



CHARTER

FINANCIAL

Building Wealth
Together

"A Contract Buyer's
Guide to Success"

www.charternotes.com



Charter Financial does not make any claim in reference to any one person's ability to profit from this training manual. Results will vary depending on the amount of time, effort, and dedication that each individual applies to this business. No language contained in this manual should be construed as legal advice. Charter Financial does not offer legal advice or advice concerning accounting matters. Laws vary from state to state, but at the present time there are no licensing requirements in any state for referring note holders to Charter Financial.

Each participant in this course is responsible for his or her own actions as an independent contractor of Charter Financial. Contract Buyers who work with Charter Financial are not considered employees. Under no circumstances shall Charter Financial be held responsible for the actions of an independent contractor of the company.

We refer to our Associates as Contract Buyers. Our Contract Buyers are also sometimes referred to as Brokers, Note Brokers, and Independent Agents.

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Introduction

Congratulations on your entry into the exciting world of note brokering. Never before has there been such a fantastic way to make excellent full or part-time income from your home or office. By purchasing this manual you have taken an important step in the process of becoming financially secure.

This training manual is divided into two main sections.

Section I is our “*FAST START*” Program. This section gives you a basic understanding of how to set up your business and get started as a Contract Buyer. By reading Section I, you will be able to start your note brokering business immediately.

Section II is for individuals who want to become “experts” in the field of note brokering. In this section you will learn various aspects of the note business including marketing techniques, how to purchase partials, how to buy second position notes, how to use courthouse research for mortgage notes and much more.

At Charter Financial, we work with all levels of contract buyers from beginning to experienced. Remember, we try to keep this business as simple as possible. There is no need to make it complicated since we will do all of the processing work for you. Learn at your own pace.

We recommend that you read the section or sections that you want to learn at least two times before starting your business. Then read it again in three to four weeks. You will be surprised by how much you will learn.

Let's get started!

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SECTION I

"FAST-START" PROGRAM NOTE BROKERING BASICS

**By reading this section you will be able to immediately begin
your note brokering business.**

The Cash Flow Industry

What is the Cash Flow Industry?

The cash flow industry is a name given to the buying and selling of income streams in the secondary financial markets. The industry has evolved rapidly over the last several years and most significantly in the mid to late 1990's.

The industry was created by the forces of supply and demand, and it has filled a void that was left by traditional lending sources such as banks. Over the last 10 years, more and more diverse types of income streams have been purchased by various investors.

Most notes are purchased by paying a lump sum of cash now for the rights to receive future payments. These notes are always purchased at a discount, meaning that less than the full value (balance) of the note is paid.

Charter Financial began purchasing mortgage notes in 1993. Since then we have added structured settlements, lottery winnings, and most recently seller-financed business notes to our portfolio. In the beginning, we used to advertise for these notes on our own. In 1997, we decided that we would be much better off developing a network of contract buyers who could do the advertising for us. This program has been very successful.

By allowing our Contract Buyers to do the advertising for us, we are now able to find more deals to fund at a substantially lower cost. This allows us to offer our Contract Buyers the best pricing in the industry. We allow our Associates to set their own commission on almost every deal. Commissions will be discussed later, but first let's examine the types of notes that we purchase.

OWNER-FINANCED MORTGAGES

Owner-Financed Mortgages, also sometimes known as seller-carry back mortgages, are created when a seller of a home decides to “carry” a note from the purchaser of his or her home.


This is usually done when the property is difficult to sell or when the buyer cannot obtain traditional financing from a bank. This usually happens because the buyer has bad credit or “too much debt” or maybe even because the property is in a rural location with a lot of land (banks typically do not like to lend on these types of properties).

There are literally billions of dollars of owner-financed mortgages in circulation at any given time. Owner financing has been in existence for decades and is becoming more and more common today because of the growing numbers of individuals who fail to qualify for a traditional loan from a bank or mortgage company. Also, banks are becoming more conservative in their lending practices.

These factors prevent millions of families from being able to obtain home loans, thus reducing the number of potential home buyers. With this in mind, home sellers sometimes choose to offer owner financing in order to sell their homes faster. They usually request a small down payment (generally 5% to 10%) and demand higher than market rates of interest.

As is generally the case, immediately after the home is sold the seller is satisfied because he or she has sold his or her property and is receiving a good return on his or her investment. As time passes, the note holder might decide that having a lump sum of cash now would be better than waiting years to collect the balance, usually one month at a time.

Land contract, contract for deed, deed of trust, trust deed, and promissory note are other names given to “mortgages.” We purchase all of them.



This is where you, the Contract Buyer, come in. You can help create a win-win-win situation for everyone involved by helping the note holder cash out his or her note.

The note holder will be happy because he or she will receive a lump sum of cash now instead of the low monthly payments over time. Charter Financial is happy because we will be receiving a favorable return on our investment. And you, the Contract Buyer, will most undoubtedly be happy because you will earn a nice commission each and every time you close a transaction with us.

The win-win-win principle is something that we firmly believe in at Charter Financial. We believe in everyone benefiting from the sale or purchase of a note. As a contract buyer, it is very important that you believe in this same principle. By doing so, you will prosper as a business person who helps yourself and others, because by helping others you will also be helping yourself.

There are many good reasons for an individual wanting to cash in their note. Some of these are

- Consolidating credit cards
- Paying for his or her children's college
- Taking an exotic vacation
- Purchasing a new home or second home
- Other investment opportunities

The above are the same reasons why individuals sell Settlements and Lottery Winnings. Now let's discuss those income streams.



STRUCTURED SETTLEMENTS

A structured settlement, or an annuity as it is sometimes called, is an income stream that is paid by an insurance company to an individual as the result of a personal injury lawsuit, medical malpractice suit, wrongful death, or any other type of liability settlement.

When someone is involved in a personal injury lawsuit, they are sometimes offered a large amount to settle the case. This amount is usually paid out over time by an insurance company. The annuitant or beneficiary, as they are referred to, receives the money in either monthly or annual payments or a combination of both. We can provide a lump sum for these future payments.

LOTTERY PAYMENTS

Lottery winnings are either paid out in a lump sum of cash or over a period of 20 to 25 years. Someone who wins \$1,000,000 dollars may only receive \$50,000 per year for 20 years. This is a lot of money, but most lottery winners run into financial problems eventually and will need a lump sum of cash to help them out.

It is a known fact that many lottery winners go bankrupt within three years of winning their prize. The time will come when a lottery winner will need the services of a Charter Financial Contract Buyer.

Now let's examine the Four Steps to Success!

Step 1 - Start Up

What can I do to get started immediately?

