

# HOW TO TAKE ADVANTAGE OF THE WORLD OF BANKRUPTCY COURT SYSTEM & DISTRESSED FINANCIAL ASSETS

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- PART I: HOW TO BECOME A PRIVATE BANKER USING ORPHANED BANKRUPTCY NOTES & MORTGAGES
- PART II: HOW TO BUY REAL AND PERSONAL PROPERTY FROM BANKRUPTCY COURTS.

**BANKRUPTCY**  
COURT  
SECRET \$



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# DISCLOSURE AND INFORMATION

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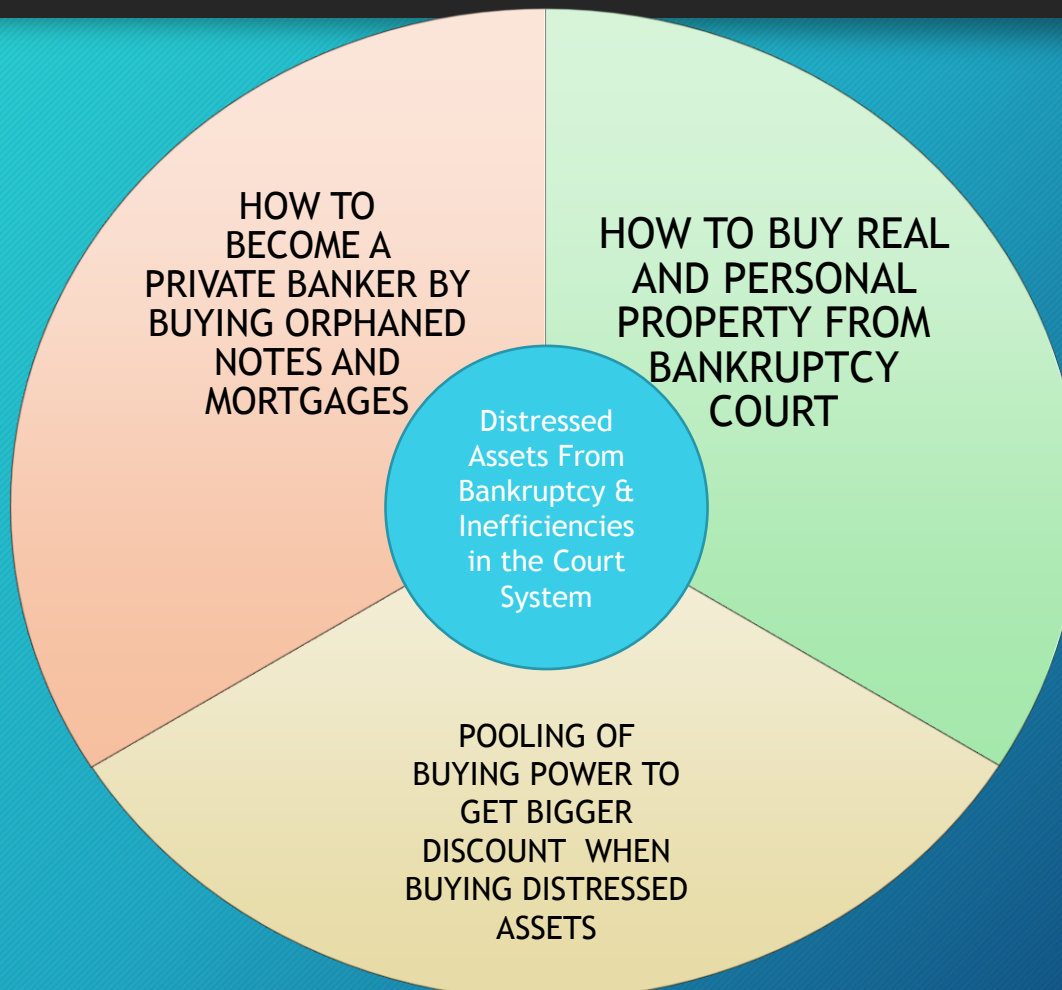
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# WHAT WE DO

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DISCLAIMER: This is for illustration purposes only and we are not seeking to raise any funds for the above.



# BACKGROUND OF BUSINESS MODEL

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- There were a total of 844,495 bankruptcies filed in the United States in 2015.
  - That is equivalent to approximately 3,300 bankruptcies per working day.
- More than 7,000 corporate bankruptcies were filed in the United States in 2015.
- The bankruptcy debtors are one of the largest identifiable marketplace in the United States and grows at the rate of more than 800,000 per year.
  - This creates a tremendous opportunity to make money in the buying of the assets/debt and in servicing to this industry.
- Approximately 549,000 homes in the United States were in some state of foreclosure as of January 2015 (see Exhibit B).

