

Are Private Notes For Me? – Or is this a Scam?

The financial community has gone through some pretty rough times lately and many traditional lenders are finding any excuse they can NOT to make loans. You've probably heard this on the news where good solid buyers can't get bank loans for their businesses or to buy houses or cars or what have you. The financial markets are tight. However, people still need cash to buy houses, cars and items for their businesses so they have turned to the private marketplace to satisfy their financial needs. Even during the best of times 90% of all financing for the sale of small businesses has been seller carry back funding.

Once these notes or paper has been created the payee (seller typically) receives monthly payments including principal and interest on the amount they financed for the buyer or payor. Since these note holders are private individuals and not financial institutions there is a limit to how much of their capital they can have tied up in these financial instruments. They often need to free up this cash and sell the notes so they can do other deals or buy other equipment or cars or houses etc. They need a buyer to pay them the cash balance of the amounts still owed them or as close to this balance as possible. Typically these buyers of this paper demand a higher yield on their investment than the institutional financial companies demand. As an example, if the prevailing FNMA mortgage rate on a first mortgage is 5% fixed for 30 years, a private investor might demand, and get, 10% yield on their invested capital. Since once the note is created and the terms of the note (interest rate, term etc.) has been set it can't be changed. The way the note investor gets his 10% yield on 5% paper is by discounting. This means that the note buyer will only pay, say \$80,000 for the remaining balance of \$100,000. This is a difference of \$20,000 or 20%. This difference is the discount. There is nothing magical about this 20% and it fluctuates up and down depending on many variables in the transaction such as: type of collateral, face interest rate, remaining term, owner occupied or not, payment history, buyer/payor profile etc. It is safest and best to have the underwriting of all these variables or due diligence as it is called done by a professional such as our firm.

So if you are interested in buying or selling any note; mortgage notes, business notes, commercial notes, land notes, mobile home notes, hard money notes etc.; contact us. While we are not institutional note buyers we can affect the successful sale of your note and get you the market rate in cash. ***In short, if it gives you payments, we can give you a lump sum of cash for it in a couple weeks.*** Contact National-Note-Buyer.com with any questions you may have about buying or selling a note. We look forward to serving you in the near future. T J Stewart, Founder & CEO