The first thing you will want to do is to set up a **phone line** with an answering device or voice mail. The phone line is the life line of your business. You may use a cellular phone in place of a traditional land line if you prefer.


If you choose to do this business on a part-time basis, an answering device will be a necessity. While you are at work during the day, people will call to obtain quotes. You will either want to retrieve your messages during the day and return your calls on your break, or return all of your calls in the evening when you get home.

Many part-time Contract Buyers work this method very effectively. The key is to have a professional-sounding message. We recommend something like this:

“You have reached the voice mail of John Smith with ABC Funding Company. I am sorry that I’m not able to take your call at this time. Please leave your name and telephone number at the tone and I will call you back promptly.”

It is important to maintain a professional image at all times with your clients. This consists of returning calls promptly, answering the telephone professionally, and, most importantly, not having background noise when you are on the telephone. If you work from home and have small children, it is very important that they are not heard in the background.

The next objective is to either purchase a fax machine or locate one in your area that you may use. Fax machines can now be purchased for as little as \$59. If you do not have access to a fax machine, Charter Financial will send and receive faxes for you. If you want someone to fax you, just give them our toll free fax number (800) 349-0720 and tell them to address the cover page to you. We will then know whom the fax belongs to.



Next, choose a name for your new company that you are forming. Many Contract Buyers use their own name, (ex: John Adams / Private Note Investor). Others use names such as ABC Funding Company. All Charter Financial Contract Buyers should choose a name they are comfortable with.

After choosing a name, you may want to have business cards and letterhead printed. This is not mandatory but will add credibility to your business and will give you an edge over other brokers. A company logo can be designed if you desire.

Next, decide if you want to operate your new business as a sole proprietorship or as a corporation. This decision does not need to be made immediately but does need to be given serious consideration. Speak to your CPA or attorney for appropriate advice. They will be able to show you how you can write off the cost of this course, your new fax machine, your letterhead and business cards, advertising costs, and many more business-related expenses from your personal tax liability.

Now you should decide which types of cash flows you want to focus on. We recommend you choose one or two that really interest you but always be open to doing deals with all of them. Most of our Contract Buyers include mortgage notes in their choices and therefore these are the most common notes that we purchase. That is why we have devoted extra materials to this subject in Section II of this manual.

After you have done the above, you should fill out the Contract Buyer Agreement form located in the left-hand pocket of your manual. You can fax or mail this in. We will sign the agreement and mail it back to you. Contract Buyers are paid by wire transfer or cashier's check the same day the note holder is paid. We do not deduct any taxes from your check. You are responsible for your own taxes at the end of the year.

Lastly, you should make copies of all the quote sheets located in the left hand pocket of the training manual. They are used to ask the note holder questions. Make a sufficient amount of copies and leave them by your telephone for easy access.

Step I - Start Up Check List

- _____ Set up a phone line
- _____ Answering device - Voice Mail
- _____ Purchase or locate a fax machine
- _____ Choose your company name
- _____ Print business cards / letterhead / create logo
- _____ Sole Proprietorship or Corporation
- _____ Decide which Cash Flows you want to focus on
- _____ Send in Contract Buyer Agreement
- _____ Make copies of quotes sheets and have them ready by your telephone

STEP II - Promote your Business

How do I market my new business and locate note holders?

You do not need a degree in marketing from a major university to understand how to locate high commission-paying mortgage notes, structured settlements, and lottery winnings. As a matter of fact, you don't even need a high school education.

As long as you follow the simple techniques in this manual and use them in conjunction with the support from our company, you will be able to duplicate the success that many other Contract Buyers have enjoyed with this wonderful business opportunity.

The key to success in this business is to choose one or two types of income streams that you want to focus on. Learn them well and become an expert on the subject. Then choose one or two proven marketing methods in this manual to promote the business. Then consistently promote the business on an ongoing basis.

This sounds easy, doesn't it? Well it is, and all you need to do is follow that simple advice.

The great thing about the note business is that you really don't have to sell anyone anything. As a matter of fact, most people will contact you and try to convince you to purchase their note. This is a wonderful position to be in and this is a great business for those who don't like to "sell."

In this section we will discuss how to locate individuals receiving payments from mortgages, court settlements, and lottery winnings. In Section II of this manual you will find a more detailed analysis of the different marketing methods.

We will now discuss locating mortgage note holders.

OWNER-FINANCED MORTGAGES

How do I locate mortgage holders?

The absolute best way to attract clients with mortgages for sale is to place an ad in the classified section of a high-circulation newspaper. This ad should run in the “Mortgage for Sale” section of the newspaper if you are only focusing on mortgage notes.

If you are also trying to attract clients for structured settlements and lottery winnings, then it is recommended that you place an ad in the “Money to Loan” or “Financial Services” section of a large circulation newspaper.

If your budget is limited, you should place your ad in so-called “throw-away papers” such as the Thrift Nickel or Penny Saver. You will find a memo in the right hand side of this manual that will give you more information on contacting various companies that specialize in placing small classified ads in Thrifty Nickels, Penny Savers, and other similar papers. These companies will place your ad for you in a single paper, in regional papers, and in papers all across the country, all with one single phone call.

The following are some sample ads that work well for mortgages:

ABC FUNDING COMPANY
Pays cash for owner-financed mortgages
Professional service / Fast closing.
555-1234

Individual seeking to add mortgage notes and trust deeds to his
investment portfolio.
555 -1234

Absolute best price paid for mortgage
notes, contracts, and deeds of trust.
555-1234

**I will buy your mortgage note. Call today to find out how you can
convert your monthly payments to a large lump sum of cash.**

555-1234


Another way to attract potential mortgage note sellers is through courthouse research. Did you know that almost every home sold is recorded at the county courthouse and is public record? You can actually go to your local courthouse and retrieve the names of individuals who are holding notes (a detailed explanation of how to do this is located in Section II of this manual, p.45).

Many Contract Buyers are now accessing public records through the Internet. You may now go online and retrieve mortgage holders from various courthouse websites. (Keep in mind that you may work this business anywhere in the country).

Once you retrieve the note holders' names, send them a letter stating that you purchase mortgage notes (a sample letter can be found towards the back of this manual) and ask them to contact you if they are interested in selling. If you can't find the time to actually go to the courthouse or research online, then you can purchase a list of names of note holders from Charter Financial. You will find more on this in the right-hand pocket of your training manual.

Another wonderful, inexpensive way to locate good mortgages for sale is to go to the library (and in some cases the Internet) and look up Sunday classifieds from newspapers six to twelve months old. Look through the "homes for sale" section and locate the ones that are listed for sale offering "owner financing". These are individuals who were selling a home and offering financing. Chances are good that they are now holding a note that they can sell. Call the telephone number in the ad and ask them if they have sold the home and if they would like to now sell the note too.