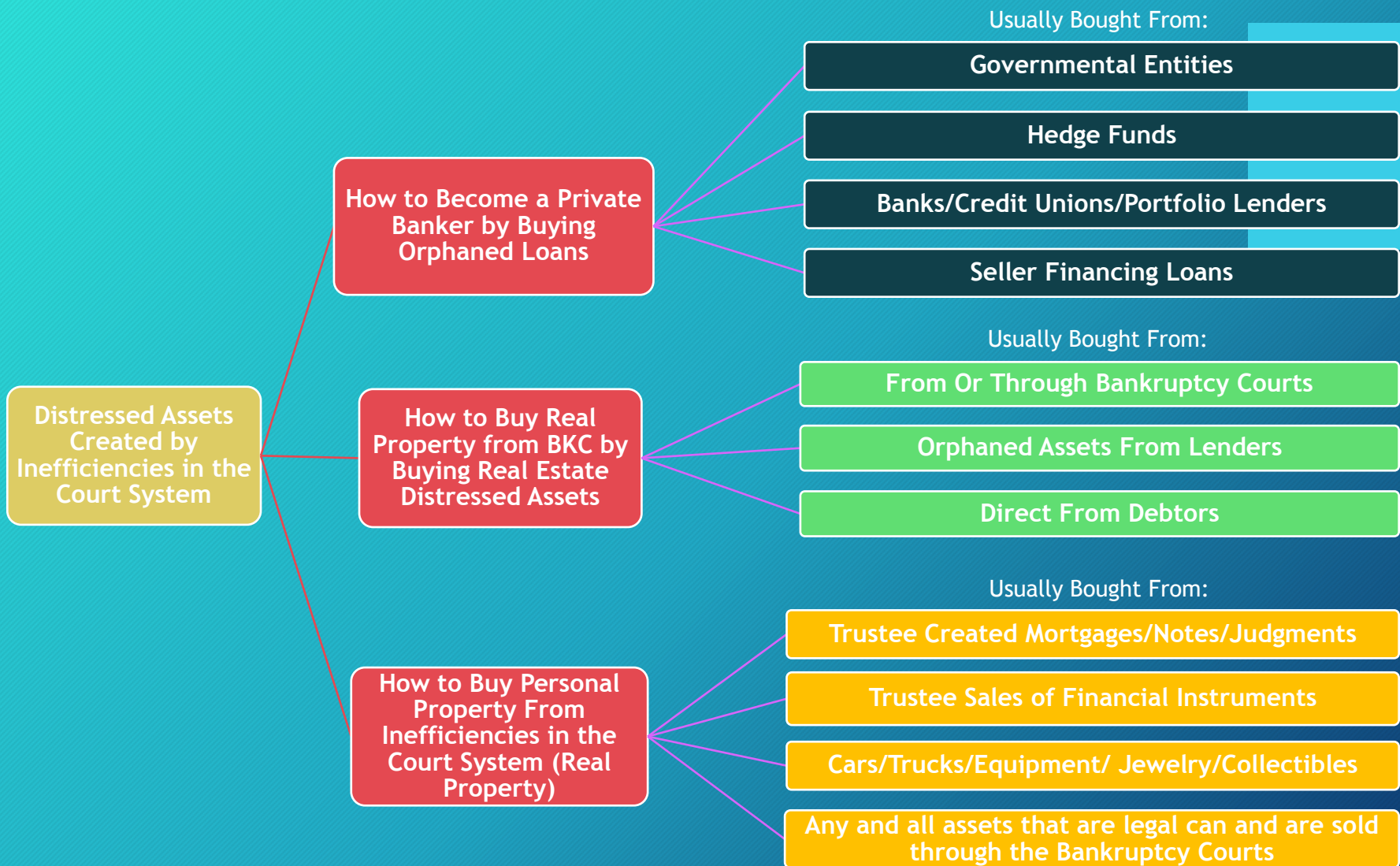
# TOP 5 BANKRUPTCY STATES

## 1<sup>ST</sup> QUARTER OF 2016

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- CALIFORNIA - 24,550
- ILLINOIS - 19,148
- FLORIDA - 15,579
- GEORGIA - 15,131
- OHIO - 12,528



