

# FILLING OUT THE WORKSHEET

## YOUR INFORMATION

- Date:** The Date the Sheet is Prepared.
- Contract Buyer:** Most investors will assign a *contract buyer* to work with you.
- Name:** This is YOUR name, NOT the name of anyone else!
- Company:** YOUR Company.
- Phone:** YOUR phone number, or the best place to get hold of you.
- Fax:** YOUR fax number, or where you would like us to fax your offer!

## TRANSACTION INFORMATION

It is important for us to know the details of the original transaction when the note was originally created. They tell us the value of the collateral, and the risk-related factors of LTV and ITV.

**Names:** We ask for the buyer and seller's last name only to reference the file. We refer to the file in our office as "Seller pays Buyer". This will be especially helpful to all of us if the seller has more than one note he is carrying.

**Down Payment:** It is important that we know how much money the buyer put own on the property. This determines LTV, and also equity, each of which is a risk factor. The greater the down payment in relation to the sales price, the lower the risk.

**Sales Price:** The sales price comes into play because it gives us a rough estimate of today's property value. SPECIAL NOTE: If the

property has sold within the last 12 months, the Note Investor will use the sales price, or the appraisal, whichever is **lower**, to determine value. On the other hand, if the original sale is over 12 months old, the Note Investor will only use the current appraisal to determine ITV.

**Lien Position:** We discussed this in an earlier chapter; obviously a 2nd lien carries a lot greater risk than a first lien. Most institutional note investors do not purchase 2nd liens, unless they meet stringent criteria: they must be at least ½ as big as the first. Private investors, however, have more lenient guidelines.

**Buyer's Credit:** Though at this point this is an arbitrary question, the answer will give the Note Investor guidance in pricing the note. The worse the credit, the more risk to the Investor; the ITV will be lower, and the yield higher.

It used to be (back in the good ol' days) that Note Investors would buy a note regardless of the buyer's credit, as long as the buyer had made the most recent 12 months house payments on time. This is no longer true! Today's Note Investor considers credit as a factor:

**SPECIAL NOTE:** Most Note Investors will not touch a note where the payor has a credit score below 525. The risk simply outweighs the potential return.