You can also find a continuous flow of notes by contacting local title companies and escrow agents. The people working at these companies may know of someone who has sold a home and taken back a note. Some of these companies actually process the payments for the note holder by collecting the payment and making sure taxes and insurance are paid.



Real estate agents are another great source of leads for mortgage note holders. Many agents come into contact with people that sell their homes using owner financing. You can contact these agents and tell them that you purchase mortgage notes and ask them if they know of anyone receiving payments from a note. You should also offer them a referral fee (usually 10-15% of your commission). This referral fee is paid by you directly to the real estate agent after the note is purchased. Real estate agents also have access to multiple Listing Services and they might be able to obtain a list of homes that have sold using owner financing.

Another excellent way to locate mortgage notes is by contacting local “Mortgage Brokers.” These are people that actually originate loans for people wanting to purchase a home. The reason you contact them is simple. They are, from time to time, asked if they “purchase” notes, and they most likely do not. At the same time, if you place an ad stating that you “buy” notes, you will get calls from people who will “want” a loan. You and the mortgage broker can work out an agreement between the two of you whereby you can now refer these clients back and forth to each other.

We purchase notes on the following types of properties:

Single Family Residences, Duplexes, Condos, Town Homes, Apartment Buildings, Commercial Buildings, Land (either unimproved, meaning no utilities; and also improved land, meaning utilities), and Mobile Homes with Land. **We DO NOT purchase notes on Mobile Homes without Land.**

Structured Settlements

How do I locate individuals that receive payments from a Settlement?

Like mortgage notes, the best way to locate individuals who receive payments from a settlement is to place a small classified ad in a high-circulation newspaper.

If your budget is limited in the beginning, try placing ads in the Sunday edition of your local newspaper. If that is too expensive, then try every other week or try Penny Savers and Thrifty Nickels. The National Enquirer (and other similar tabloids) are excellent for locating settlements.

As we have stated before, we believe that the best way to advertise is by leaving your ad running every day of the week, if at all possible, but we realize this isn't always possible for each Contract Buyer.

When placing ads it is important to understand and realize that some weeks are better than others. You should also be aware that weeks that have a holiday in them might be a little slower, such as Christmas, New Year's, Memorial Day Weekend, The Fourth of July, Labor Day Weekend, etc.

Below are some sample ads for locating settlement holders:


Are you receiving payments? We pay a lump sum of cash for your structured settlement and annuity payments.

Call today! 555-1234

Sell your annuity or settlement payments for cash today. Highest price paid! Call Now 555-1234

Cash now for your structured settlement and annuity payments! 555-1234

An excellent method of locating settlement holders is by sending letters to and networking with Personal Injury Attorneys. These attorneys are the ones that actually settle the cases for the annuitant. They all know someone who



is receiving payments from a settlement and sometimes they are even paid this way as well. Use the sample letter in the back of this manual and do mail-outs to attorneys.

Another method is to look through past and present newspapers, just like with mortgages, and locate individuals who have been awarded large settlements. In a lot of these cases, the annuitant is paid over time and might want to cash out his or her payments for a large lump sum.

Some courthouses will allow you to look through their records. This can be time-consuming but can pay off handsomely for you. If you choose to do this, you will have to first confirm that the courthouse will allow you to look through the court records. Some courthouses will only do so if you have a specific case number that you are looking for.

If the courthouse will allow you to look through the records, then just look for the Settlement and Release Agreement for the case. This form will tell you the names of those awarded the settlement and how much they receive. Many cases have multiple recipients for each suit. **This can be a potential goldmine for you.** You will then have to try to locate these individuals and send them a letter or call them. You will find a sample letter in the back of this manual.

You can also use creative methods of finding settlements. Many contract buyers put up signs on bulletin boards at the grocery store. You can also post signs or leave your business card at a Check Cashing Store or even at a Bail Bonding Company.

LOTTERY PAYMENTS

How do I locate lottery winners?

As was mentioned earlier, the single best way to promote your business is by placing a small classified ad in a high-circulation newspaper. Even though you can make a tremendous commission from brokering a lottery transaction, we suggest that you never place an ad that mentions you only purchase lottery payments.

The reason behind this is simple. We estimate at the present time that there are roughly 100,000 people in the United States who are receiving payments from a lottery winning. This might seem like a lot of people but in comparison to the numbers of mortgages and settlements, it is very small. Therefore we suggest using the following “combination” ads that mention all of the types of notes that you want to purchase.

ABC Funding Company
Pays cash for owner-financed mortgages, court settlements, annuities, and lottery payments.
555-1234

CASH NOW! Are you receiving payments from a mortgage note, court settlement, or lottery winning?
Call us today! 555-1234

Some states will give you the names of past lottery winners. Check with your state to see if they offer these lists. Then try and locate the winners. Send them a letter (a sample is located towards the back of this manual).

Another way to locate lottery winnings is by contacting individuals who might come into contact with lottery winners. This would include CPAs, Tax Accountants, Attorneys and Financial Advisors. Let these professionals know about your services, and they might refer someone to you. This is actually the best method of locating lottery winners.

STEP II - Check List

Mortgages

- _____ Place Classified Ads
- _____ Courthouse Research/Internet Research
- _____ Research past newspapers
- _____ Contact Title and escrow companies
- _____ Contact Real Estate Agents
- _____ Mortgage Brokers

Court Settlements

- _____ Place Classified Ads
- _____ Send Letters to Personal Injury Attorneys
- _____ Look through past and present newspapers
- _____ Courthouse Research
- _____ Bulletin Boards / Leave Business Cards in various places

Lottery Winnings

- _____ Place combination ads in newspapers
- _____ Contact State Lottery Commissions for list of winners
- _____ Network with CPAs / Attorneys / Financial Advisors

Step III – Answering calls and giving quotes

If you have followed the steps to this point in the manual, you have by now set up your business and have used at least one method of promoting the business.

So, what do you do when a potential client calls? Now the excitement comes and your hard work to this point will begin to pay off. People will actually respond to your ads and mail-outs. These people are looking to you for help in cashing out their note. For whatever reason, they are in need of cash now and you can help them get it.

In this section you will learn how to communicate with the caller and take down the information that we will need in order to make an offer on a note. Let's start with mortgages.

What do I ask mortgage note sellers when they call me on the telephone?

The answer is easy. All you do is ask the caller the questions on the Mortgage Quote sheet that is located in the left-hand side of this training manual. You should have already made copies and have this quote sheet waiting by the telephone. It's that simple.

On the mortgage quote sheet you will find the questions numbered in the order that you should ask them. The note seller should have all the information that you are requesting. If they do not have the information, then ask them to fax you (or fax to your attention at Charter Financial) a copy of the Promissory Note on the property and we will be able to get the needed information.