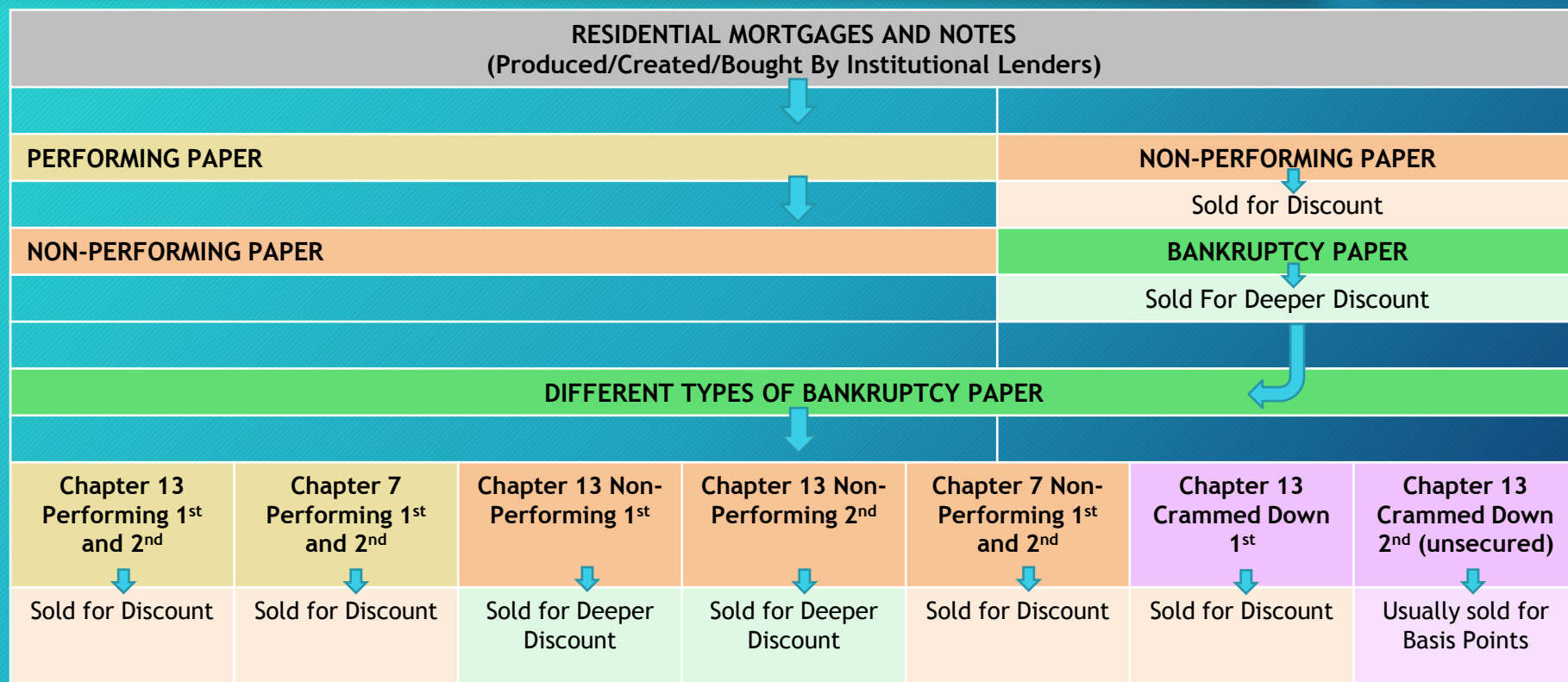


PART I: HOW TO BECOME A  
PRIVATE BANKER BY BUYING  
ORPHANED BANKRUPTCY  
NOTES AND MORTGAGES



# DESCRIPTION OF DIFFERENT TYPES OF MORTGAGES: INSTITUTIONAL NOTES AND MORTGAGES

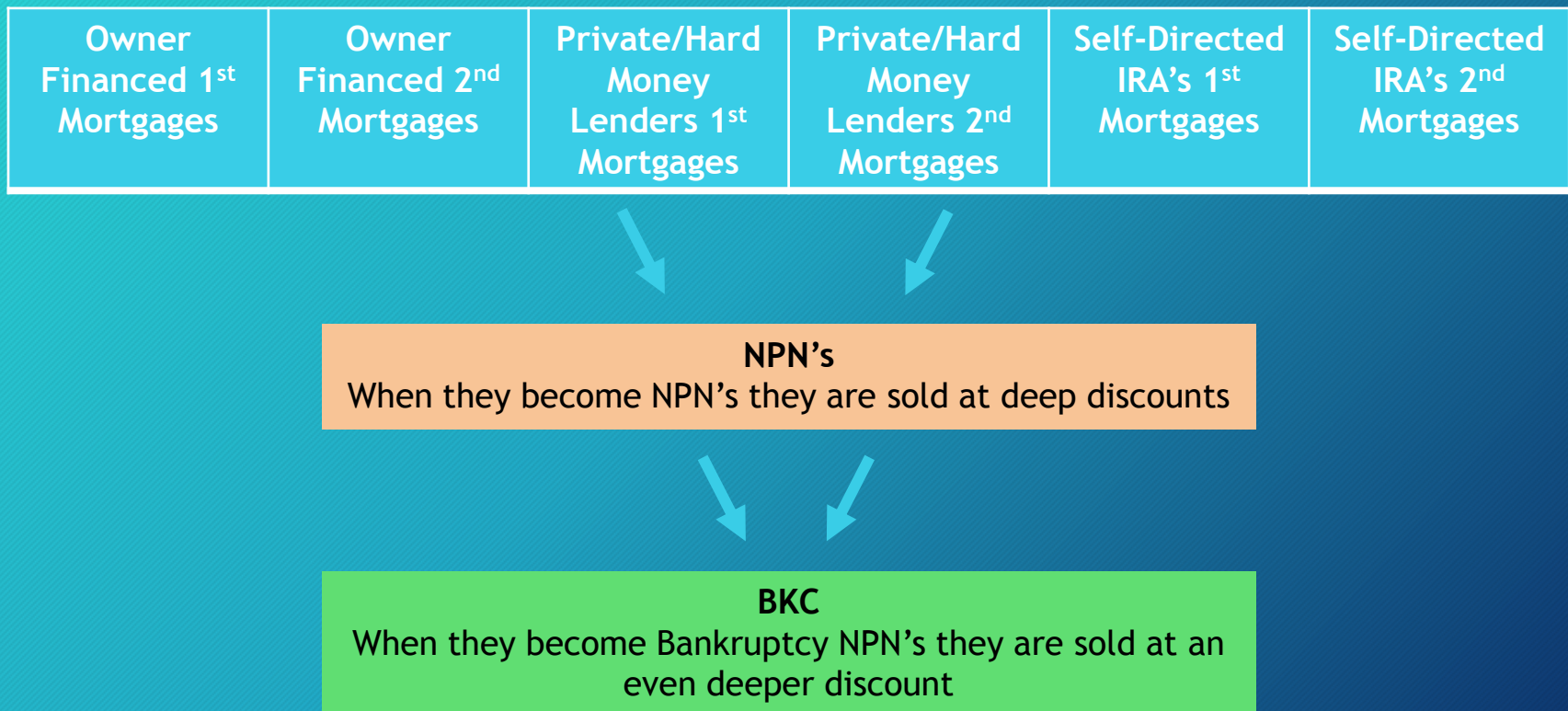
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1. The above illustration does not include any commercial paper and is not addressed here.

# NON-INSTITUTIONAL PRODUCED NOTES AND MORTGAGES (SMALLER VOLUME)

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# OTHER EXOTIC ASSETS SOLD BY BANKRUPTCY TRUSTEES

(Un-Exempt Assets Acquired/Created By Bankruptcy Trustee)

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Bankruptcy Trustee Created 1 <sup>st</sup> and 2 <sup>nd</sup> Mortgages	Judgments obtained by Bankruptcy Trustee	Non-Exempt Financial Instruments such as: -Annuities -Life Insurance -Restitution -Stocks and Bonds -Other Assets	Non-Exempt Personal Property. Trustee will sell any and all assets that are legal such as: -Cars -Trucks -Equipment -Watches -Jewelry
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All of these are sold at discount due to the fact that the Trustee can only get paid if the asset is converted to cash and Trustee's usually like to close these cases within 1 year.

SOLD AT PRIVATE OR PUBLIC AUCTIONS UNDER FEDERAL STATUTE

# BACKGROUND ON WHY NOTES & MORTGAGES BECOME “ORPHANED”

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- When a person or company files a bankruptcy, an automatic stay goes into effect just because of the filing. This is commonly referred to as the *automatic stay* and emanates from the federal statute 11 USC § 362. The 362 stay means that any creditor of the person that has filed a bankruptcy cannot proceed to collect on debt until they get permission from the bankruptcy court.
- Most of the creditors will put the loan in limbo status so as to not violate this ‘stay’. Creditors have been fined in bankruptcy court for violating a stay. Even a letter to the debtor is considered a violation. This creates a pool of assets that are non-performing and become a drag on the financials of the bank or entity that owns them. Because it is a drag on the financials most banking entities will sell them at deep discounts.



# What Happens to The Orphaned Loans (continued)

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- Non-performing notes are usually sold for 30-50% of the value of the property (depending on the buying power of the buyer). Bankruptcy notes are sold for even a deeper discount.
- Once acquired, the notes/mortgages are rehabilitated, and either sold on an individual basis, in small packages to other investors, or kept in the portfolio.
- Just by owning the paper behind the houses, once you start buying bulk, this business model will put the company in the distressed housing business.
- Also, about 20% of any package will be debtors that own the property that have either abandoned or just cannot pay for it.
  - In those situations, the property would be taken back and sold to someone else.
  - In other cases, a deed in lieu of foreclosure is taken from the homeowner or the property is foreclosed.



# HOW DO YOU MAKE MONEY FROM BANKRUPTCY PAPER & ORPHANED LOANS:

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1. Pre-sell a portion of the notes during the due diligence period to small buyers and notes brokers.
2. Wholesale a portion of them at/after purchase to note brokers/buyers.
3. The rest can be rehabilitated and either sold on an individual basis or small packages to other investors at a profit or kept in portfolio for a greater return.
4. The alternative to the above is to borrow against the paper and not sell any of the loans. There are lots of private and institutional lenders that would like to get a fixed return based on a performing asset such as the mortgage and note.
5. If there's no rehab of mortgage & note, the private banker can take the property back on a deed in lieu foreclosure or recommend a short sale.



# ILLUSTRATION OF ORPHANED LOAN THAT WAS MODIFIED:

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## NON-PERFORMING PAPER

Current Market Value	\$100,000
Balance on Note	\$150,000
Arrearages not paid for 3 years	\$36,000 (approximately)
Principle and Interest Monthly Payment	\$997.95
Current Interest Rate	7%
Property Taxes and Insurance (Escrow)	\$5,000

## MODIFIED

→ Balance on Note (modified)	\$100,000
→ Arrears paid at the end of term modified loan	(See Below)
→ New Monthly Payment	\$599.55
→ New Interest Rate	6%

- The arrears and the difference of the balance of the loan is usually paid at the end of the new term of the loan at no interest.
- Escrow shortage can be amortized and paid anywhere from 1 to 5 years depending of the homeowner's income.
- To agree to all of these, a sweetener is usually offered, such as reduction in interest rate every 6 to 12 months of the homeowner making payments on time.

