estate secured assets. However, we will continue to buy these types of debt instruments, just not with this program. Please call for more information.