The questions are self-explanatory except for number 6 (Balloon Payment yes or no) and number 10 (Underlying Balance). A balloon payment is a full payment of the note on a specific date. For example, a note seller might sell the property and have the buyer pay the loan as if it is paid out over 20

or 30 years but then have them pay the entire amount off in 5 or 10 years. An underlying balance is when the home seller still owes something on the property to a bank or mortgage company and then sells to someone else on a Land Contract. We can purchase these types of notes just as long as we can pay off the underlying balance and be in the first position. You can read more about this in Section II of this manual.

After you take down the information from the note seller, you can tell them that you need to “run some numbers” and also tell them that you will get back to them with a quote within 24 hours. Some Contract Buyers like to tell the note seller that they need to “check around for the best price” and will get back to them with the highest offer.

Then you simply call in the numbers on the quote sheet or preferably fax or email them to us and we will give you a quote within 24 hours from the time we receive it. We will get back to you with our pay price for the note and you then subtract your commission from our quote and quote the difference to the note holder.

To explain this in detail, let’s say that we offer \$50,000 for a note and you wanted to make \$3,000 on the deal. You would then quote the client \$47,000 for their note ($\$50,000 - \$3,000 = \$47,000$). Your client will never know what you are making on the deal because we will pay them \$47,000 and pay you the \$3,000 separately.

Once the client accepts the offer you have two choices as to how you want to handle the deal. You can either tell them that “someone from the home office will be calling them soon” or you can gather the documents yourself. See page 25 for more details.

Structured Settlements and Lottery Winnings are handled in the same way. Let’s discuss them now.

STRUCTURED SETTLEMENTS AND LOTTERY WINNINGS

What do I ask someone who wants to sell their Structured Settlement or Lottery payments?

When someone calls you with a structured settlement or lottery winnings, all you have to do is ask the annuitant or lottery winner the questions on the Settlement / Annuity Quote form or Lottery Quote form. It is very important that you take down the information as accurately as possible on this sheet so that we can give you an accurate quote the first time.

The most important parts of the Settlement / Annuity questionnaire are the name of the insurance company, the state where the annuitant lives, and the exact month, day, and year of the upcoming payments. With that information we can give you an accurate quote each time.

If your client states this annuity resulted from an “On-the-job injury,” then we cannot purchase this from them. The reason is because state laws prohibit us from purchasing a “workers’ comp” annuity. Also, we **cannot** purchase: Social Security Payments, IRAs, Alimony Payments, Disability Payments, Judgments, or Retirement Plans. We mention this here because many Contract Buyers confuse these types of “income streams” with structured settlements. The settlements that we purchase must be paid by a reputable insurance company. See the Funding Guideline sheet in the back of this manual for more details.

The Lottery quote sheet requires the same type of information. We need the win date, the name of the agency that pays the lottery, and the exact month, date, and year of payments. Fill out the quote sheet and either fax or email it to us.

NOTE: There is no charge if you choose to have Charter Financial work the deal for you. We are happy to provide this service to our Contract Buyers.

STEP III - Check List

Mortgages

- _____ Fill in the Mortgage Quote Sheet
- _____ Fax or email the information to us
- _____ Obtain a quote
- _____ Give your client a quote
- _____ Gather documents or allow Charter Financial to do this for you

Settlements / Annuities

- _____ Fill in the Settlement / Annuity Quote Sheet
- _____ Fax or email the information to us
- _____ Obtain a quote
- _____ Give your client a quote
- _____ Gather documents or allow Charter Financial to do this for you

Lottery Winnings

- _____ Fill in the Lottery Quote Sheet
- _____ Fax or email the information to us
- _____ Obtain a quote
- _____ Give your client a quote

What do I do when my offer is accepted?

When your offer is accepted, you have three different choices as to how you can have the deal processed.

1. Refer the information about the deal to us and we will do everything
2. Gather the documents listed below and submit them to us
3. Combination of number 1 and number 2

Most beginning Contract Buyers choose to allow Charter Financial to process the complete transaction for them. Contract Buyers are sometimes concerned about what to tell the client since the client will now be dealing with Charter Financial instead of the Contract Buyer's company. Tell them that Charter Financial is going to "underwrite" the deal. We have never seen a Contract Buyer lose a deal because the note seller found out that he or she was a broker.

What do I do if I want Charter Financial to process the deal?



You will need to provide us with the following information:

1. Note holder's name and telephone number
2. Best time to reach note seller
3. Price accepted by note seller

What documents do I gather if I want to process the deal?

Mortgage Notes

1. Promissory Note: This is the actual document that we will be purchasing. This document states the terms of the note, including interest rate, length of payments, and monthly payment.

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- 
2. The Deed of Trust, Trust Deed, Contract or Land Contract: This is a recorded document that secures the property as collateral for the loan.
 3. Title Insurance Policy: An insurance policy issued by a Title Company that guarantees that a property is free of any liens.
 4. Settlement Statement: This document is issued at closing and shows the down payment amount on the property as well as taxes paid, etc.
 5. Proof of Insurance: This is usually in the form of a Declaration Page. This shows the dates of coverage on the property and the covered amount.
 6. Verification of outstanding balance: This is the current payoff balance on the note. We usually request an amortization schedule.
 7. The payer's name, address, and social security number: We check the credit history on all note payers.
 8. Seller's Social Security number: This is for tax-reporting purposes only.
 9. Proof of payment history: This can be in the form of cancelled checks, check stubs, accountant's ledger book, etc. The purpose of this is to show punctuality of the payments.
 10. Copies of underlying notes and balances (if applicable): We will need to pay off this note if there is one. We need the balance with a payoff date and who to pay off.
 11. Signed Mortgage Purchase Agreement: You will find a copy of this agreement in the back of this training manual and also one on our website. This agreement must be signed by the note seller before we will begin processing the transaction. We will be ordering a title and appraisal and we want to make sure the note seller is obligated by a binding contract to sell his/her mortgage note to us.