# RECAP OF MODIFIED MORTGAGE

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Paid for Mortgage	\$30,000 (30% of current market value)
Attorneys Fees and Costs	\$3,500 (estimated)
Taxes and Insurance Escrow Shortage	\$5,000 (estimated)
Service Company	\$1,500
Subtotal	\$40,000
Hardest Hit Funds Received*	(\$15,000)
Net Cost of Loan	\$25,000

*\*Many states have different laws and amounts for doing the modifications. For example, hardest hit recovery's up to \$50,000 available in many different states. See Exhibit A for Press Release from United States Treasury.*



# RECAP OF RETURNS ON MODIFIED MORTGAGE

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- Cash on Cash return with money from hardest hit funds is approximately 24% (using interest only from an amortization schedule).
- Cash on Cash return with no money from hardest hit funds is approximately 15% (using interest only from an amortization schedule).
- Balloon payment at term - becomes a multigenerational annuity (also becomes due on sale).

## Partial Exit Strategies:

- Borrow against the paper (after seasoning) to offer a 9% return to lender. This will yield approximately \$70,000 loan. The company keeps the rest of the benefits such as the multi-generational annuity.
- This \$70,000 is used to buy more notes. The return at this point becomes infinite and self generating.
- Refinance after seasoning and get paid approximately \$90,000 with an FHA refinance. This \$90,000 is then used to pay off the loan against the mortgage of \$70,000 thereby creating a \$20,000 net profit on top.

# GET A HIGHER RETURN ON YOUR MONEY WHEN LOANS ARE MODIFIED

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- Did you know that many states PAY up to 50k to the lender to modify the loan and keep the homeowner in the house?
- See examples in the next the three slides on Hardest Hit Funds.



# TREASURY ANNOUNCES ADDITIONAL INVESTMENT IN HARDEST HIT FUND

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## Treasury Announces Additional Investment in Hardest Hit Fund

2/19/2016

### *Fifth Round of Funding Will Provide \$2 Billion in Additional Assistance to Struggling Homeowners and Communities*

**WASHINGTON** – The U.S. Department of the Treasury today announced it would exercise its authority to obligate up to \$2 billion in additional Troubled Asset Relief Program (TARP) funds to the Hardest Hit Fund (HHF) program. The additional investment in HHF will enable participating state Housing Finance Agencies (HFAs) to continue assisting struggling homeowners and stabilizing neighborhoods in many of the nation's hardest hit communities. The fifth round of HHF funding will be allocated among participating HFAs in two phases of \$1 billion each. States receiving additional funds will have until December 31, 2020 to utilize their HHF funds, an extension from the current program end date of December 31, 2017.

"Today's announcement is the next step in the Administration's effort to help struggling homeowners recover from the financial crisis, and strengthen the housing recovery," said Treasury Secretary Jacob J. Lew. "Thanks to a bipartisan group of members of Congress who helped secure additional funding for the Hardest Hit Fund, we will be able to provide significant resources to hard hit states and target these critical resources towards programs that we know have helped Americans avoid foreclosure, and stabilized housing markets, including blight elimination programs."

The first phase will allocate \$1 billion using a formula based on state population and the HFA's utilization of their HHF allocation to date. The use of state population as a primary factor is consistent with previous Hardest Hit Fund allocations, and consideration of utilization will prioritize states that have demonstrated the ability to effectively deploy funds. In order to qualify for funding in the first phase, HFAs must have utilized at least 50 percent of their existing HHF allocations.

<https://www.treasury.gov/press-center/press-releases/Pages/jl0358.aspx>

# TREASURY ANNOUNCES ADDITIONAL INVESTMENT IN HARDEST HIT FUND

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State Allocations for Fifth Round Funding-Phase 1[1]

AZ	\$28,282,519	MS	\$19,340,040
CA	\$213,489,977	NC	\$78,016,445
DC	\$4,924,602	NJ	\$69,231,301
FL	\$77,896,538	NV	\$8,885,641
GA	\$30,880,575	OH	\$97,590,720
IL	\$118,174,500	OR	\$36,425,456
IN	\$28,565,323	RI	\$9,680,817
KY	\$30,148,245	SC	\$22,030,274
MI	\$74,491,816	TN	\$51,945,211



# TREASURY ANNOUNCES ADDITIONAL INVESTMENT IN HARDEST HIT FUND

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The second phase will utilize an application process open to all participating HFAs. This phase will allow Treasury to focus additional resources on HFAs that have significant ongoing foreclosure prevention and neighborhood stabilization needs, a proven track record in utilizing funds, and successful program models to address those needs. HFAs will have until March 11, 2016 to submit applications, and will be allowed to request amounts up to 50 percent of their existing HHF allocation or \$250 million (whichever is lower). Treasury anticipates announcing the second phase allocations by the end of April.

"While the housing market has strengthened in recent years, there are still many homeowners and neighborhoods experiencing the negative effects of the financial crisis," said Mark McArdle, Treasury's Deputy Assistant Secretary of Financial Stability. "The additional HHF funds authorized by Congress will allow states to continue their efforts to stabilize local communities and help struggling families avoid foreclosure."

The Hardest Hit Fund was created in 2010 to provide \$7.6 billion in targeted aid to 18 states and the District of Columbia deemed hardest hit by the economic and housing market downturn. The program was designed to leverage the expertise of state and local partners by funding locally-tailored foreclosure prevention and neighborhood stabilization solutions. As of the end of the third quarter of 2015, HHF has disbursed approximately \$4.5 billion of the \$7.6 billion obligated to the program, on behalf of homeowners and stabilization efforts, and assisted nearly a quarter of a million homeowners.

For more information on the latest round of HHF funding, please see the [FAQs](#) and for further state-by-state information please refer to the [Treasury HHF page](#).

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[1] As of February 15, 2016 Alabama has utilized approximately 29 percent of its existing allocation, and is therefore ineligible for funding in the first phase of Fifth Round Funding.