Structured Settlements and Annuities

1. **Completed Application:** You will find a copy of this application in back of this manual and also one on our website. This must be completed before we can begin processing the transaction.
2. **Release and Settlement Agreement:** This is a document that is signed by all parties involved in the settlement and by the judge. This document releases all future claims against the liable party and states the amount the plaintiff will receive.
3. **Order Approving Minor's Claim:** This is a court document similar to the Release Agreement and is issued whenever a minor is involved in a lawsuit. This is only required if the annuitant was a minor when the case was settled.
4. **Annuity Policy or Letter of Benefits:** An Annuity Policy comes from the insurance company that is paying the settlement. It lists the dates and amounts of all payments that are due the annuitant as well as stating who actually owns the policy. A Letter of Benefits is an abbreviated version of the Annuity Policy (we need one or the other).
5. **Photocopies of annuitant's Social Security Card and Driver's License:** We request these to verify that we are dealing with the actual Annuitant.
6. **Photocopy of annuitant's most recent annuity check or annuity check stub:** This is to confirm the payment amount (this proof is not always available).
7. **A copy of the annuitant's most recent tax return:** This is to check if the annuitant has other income. We will not purchase the entire monthly annuity income from an individual who is no longer able to work. We usually choose to purchase a portion of their payment. We want to make sure that a person will not incur a hardship by selling their future payments.
8. **A copy of a Divorce Decree if the annuitant has been divorced since receiving the annuity:** We want to make sure that no one else has rights to these payments.

9. If the annuitant has declared bankruptcy at anytime, we will need a copy of the bankruptcy paperwork or discharge papers: Sometimes we can purchase an annuitant's settlement who is in bankruptcy by paying off all of their creditors.
10. If the annuitant is receiving this settlement as the result of an inheritance, then we will need a copy of the probated Will that gave him or her the settlement.
11. If an annuitant has recently re-married since receiving the settlement, then we will need to see a copy of him or her marriage license.

Lottery Winnings

1. Lottery Application: located in the back of this manual and online.
2. Award Letter: This comes from the state or agency that awarded the lottery prize. It states when the payments are paid.
3. W2G or 1099 Form: This is issued every year by the agency paying the winnings. This is for tax-reporting purposes for the winner.
4. Photocopies of winner's Social Security Card and Drivers License.
5. Photocopy of winner's most recent award check or direct deposit.
6. A copy of the winner's most recent tax return.
7. If applicable, a copy of the winner's divorce decree only if he or she has been divorced since the award date.
8. Bankruptcy paperwork, if applicable.
9. A copy of the Will if the lottery winner received this as a result of an inheritance.
10. If the lottery winner has remarried since winning the lottery, then we will need a copy of his/her marriage license.

STEP IV- Check List

There are three different ways for you to handle the deal once it is accepted.

1. Refer the information to Charter Financial
2. Gather the documents on your own
3. Combination of number 1 and 2

When choosing option 1, simply forward the following information to us:

1. Note seller's name and telephone number
2. Best time to reach the note seller
3. Price accepted by note seller

Having Charter Financial gather the documents for you will not change your commission. There is no charge for this service and we will be happy to do it for you.

Summary

Have you ever seen an easier way to make outstanding money in a home-based business?

What could be easier than placing ads, taking phone calls, gathering a few documents (if you desire), and depositing money into your bank account? This truly is a wonderful business opportunity. The sky is the limit!

Consistency and perseverance are the keys to your success as a contract buyer. Find an ad, mail-out, or other method of promoting your business and stay with it. All successful Contract Buyers consistently use the same types of methods to promote their business on a daily basis. You should, too.

Another key to success is to start out with a small classified ad in your area. After you get your first deal done, use the reimbursed \$195 and reinvest that money into placing another ad. Then do the same with the \$250 bonus on your second deal and the \$500 on your third. Multiply your efforts and become financially secure.

Many of our Contract Buyers ask us about different types of income streams other than mortgages, court settlements, lottery winnings and business notes. We suggest you call us if you come across a note that is not discussed in this manual.

We are committed to giving you our ongoing support. Remember, we only make money when you do. Just follow the four steps to success and you will be on your way to financial freedom.

**You have just finished reading Section I of this training manual.
You now have enough information to get
started with your business.**

Read Section II at your own pace.



SECTION II

ADVANCED TRAINING MATERIALS

The materials that you have read to this point are enough information to get you started. If you desire, you can put down the training manual and get started immediately.

The information from this point forward will take you to the next level in your note brokering business. Please take your time to read over these materials so that you understand them completely. **DO NOT** become over-consumed with this information. **DO NOT** think you need to understand everything to get started.

How we determine a pay price (“quote”) for a note

The pay price that we offer for a note is directly related to the amount of risk associated with purchasing that particular note. For example, a lottery winning that can be legally assigned to us from a state is obviously less risky than a Business Note on a restaurant with leased property and no collateral. The chances of getting repaid are higher with the lottery. Therefore, our pay price is a higher percent of the note value.

On each type of note we have a predetermined amount of return that we are looking for on our investment. This return is often called a “*yield*” on investment. We will now take a look at each type of note that we purchase and explain what determines the amount of risk for each.


Mortgages

There are many things to consider when purchasing a mortgage note. We purchase notes on single family residences, duplexes, town homes, condos, mobile homes with land, (no mobile homes without land), unimproved land, land with improvements (meaning utilities in place), and commercial buildings.

Each of these types of notes has a different risk associated with it. For example, a note on a single family residence is a much better investment for us compared to a note on unimproved land. The reason is because if we had to foreclose on the home we could (on average) sell it much faster than the unimproved land.

Once we “categorize” what type of note we are quoting on (single family residence, mobile home, etc.) we then look at four main factors to determine the exact pay price on the note.

- The amount of equity in the property
- The amount of seasoning on the note
- The interest rate on the note
- The credit of the payer



Remember these four determining factors because when a potential note seller is talking to you on the telephone, he or she might ask you what percent (%) you will pay for the note. Tell them that it is determined by those four factors and you will need to calculate the quote and then get back to them.

Credit also determines the pay price on a note. Usually when we quote we don't know the payers credit and we will base our quote on the information that you or the client provides us. *If we find the credit to be different, then we reserve the right to change our quote (either upwards or downwards). This is usually done once the deal is accepted.*

Note: We almost always “pull” a credit report without the consent of the payer. Contract Buyers and clients always want to know how we can legally do this. The answer is this: we are not offering this person a mortgage or a loan for their home. They already have their loan in place. We are doing due diligence on a business decision. Their credit score is part of the overall “risk” involved with the purchase of the note, the same way that the appraised value of the home is part of the same equation.

Note: When we price a mortgage note we always give you what is referred to as a “**retail**” quote. This is a quote that is “net” to you without any cost. We have already calculated our yield and subtracted the expected cost.

Experienced Contract Buyers prefer to pay these expenses themselves and get premium pricing from Charter Financial. This type of quote is called a “**wholesale**” quote. This means that the Contract Buyer pays for the appraisal, title, and closing cost. If the deal falls through for whatever reason, then the Contract Buyer must absorb these costs. We only quote using retail pricing unless the Contract Buyer requests wholesale.

Court Settlements

The main factor that determines the pay price on a structured settlement is the Insurance Company that actually pays the settlement. Some insurance companies are “rated” higher than others. We have evaluated all of the insurance companies and have different rates for each.

Lottery Winnings

Lottery quotes are much easier to calculate. They are either “assignable” or “non-assignable”. Most states will allow lottery payments to be legally assigned from one person to another. This means that we can purchase the payments and then the lottery commission will actually pay those payments directly to us. In these cases, the discount is relatively low because the risk is low. Lottery rates are closely tied to the 10-year Treasury Bill.

A few States are “non-assignable,” meaning that they won’t allow the payments to be assigned from the winner to another individual. In rare cases, we will do one of these deals, but the discount is very high. We are basically giving the individual a personal loan.

Assignable Lottery States

Arizona	Montana
California	New Hampshire
Colorado	New Jersey
Connecticut	New York
Florida	Ohio
Idaho	Oregon
Illinois	Pennsylvania
Iowa	Texas
Maine	Vermont
Maryland	Virginia
Massachusetts	Washington
Michigan	West Virginia
Minnesota	Wisconsin

Business Notes

Business Notes are the riskiest of all the notes that we purchase and are therefore discounted the heaviest. There are many factors that contribute to this high risk but the two most determining factors are

- **High failure rate of small businesses**
- **No collateral to secure the note**

The first is the traditionally high failure rate of small businesses in the United States. We all are aware of the numbers of businesses that close their doors within the first year or two.

The second factor is that these notes usually have little to no collateral. When we purchase a business note, most of the time we are purchasing a note that is collateralized by the income the business is generating and maybe a personal guarantee by the payer. If we have to foreclose, the payer will likely file for bankruptcy (so we can't get anything from them). If we sell the equipment we will only get pennies on the dollar.

IN SUMMARY

When we price a deal, we are trying to anticipate the likelihood that we will be paid back and paid on time. We also factor in expenses that we might have to absorb if the note is not paid. Many times we hear the following from our Contract Buyers: "it would be a good deal for your company if you had to foreclose." This might be the case, but we don't view our business as one that makes money from foreclosing on properties and businesses. We would much rather the note payer pay on schedule, per his or her written agreement (note).

Purchasing Partial

What is a Partial?

A partial is the purchase of a portion of an income streams remaining payments, or the purchase of a portion of a specific payment, or any combination thereof.

There are many occasions when buying only a portion of the remaining payments makes sense. We purchase partials on mortgage notes, court settlements, lottery winnings, and business notes.

Mortgages:

On many occasions we receive quote requests for new notes that have not been seasoned, have little or no down payment, and have poor credit by the payer. In a case such as this, we will still purchase the note but would only purchase a portion (Partial) of it. This is to reduce our risk in the event that the payer defaults on the note.

Let's look at an example of this:

Sales Price: \$50,000 Down Payment: \$2,500

Original Note Balance: \$47,500

Payers Credit: Poor Seasoning: 2 months

Appraised Property Value: \$50,000

Term: 360 months Interest: 10%

Remaining payments: 358

In this scenario, we would give the Contract Buyer a quote of \$35,000 for the next 200 payments. Purchasing a "Partial" lessens our risk. This lessens our risk in the event we foreclose. If and when all the payments are made as scheduled, the note would then revert back to the seller following the 200th payment.

Oftentimes, note sellers do not know that they can sell just a portion of their future payments. When you take down the information on the Mortgage

Quote Sheet, you should take the time to find out why the client wants to sell the note. Many times he or she is only looking for money to consolidate his or her bills, purchase a new car, etc., and he or she would not sell the entire note if he or she knew that was an option.

When you find someone who only wants to sell a portion of his or her remaining payments, you should write a note on the quote sheet and tell us how much money he or she is looking to receive. Then we can tell you how many payments he or she would have to sell in order to receive that amount.


The great thing about partials is that you will receive a commission now for doing the first transaction, and you will receive future commissions each and every time the note seller sells us more payments in the future from the same note.

This happens in over 50% of the partials that we purchase. Please be aware that we can also purchase a portion of the monthly mortgage payment as well. For example: If the monthly payment on a note is \$1,000, we could purchase \$200, \$500, \$700, etc. of the monthly payment. Sometimes this is a good selling point because it will give the seller of the note cash now as well as a monthly income from the note.

Settlements and Annuities

In the case of structured settlements and annuities, many times you will see that the annuitant (person receiving the payments) receives a combination of payments, such as monthly payments, as well as semi-annual, annual, and lump sum payments. Once again it is important to ask the annuitant how much money he/she is in need of at this time. We can be very flexible in structuring the purchase of the payments in a manner that best suits the annuitant. We can purchase any portion of any remaining payment just as long as it meets our minimum funding requirements (see the **Funding Guideline** sheet on page 58).

Just as in mortgages, you receive a commission for funding the deal the first time and also when the client comes back to sell more payments in the



future. There are documented cases of clients coming back for more money more than five times from the same annuity. You will receive a commission each time. In these cases, we will contact you and tell you that the annuitant has contacted us wanting to sell more payments, and we will tell you how much we can pay for the payments they want to sell. You can tell us how much you would like to make and we will quote the difference to the annuitant just as if they were coming to you for the first time.

Lottery Winning

Lottery winnings are the same as mortgages and settlements. We can purchase any portion of any future payment. Since lottery winnings can be substantially large, most of our purchases are partials. The Contract Buyer will receive a commission each time the lottery winner sells more payments.

It is important to note here that in every type of income stream, we secure the payments with a lien, UCC-1 filing, etc. If and when the client wants to sell more payments in the future, they are obligated to come back to us to sell the remaining payments. This is great news for the Contract Buyer and Charter Financial.

Business Notes

The purchase of a Business Note is the riskiest of all the income streams that we purchase. This is due to the fact that there is very little collateral on most of the Business Notes that we purchase. For example: If we purchase a note on a restaurant that has a balance of \$95,000, we may only have \$20,000 in assets (furniture, fixtures, and equipment) that we could sell if we had to foreclose. Because of the risk associated with Business Notes, most of them are purchased as partials.

In Summary

Partials are an outstanding way for Contract Buyers to close more deals and make more than one commission on a note purchase. Remember to always try your best to find out how much money the note seller is trying to obtain and we can customize a purchase that creates a win-win-win scenario.

Second Position Mortgage Notes

What we purchase and what we don't purchase

Second Position Note: This is a note that is second in line to another existing note (the first lien position) on the same piece of property.

As you work your business you will oftentimes come across notes that are considered a Second Position Note. There are two basic types of Second Position notes. The first example is one in which we **do not** purchase the note and the second example is one in which we will purchase the note.