<https://www.treasury.gov/press-center/press-releases/Pages/jl0358.aspx>

# WHAT IS THE DIFFERENCE BETWEEN A MORTGAGE & DEED OF TRUST?

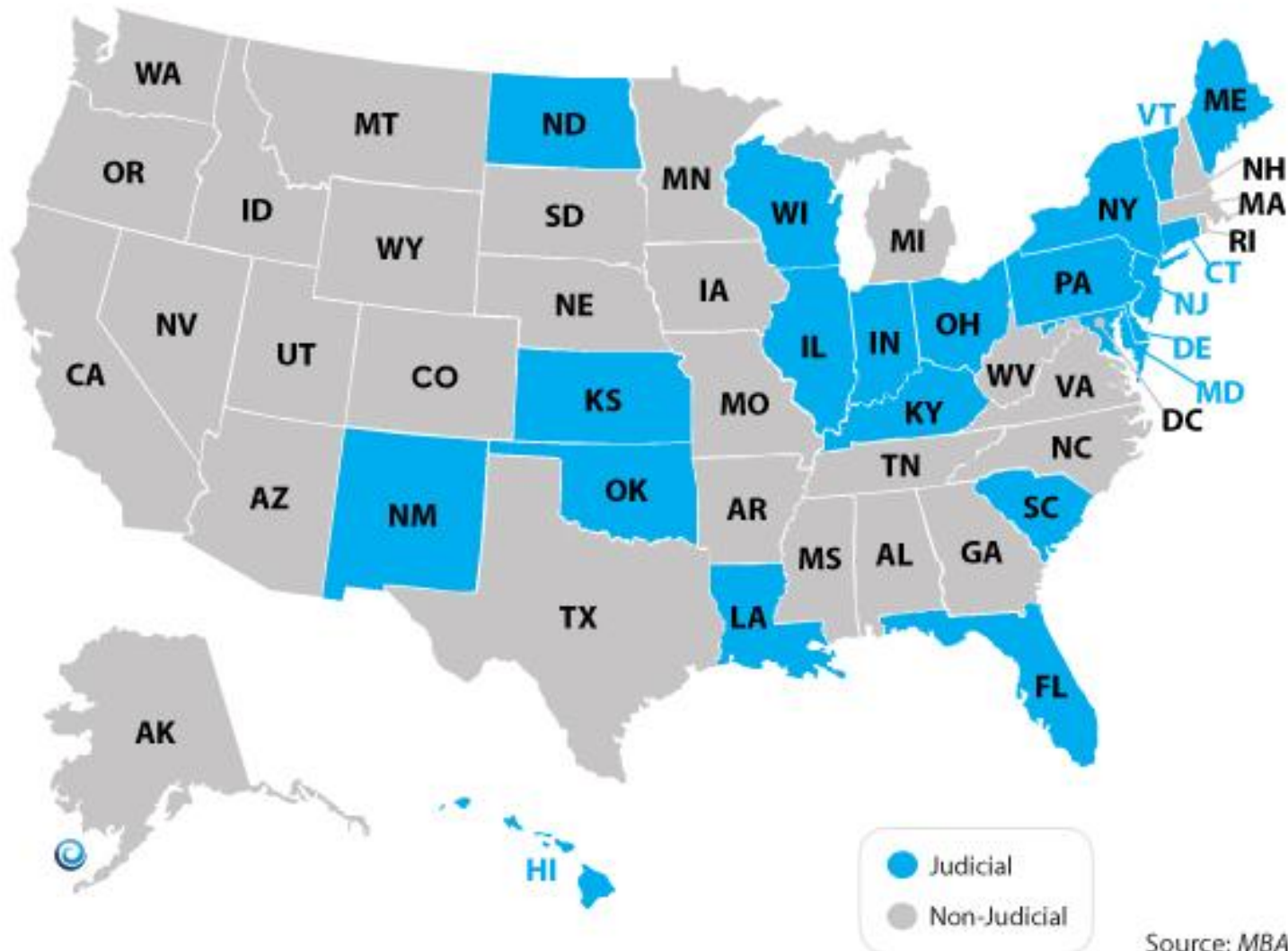
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- In Judicial States when a person takes out a loan against the house it is called a note and mortgage.
- In Non-Judicial States when a person takes out a loan against the house it is called a deed of trust.



# Judicial & Non-Judicial States

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# WHAT HAPPENS IF THE HOMEOWNER IS NOT INTERESTED IN MODIFYING

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- In 20 percent of the cases, the homeowner will either not want the house or cannot afford it.
- In those cases, the company would attempt to do a deed-in-lieu of foreclosure with a cash for keys offer as well as other incentives (to the homeowner). The company would also take the house back (without the house being destroyed).
- The homeowner can also be encouraged to do a short sale to a third party.
- The homeowner is also offered a short pay-off (they can get the loan elsewhere and pay the mortgage to the company at a discount).
- The homeowner is also offered the option of reinstating the mortgage (most do not have this ability).
- See copy of actual letter from bank to the homeowner offering alternatives. Attached are marked Exhibit E.



# FINANCIAL RECAP ON PROPERTY TAKEN BACK

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Value of House	\$100,000
Balance on the Note and Mortgage	\$150,000
Arrears	\$40,000
Note bought for	\$30,000
Attorneys Fees and Costs	\$3,500
Taxes and Insurance	\$5,000
Fix up of the house	\$10,000
Cash for Keys	\$3,000
Hardest Hit Recovery	\$5,000-50,000
Service Charges	\$1,500
<b>Subtotal of total costs to acquire loans</b>	<b>\$53,000</b> <i>(without the Hardest Hit Recover)</i>
Potential recovery from state hardest hit funds	<b>(\$20,000)</b>
<b>TOTAL OF COSTS</b>	<b>\$33,000</b>

*\*Deficiency could be waived to note holder in Deed-in-Lieu of Foreclosure.*

# PROPERTY TAKEN BACK CAN BE SOLD

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- More than likely this property would be able to be sold for more than market value due to the fact that the seller is providing the financing with 5 or 10 to 15 percent down.
- If applicable and the buyer qualifies, a 96.5% mortgage can be obtained from FHA.
- Seller financing would create a \$90,000 performing note at a rate slightly above market price.
- The same exit strategies listed before can then be used for seller financing.