1. **A Traditional Second** - This is usually a very small note in relation to the value of the property. This type of note is usually created when the home buyer doesn't have enough money for a down payment. An example of this would be as follows:

A home is sold for \$100,000 and the buyer can obtain a regular loan from a bank for 80% of the value of the home. The home buyer still needs to come up with \$20,000 to pay the seller. If the home buyer only has \$10,000, then the home seller can take back a second position note for \$10,000 to make this work.

Bank Loan (First Lien Position) = \$80,000
Down payment = \$10,000
Loan from Seller (Second Position) = \$10,000
Total Sales Price = \$100,000

In this scenario, the home owner is carrying a note for \$10,000 but the bank owns the first position for \$80,000. Therefore, we **WOULD NOT** purchase this type of note.

The reason for not purchasing this type of note is simple: if for whatever reason the home buyer stops making payments on the second position

note, there is nothing that can be done to force them to pay. As long as they pay the first position note (to the bank), then the property cannot be foreclosed on. The only recourse we would have would be to report the negative account activity to the credit reporting agencies.

In a default situation (meaning the buyer doesn't pay either the bank or the second position note), the holder of the second is literally second in line to claim his or her funds. In the above scenario, if the bank has to foreclose they will incur expenses such as maintenance of the property, repairs, realtor's fees to resale the property, late fees, penalties and interest, etc. The bank will want the balance that the buyer owed them plus all of the other expenses. Let's assume that all of this adds up to \$90,000 (outstanding balance plus fees) and the bank only sells the home for \$92,000. Then the second position note holder would only receive \$2,000.

2. Land Contract, Contract for Deed, or sometimes a Wrap-Around Note or simply a "wrap" - These types of notes are usually created when the home seller takes back a note after selling the home but also is still making payments on a note.

An example of this is as follows:

Let's assume that the home that we are referring to is worth \$100,000 and that is what the seller is going to sell it for. Let's also assume that the home seller is still paying the bank for a note that he owes on this property, and the balance of that note is \$20,000.

In this scenario, the home seller would sell his home to the buyer using a Land Contract or Contract for Deed, and the sale would be for \$100,000. Let's also assume that the home buyer pays the seller \$10,000 down.

Now we have a note that is being paid by the new buyer for \$90,000 (\$100,000 minus the \$10,000 down payment) and at the same time the home seller is still paying on his note to the bank that has a balance of \$20,000.

We can purchase this type of note because we would purchase the \$90,000 Land Contract at a discount and pay off the \$20,000 existing note and would give the remaining balance to the note seller. This places us in the First Position because we are the only one that is owed any money.

Home Sales Price = \$100,000
Down Payment = \$10,000
New Note (The Wrap-Around Note) = \$90,000

Seller owes to bank a balance of \$20,000

We purchase the \$90,000 note at discount, pay off the \$20,000 note, and give the difference to the note holder.

We routinely purchase these types of notes. The guidelines are simple: there must be enough of a spread between the two notes so that we can discount the “wrapped” note and pay off the other note.

You will come across these types of notes, and you should be familiar with them so that you will know that we can purchase this type of note and you don't pass up potential business.

We have many Contract Buyers ask us if we know of any other companies that purchase the first type of Second Position Note (the traditional Second). We have been unable to locate a reliable source that purchases these notes. We will continue to look for a source that we can refer our Contract Buyers to and will let you know if we find one.

Simultaneous Closings

**“Another great way
to locate mortgage note holders”**

Simultaneous Closing: This is the name given to a transaction where we purchase a note simultaneously (at the same time) as the home is sold.

We have recently added simultaneous closings to our line of products because of the high demand from our Contract Buyers. An example of how a Contract Buyer can benefit from a Simultaneous Closing is as follows:

An individual is looking to sell his or her property and is not getting a lot of interest. You can approach the seller and explain to them how listing his or her property, with the option of owner financing, will double the amount of interest in his or her home.

It is a fact that many people today will not qualify for a home because of less-than-perfect credit or because their “debt ratios” are too high. When a home seller offers owner financing, this opens the door for a larger number of home buyers who wouldn’t normally qualify.

Explain to the seller that we will purchase the note at the same time the home is sold (at the closing through the title company). The frustrated home seller will most likely agree with you that you are offering a great service to them.

Once the home seller agrees to work with you and they have found someone who is interested in purchasing the property, just follow the easy steps below.

Obtain the proposed terms of the note -- This can be easily accomplished by filling out the Mortgage Quote Sheet.

Provide a Credit Report on the buyer(s) -- If a credit report is not available, then give us an estimate of the buyer(s)' credit score or credit rating and we will make an offer based on that information.

Fax the above two items to Charter Financial

Once we receive the two items we will evaluate the entire deal. We will look at the credit of the proposed buyer, the sales price, down payment, property value, etc., we will then propose the best possible option for you to offer your client so they will get the best possible pay price for their new note.

Below is an example of how we can structure this type of transaction.

Home seller is asking \$100,000 - Buyer has decent credit and has \$10,000 for a down payment - We only feel comfortable with a Loan to Value ratio of 80% - This means we only want to buy this note with a value of \$80,000 ($\$100,000 \times .80\%$) - We recommend that the seller take back a second for \$10,000 to make up the difference.

This is how the deal will look:

Home is sold for \$100,000

Buyer pays down payment of \$10,000

Seller takes back a second of \$10,000

New note to be bought at closing is \$80,000

We then have a new note for \$80,000 that we can purchase -- we suggest the following terms for the new note based on the buyer's credit, etc.

Note value: \$80,000
Interest rate: 10%
Term: 30 years with 7 year balloon
Monthly Payment: \$702.06

We can purchase this note for \$72,162

The contract buyer subtracts a commission from that price (let's say \$3,000) and here is how the complete deal looks to the home seller.

He or she receives (\$72,162 - \$3,000 contract buyer commission for new note) = \$69,162
Down Payment = \$10,000
Second Position note = \$10,000

Home seller receives \$79,162 at closing plus a note of \$10,000 with interest, and the home is sold quickly (home seller actually receives a total of \$89,162 plus interest on the second position note).

You will find information in this package on a course devoted entirely to simultaneous closings, written by Leonard Stitt.

We highly recommend this course for those contracts buyers who would like to specialize in simultaneous closings and also for those who would like to include simultaneous closings in their overall marketing plans.

Techniques for Courthouse Research of Mortgage Notes

The purpose of this section is to give you a basic understanding of how to effectively research your local courthouse to find names of individuals holding mortgage notes. The courthouse can become your own personal goldmine if you are willing to spend the time and effort it takes to look up the names of mortgage holders and to properly send out professional-looking letters and postcards.


One of the best things about courthouse research is that you are targeting individuals who may not know they can sell the note they are holding, or they may know they can sell but don't know whom to sell to. This is a wonderful scenario for the contract buyer because you don't have any competition for the note. When there is no competition, you can make a larger commission on the deal.