# PAST EXAMPLES OF DIVERSE PORTFOLIOS

(CONFIDENTIAL)

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City	State	Zip	County	Red Bell Values	DQ Taxes	UPB	Origination Date	Original Amt	Pay Off
MOBILE	AL	36610	Mobile			\$18,326.86	5/1/11	\$19,600	\$23,447.32
MOBILE	AL	36604	default		\$312.71	\$13,209.33	7/8/08	\$24,400	\$16,103.91
EUFAULA	AL	36027	Barbour		\$0.00	\$32,808.41	11/12/02	\$50,000	\$48,352.14
LEIGHTON	AL	35646	Colbert		\$0.00	\$60,826.59	11/1/06	\$64,881	\$82,034.59
SEMMES	AL	36575	Mobile		\$0.00	\$39,271.55	2/25/05	\$50,000	\$56,621.80
MOBILE	AL	36604	default		\$312.71	\$13,209.33	7/8/08	\$24,400	\$16,103.91
SEMMES	AL	36575	Mobile		\$0.00	\$39,271.55	2/25/05	\$50,000	\$56,621.80
WYNNE	AR	72396	Cross		\$0.00	\$62,778.12	12/19/01	\$71,400	\$77,518.73
CLAXTON	GA	30417	Default		\$584.02	\$75,860.55	5/3/07	\$80,733	\$100,231.99
GRIFFIN	GA	30223	Spalding		\$0.00	\$79,810.79	12/19/06	\$89,000	\$84,020.26
CUMMING	GA	30028	Forsyth			\$202,014.73	2/28/07	\$188,000	\$225,782.80
JOLIET	IL	60436	Will		\$0.00	\$57,543.88	11/20/00	\$66,969	\$68,156.96
JOLIET	IL	60432	Will			\$60,328.53	7/5/01	\$64,800	\$114,056.16
INDIANAPOLIS	IN	46254	Marion		\$0.00	\$61,729.80	5/7/99	\$77,038	\$75,525.90
INDIANAPOLIS	IN	46226	Default		\$0.00	\$63,746.37	1/25/08	\$66,500	\$95,792.59
HAMMOND	IN	46327	Lake		\$0.00	\$80,735.96	5/1/06	\$87,848	\$107,856.34
ATCHISON	KS	66002	Default		\$0.00	\$45,258.05	3/23/11	\$45,336	\$60,676.31
SHREVEPORT	LA	71106	Default		\$0.00	\$60,281.30	1/2/08	\$61,200	\$98,313.16
SHREVEPORT	LA	71108	Caddo			\$79,744.84	4/23/08	\$73,892	\$82,541.27
BALTIMORE	MD	21213	Default		\$0.00	\$98,558.86	8/29/07	\$102,000	\$144,006.03
HIGHLAND PARK	MI	48203	Wayne			\$0.00	1/31/07	\$57,600	\$0.00
WARREN	MI	48089	Macomb		\$1,681.00	\$80,675.18	6/27/02	\$87,300	\$86,295.46
GIDEON	MO	63848	Default		\$0.00	\$53,201.67	4/24/08	\$56,099	\$67,249.55
SAINT LOUIS	MO	63114	St. Louis		\$619.77	\$66,679.36	1/1/05	\$67,760	\$84,082.21
SAINT LOUIS	MO	63136	St. Louis			\$84,832.11	6/25/07	\$87,000	\$98,113.43
TUPELO	MS	38801	Lee			\$51,423.87	7/9/07	\$54,000	
GREENSBORO	NC	27406	Default		\$0.00	\$54,867.73	12/8/06	\$60,900	\$60,343.10
DUNKIRK	NY	14048	Chautauqua			\$33,232.66	11/29/00	\$36,000	\$46,472.67
MASURY	OH	44438	Default		\$0.00	\$27,842.92	9/19/05	\$54,450	\$34,398.09
BEDFORD	OH	44146	Cuyahoga		\$0.00	\$76,274.06	2/14/02	\$108,000	\$80,257.28
SALEM	OH	44460	Columbiana		\$549.49	\$41,497.84	2/20/04	\$55,000	\$64,705.16
MASURY	OH	44438	Default		\$0.00	\$27,842.92	9/19/05	\$54,450	\$34,398.09
BEDFORD	OH	44146	Cuyahoga		\$0.00	\$76,274.06	2/14/02	\$108,000	\$80,257.28
MIDDLETOWN	OH	45042	Butler		\$0.00	\$108,265.06	2/19/04	\$120,000	\$164,402.27
HARRISBURG	PA	17104	Dauphin		\$0.00	\$57,405.50	6/19/98	\$42,750	\$83,268.10
PITTSBURGH	PA	15206	Allegheny		\$17,022.07	\$0.00	2/28/05	\$42,400	\$0.00
ROCHESTER	PA	15074	Beaver		\$0.00	\$20,502.75	3/5/01	\$32,697	\$44,784.27
JOHNSTOWN	PA	15902	Cambria		\$0.00	\$40,827.51	5/1/01	\$53,900	\$43,376.67
MCKEESPORT	PA	15133	Allegheny			\$25,825.38	1/31/00	\$47,946	\$66,873.76
NEW KENSINGTON	PA	15068	Westmoreland		\$14,022.23	\$40,747.19	10/19/05	\$50,001	\$62,383.34
LA VERGNE	TN	37086	Rutherford		\$0.00	\$148,845.30	2/17/09	\$161,487	\$167,172.84
WACO	TX	76708	McLennan		\$0.00	\$25,333.19	5/1/02	\$29,584	\$37,606.06
EL PASO	TX	79936	El Paso		\$2,900.45	\$59,701.69	9/19/97	\$67,450	\$99,361.77
WICHITA FALLS	TX	76310	Wichita		\$0.00	\$46,692.88	2/8/03	\$51,200	\$93,735.53
MILWAUKEE	WI	53218	Milwaukee		\$0.00	\$50,401.61	6/22/11	\$51,321	\$74,197.38
MILWAUKEE	WI	53209	Milwaukee		\$0.00	\$138,691.98	10/12/06	\$123,549	\$146,277.98

## Legend

- **DQ Taxes** = Delinquent Taxes, these are property taxes that have still not been paid
- **UPB** = Unpaid Balance
- **Origination Date** = is the date that the paper was created
- **Pay Off** = is original amount plus accrued interest
- **OthFeeBal** = Other Fee Balance could be for insurance or other advances that have been made by the owner of the paper
- **CorpAdvBal** = Corporate Advance Balance is sometimes the same as the other fee balance but could be different
- **Escrow Bal** = Escrow Balance, this is what is pending in escrow to pay the taxes or insurance (many times when they sell, they strip the escrow balance out).
- **Due Date** = this is the day that technically the loan was due
- **Last Pmt Rcvd** = Last Payment Received is very important as many times there are statue of limitations in different states, specifically Florida.
- **P&I** = Principle and Interest
- **T&I** = stands for taxes and insurance
- **PITI** = is the total of the P&I and T&I columns added up.
- **Legal Status** = "*Real Estate Owned*" means the foreclosure has been completed; "*Bankruptcy*" means it is in bankruptcy; "*No Legal Status*" means nothing has been started; and "*Chargeoff*" means it was either crammed down or charged off by the lender.



# SAMPLE OF TRUSTEE CREATED NOTE AND MORTGAGE FOR SALE

*This is a copy of an actual email from Trustee to Manny Singh*

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Manny:

I have a case where I am negotiating the settlement of a fraudulent transfer action. A settlement term has been agreed upon is a mortgage and note on a waterfront home otherwise owned free and clear of liens. The terms of the mortgage and note are:

1. Principal \$160,000
2. 12% interest only
3. 5 yr balloon
4. In the event of default, principal amount increases to \$150,000
5. Collateral is a home in Tampa, Florida with no other liens, county property tax appraiser has value at \$298,556.00

Based on the likelihood that I will have this note and mortgage in 90 days, I am reaching out to those who may be interested in purchasing the receivable from the estate. If you are interested let me know and I can provide you with more detail.

# EXAMPLE OF QUASI GOVERNMENTAL SALE OF NOTES & MORTGAGES: WHO SELLS THESE ASSETS AND WHY

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- These assets are sold by many entities including Quasi-Governmental Institutions such as Fannie Mae and Freddie Mac.
- The reason they are sold is because they become a drag on capital, especially for a smaller bank and is a non income producing asset due to bankruptcy restraints.





## **Fact Sheet – Non-Performing Loan Sale FNMA 2016-NPL1 and FNMA 2016-CIP1 Community Impact Pool**

January 12, 2016

This fact sheet is intended to provide additional information about Fannie Mae's current sale of non-performing loans (NPL), as well as its first Community Impact Pool geared to engage participation for Non-profits, Minority- and women-owned businesses and community groups.

### **Non-Performing Loan Sales by Fannie Mae**

- Announced via press release by Fannie Mae on April 2, 2015, available [here](#).
- Fannie Mae NPL page for interested parties available [here](#).
- Federal Housing Finance Agency (FHFA) guidelines for NPL sales available [here](#).

### **FNMA 2016-NPL1 Pool Characteristics**

- Announced via press release by Fannie Mae on January 12, 2016, available [here](#).
- Approximately 6,700 non-performing loans.
- Approximately \$1.35 billion in unpaid principal balance (UPB).
- Offered in four pools: Pool 1 is approximately \$650 million in UPB, Pool 2 is approximately \$274 million in UPB, Pool 3 is approximately \$239 million in UPB and Pool 4 is approximately \$188 million in UPB.
- Marketed with Bank of America Merrill Lynch and First Financial Network, Inc. as advisors.

### **FNMA 2016-NPL1 Timeline**

- January 12, 2016: Marketing begins
- January 14, 2016: Data room open for bidders
- February 3, 2016: Bids due
- Early-February, 2016: Bid awarded
- Mid-to late-March, 2016: Due diligence ends
- Late-March, 2016: Sale closes

### FNMA 2016-CIP1 Pool Characteristics

- Announced via press release by Fannie Mae on January 12, 2016, available [here](#).
- Approximately 60 non-performing loans.
- Approximately \$14.5 million in unpaid principal balance (UPB).
- Loans are geographically-focused in the Miami, Florida-area.
- Marketed with Bank of America Merrill Lynch and First Financial Network, Inc. as advisors.

### FNMA 2016-CIP1 Timeline

- January 12, 2016: Marketing begins
- January 14, 2016: Data room open for bidders
- February 18, 2016: Bids due
- Mid-February, 2016: Bid awarded
- Mid-April, 2016: Due diligence ends
- Mid-to late-April, 2016: Sale closes

**NOTE:** *This timeline is approximate and for planning purposes only. These guidelines are subject to change at any time and for any reason at the sole discretion of Fannie Mae.*



# WHY IS THIS BUSINESS MODEL RISK AVERSE

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# WHY BECOMING A PRIVATE BANKER IS RISK AVERSE

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- The mortgages and notes are backed by real estate. It is just as if the company was buying the real estate at a 70-80% discount. The value of the house will have to drop 70-80% for the company to lose any money.
- The paper that the company buys was originated by a financial institution and is being sold due to it being a drag on capital and being a bankruptcy property and not for the fact that the value of the property has gone down.
- Once the mortgage paper has been modified, and is now a performing loan, the value of that paper goes up to 80% or more of the modified amount and now is readily saleable.
- The next reason for the purchase of paper to be risk averse is that there is a network of retail buyers who will cherry pick the paper before closing (usually during the due diligence period) and will put up their money to use at closing.
- The price paid by the cherry pickers is usually a much higher amount in comparison to the amount paid by wholesale buyers.
- **The secret here is to figure out what the problem is with the debtor and to be able to modify the loan and to fit the new parameters of the borrower or to take the property back.**



## **PART II: HOW TO BUY REAL & PERSONAL PROPERTY FROM INEFFICIENCIES IN THE BANKRUPTCY COURT SYSTEM**

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# WHY BUYING REAL ESTATE IS RISK AVERSE

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- When buying bulk real estate, the price is at a substantial discount of market price. The money is made on the buy as the price is right the chance of losing money is potentially very low.
- A large portion of the inventory will be cherry picked by a network of property buyers who do not have access to the bulk inventories or do not have money buy in bulk.
- The properties being purchased have a discernible market price.



# 5 TYPES OF INCOME YOU CAN MAKE FROM REAL ESTATE

37

1. Rent
2. Appreciation of Value
3. Depreciation for Tax Purposes *(but recaptured at time of sale)*
4. Mortgage Principle Buildup *(If there is a mortgage against the property)*
5. Real Estate Commission *(If licensed broker is selling)*

# BUYING REAL ESTATE DISTRESSED ASSETS

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From Bankruptcy Court:

- Of all the personal bankruptcies filed, it is estimated that over 20% have real or personal property that can be bought. That is over 700 properties across the USA per working day.
- Of all the corporate bankruptcies filed, it is estimated that over 80% have real or personal property that can be purchased.
- We have set up a proprietary system of analyzing and buying these assets.



# BUYING REAL ESTATE DISTRESSED ASSETS (continued)

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From Bankruptcy Court:

- The real properties include commercial property, single-family homes, condominiums, townhouses, and empty lots.
  - The lowest price we have paid was \$500, and it was sold for several times that within a short period.
- We have seen and bought properties for less than 4% of the actual cost.

# BUYING REAL ESTATE DISTRESSED ASSETS (continued)

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## Fire Damaged Property:

- This is another niche that is tiny; however, there are more than 494,000 properties that were damaged by fire, in the United States in 2015.
- Once these properties are damaged by fire they are usually abandoned or sold.
- The best deal we ever made was a fire damaged 400 unit low rise apartment complex on 50 acres in Stone Mountain, Georgia.



# 400 UNIT APARTMENT COMPLEX

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- 84 Units were Burned
- 50+ Acres of Land
- 30+ Undeveloped and Zoned
- Previously had a \$9.4 Million Mortgage (satisfied at closing)
- Bought for \$400,000 and flipped for a higher price in a very short period of time.



# EXAMPLES OF DISTRESSED ASSETS

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- From Bankruptcy Court
- From Bankruptcy Trustee/Real & Personal Property
- Buying Directly from Debtors and other sources.



# BANKRUPTCY BULK PURCHASE

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## BANKRUPTCY AUCTION

254 Single Family Properties bought at Bankruptcy Auction for \$730,624 or \$2,854 per house.

Before closing and approval from Bankruptcy Court, 109 were contracted for sale for \$604,950 or \$5,500 per house.

(Confidential details available)



# HOUSE LOCATED IN COUNTRY CLUB COMMUNITY IN SOUTH FLORIDA

**(Bought Directly From Debtor For \$2,555)**

44

- Current Market Value: \$1,150,000+
- 6 Bedrooms/4 Bathrooms
- 4,361 sq/ft.
- Oversized Lake View Lot
- Gated Golf Course Community
- Rent: \$5,200/month
- Short Sale Negotiated for \$700,000
- (Closed July 2016)







# PROPERTIES SOLD BY GOVERNMENTAL AGENCIES

(Such as HUD)

45

 <p>The properties listed as FHA Property Sales below are offered "all-cash", "as-is", no financing or mortgage insurance provided. Properties with a <b>NEW</b> are newly listed.</p>				
FHA Foreclosure and HUD-owned Property Sales				
Property	Information and Contact	Units/Bedrooms	Minimum Price	Sale Date
<b>Dogwood Plantation</b> 200 Knight Dr Saltillo, MS 38866	<u><a href="#">Information &amp; Bid kit</a></u> or Contact the Realty Specialist: <u><a href="#">Wil'Lwin Wallace</a></u> (817) 978-6023	53 Beds	Unstated Minimum	3/30/16
<b>Coos Curry II</b> 29847 Hillcrest St Gold Beach, OR 97444	<u><a href="#">Information &amp; Bid kit</a></u> or Contact the Realty Specialist: <u><a href="#">Wil'Lwin Wallace</a></u> (817) 978-6023	10 Bdr	Unstated Minimum	4/1/16
<b> Texarkana Rentals</b> (Scattered Site) Texarkana, TX	<u><a href="#">Information &amp; Bid kit</a></u> or Contact the Realty Specialist: <u><a href="#">Debie Bolin</a></u> (817) 978-5822	90 Units	Unstated Minimum	4/29/16

# SAMPLE OF PERSONAL PROPERTY SOLD BY TRUSTEE

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## **LUIS E. RIVERA II, TRUSTEE**

P. O. BOX 280, FORT MYERS, FL 33902 (239) 344-1104

E-MAIL: [Trustee.Rivera@henlaw.com](mailto:Trustee.Rivera@henlaw.com)

### ***BANKRUPTCY AUCTION – MAY 17, 2016; 2 P.M. 1833 HENDRY ST., FT MYERS, FL***

#### **Anderson, Gail, 9:13-bk-15604-FMD:**

- Jewelry - Wedding Band

#### **Anglin, Jon & Karen, 9:15-bk-04959-FMD:**

- **Household Goods** – Bicycle, Poulan tractor (8 years old), Red sectional sofa, Pine coffee table and end table Pine table and hutch, Jennair range, Frigidaire dishwasher, Wood bed, two night stands, dresser, chest and armoire.

Location – Naples, Fla.

#### **Basile, Ericka C., 9:15-bk-12854-FMD:**

- 2013 Volkswagen Beetle, VIN #3VWV67AT8DM616714, approximate mileage 24,834 (No Known Liens – Paper Title)
- Blue Diamond 6.0mm round with melee diamonds surround center setting 2.50 grams
- Diamond tennis bracelet with five 2.7mm round diamonds in square style setting 9.10 grams
- Green Peridot slide pendent 6mm 0.6 grams with flanking melee diamonds
- Gold 18k marked 750 necklace, 11.2 grams
- Tiffany and Co. 925 silver chain and Elsa Peretti “e” alphabet charm, 1.4 grams
- Gold 18k charm, 4.4 grams
- Gold post hoop style earrings, 2.7 grams
- Diamond post earring with 4.7mm round diamonds
- Garnet hoop earrings 2.6 grams in gold 14k setting
- David Yurman Blue topaz ring
- Apple watch 7000 series white band
- Misc. costume jewelry, garnet earrings, and two Disney watches

#### **Brunton, Richard & Barbara, 9:15-bk-11048-FMD:**

- Vacant Land – Rio Grande Estates, Unit 2 Blk 1006, Lot 48 Socorro, NM 87801

No Known Liens

#### **Bugo, Bridget, 9:15-bk-09641-FMD:**

- **Household Goods** – Round coffee table; 4 armless chairs; HP laptop; Pine dresser and mirror.  
Location – Ft. Myers, Fla.
- 14k ring, 5.9 grams with seven 2mm champagne diamonds and melee diamonds
- 10k ring, 2.8 grams with two pearls
- 10k ring, 4.7 grams with large pearl
- Knotted strand of 7mm cultured pearls
- 14k bracelet, 7.5 grams
- 10k bangle bracelet, 4.9 grams

#### **Czapla, Mike, 9:15-bk-12793-FMD:**

- 2004 Ford Mustang, VIN# 1FAFP45X44F103594, approximate mileage 106,000

No Known Liens – Paper title

- **Household Goods & Furnishings:** Queen bed, dresser and night stand, Float, Desk, Glass and metal table : Gray sofa and loveseat, Television stand, Lamp, Refrigerator, Stove, and two bar stools.

Location – Fort Myers Beach, Fla.

#### **Medina, Xavier, 9:15-bk-07335-FMD:**

- Jewelry – Chain (scrap), Diamond heart, and Wedding rings

#### **Pedone, Michael & Audra, 9:14-bk-04658-FMD:**

- Diamond engagement ring
- 14.5 gram ring
- Men's diamond band
- Women's Rolex
- 3 tone diamond ring



# OTHER EXOTIC ASSETS SOLD BY BANKRUPTCY TRUSTEES

(Un-Exempt Assets Acquired/Created By Bankruptcy Trustee)

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Bankruptcy Trustee Created 1 <sup>st</sup> and 2 <sup>nd</sup> Mortgages	Judgments obtained by Bankruptcy Trustee	Non-Exempt Financial Instruments such as: -Annuities -Life Insurance -Restitution -Stocks and Bonds -Other Assets	Non-Exempt Personal Property. Trustee will sell any and all assets that are legal such as: -Cars -Trucks -Equipment -Watches -Jewelry
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All of these are sold at discount due to the fact that the Trustee can only get paid if the asset is converted to cash and Trustee's usually like to close these cases within 1 year.

SOLD AT PRIVATE OR PUBLIC AUCTIONS UNDER FEDERAL STATUTE

For further information contact  
Manny Singh by phone (954)  
586-6000 or by email at  
[manny@mannysingh.com](mailto:manny@mannysingh.com)