Before you head to your local courthouse, it is a good idea to call the courthouse and make sure that you know exactly where to go to find the records. You will probably want to ask for the Land Records Department or the Recorder's Office.

It should be mentioned here that all courthouses are not the same and they all use different methods of categorizing and storing documents.

Once you get to the correct location, it would be wise to spend a little time visiting with the staff so that you can become familiar with the "filing" system that is used there. Some courthouses have index files and books with actual records, others use computers for everything, and some have these records on microfiche.

Regardless of how the courthouse is set up, you should first locate the index files. These files list every recorded document in the courthouse and, most importantly, tell you where to find the actual document within the courthouse. The actual documents you are looking for are Recorded Deeds of Trust or Trust Deed, Mortgage, Land Contract or Contract for Deed. Every state is either a Trust Deed or Mortgage state and most every state



allows for Contracts. Check with the courthouse personal to find out which ones apply to the state you are working in.

You are now ready to look through the index files and record information so that you can reference the actual document. Be sure that you bring along a pen or pencil and some paper to write on. The index files usually have 5 to 6 columns with information such as the mortgagor (person making payments), the mortgagee (person receiving payments), a reference to the book and page number where the actual document can be located, document type (Trust Deed (TD) or Mortgage (M), etc.), recording number and the recording date. As you look through the files you will see all different kinds of documents from Power of Attorney documents to deeds.

You are obviously looking for documents that relate to mortgages. Write down the book and page numbers of the deeds of trust, mortgages, and contracts that you find. After you have accumulated 20 to 30 names (depending on how much time you have), you should then go to the actual “book” where these documents are located. As was mentioned earlier, these “books” can be in the form of actual books, or on computer or microfiche.

Look through the books until you locate the page number that you are looking for. You will then find the document that you have been searching for. On this document you will find the name and address of the person who is receiving payments on the note. For Deeds this is the Trustee or Beneficiary, and on Mortgages it will be the Mortgagee. On Land Contracts you will find the full name and address on the Contract.

The next step is to simply write down the name of the person who receives the payments along with his or her mailing address. Continue the process of looking through the records until you have written down all of the names of the note holders that you want to gather.

Tips for obtaining the best response from your mailings

First you must have a professional-looking letter that you can send the note holder. You will find a copy of one located towards the back of this manual. Next it is suggested that you hand-write the note holder's name and mailing address on the envelope. Using this method will increase the chance your letter is opened and read. People tend to throw away what they perceive to be "junk" mail.

Many successful researchers will also try to locate the note holder's telephone number and give them a follow-up call within a week of the mailing, or they will send out a post card as a reminder within a couple of weeks of the initial mailing. If you still haven't heard from the note seller, then it is advised that you send out another mailing within 2 to 3 months. Continue with the follow-up mailings until they respond. Circumstances change for everyone and someone who doesn't want to sell now many want to or need to sell within 6 months.

It is best if you do not send out mail-outs during the Christmas Holidays or on or near other holidays. August also tends to be a slow month because of families going on vacations and children going back to school. The fall months seem to be the best because people are always trying to get cash for the holidays or sell their note before the end of the year.

Courthouse research can be an excellent way of locating note holders. Many contract buyers simply don't have the time to spend doing this type of work, but the rewards can be enormous.

For those of you who do not have time to research the courthouse, you may purchase a list of mortgage holders' names through Charter Financial. You will find an order form on the right-side pocket of this manual. For those of you who would like more detailed training on this subject, you will also find information about a training course that is completely devoted to courthouse research, written by Leonard Stitt.

What goes on behind the scenes?

How do we underwrite each type of transaction?

Mortgages

When the price is agreed upon we ask that the note seller sign a purchase agreement and fax it to us along with the items that we require (see Step IV in Section I of this training manual, p.25). The first thing we do is obtain a credit report on the payer if we haven't already done so. The price that we pay is influenced by the payer's credit. After this is done, we immediately order an appraisal on the property. In most cases we order a "drive-by" appraisal (this is an appraisal that is done using three comparable properties that have recently sold in the same neighborhood). The appraiser does not actually go inside of the home but instead calculates a value for the property based on three recent sales in the same area, known as comparables or comps.

At the same time as the appraisal is being ordered, we check and see if there is a title policy (a guarantee that there are no liens on the property) issued by a title company. If there is not a good title policy in place we will then order this as well. We also check with the local taxing authority where the property is located and make sure that the taxes are paid and current. If they are delinquent, they must be brought current or we will pay them out of the seller's proceeds at closing. We also verify that there is insurance in place on the property and for the correct amount.

As the file gets closer to being finalized, we then send an estoppel letter to the payer(s). You will find a sample in the back of this manual. This document confirms the balance of the note with the payers and obtains their personal information for our records. In every case we will need to confirm the balance with the payer(s) of the note prior to the closing. If we don't receive the estoppel letter back from the payer(s), then we will have to call the payer(s) before closing to get a verbal confirmation of the balance of the note.

When the title and appraisal are received in our office, we then prepare the closing paperwork, commonly referred to as “closing docs.” At this time we always confirm with the note seller that they are in possession of the ORIGINAL NOTE. This is what we are actually purchasing and a copy will not suffice. The note seller must assign this note over to us at closing.

The closing documents that are prepared are as follows: Receivable Sale and Purchase Agreement, Transfer of Lien, Insurance Transfer Letter, Goodbye Letter to Payers from note seller, and Payer Information Letter. We then set up a closing to take place in one of the following ways: 1) at a Title Company (chosen by the Seller), 2) at an attorney’s office, 3) through overnight mail.


If we requested a new title for the transaction, then we will most likely have the closing at a title company. If not, then the closing will be held at a local attorney’s office. We do offer the option of doing the closing through overnight mail, but most clients prefer the two previous options.

When we are ready to close, we will then send the documents to the closer (the Title Company or Attorney) and at the same time will wire the money to the closer’s escrow account. A time is arranged for the note seller to go in and sign the documents and receive his or her money. If we are doing the transaction through the mail, the client will sign and notarize the documents and give us wiring instructions to their account.

In either case, we will fund the note seller as soon as the documents are recorded by the Title Company or Attorney. The broker is then wired his/her commission or sent a cashier’s check via overnight carrier. This entire process generally takes about two to three weeks to complete. It can be done faster or slower depending on how long it takes for us to receive the title commitment and appraisal.

Structured Settlements

The sale of a structured annuity must now be approved by a state court. Following are the steps we take to purchase annuities.



The first thing we do when the offer is accepted is to request the items listed in Section I, page 25 of this manual. Once those items are received, we will immediately begin processing the transaction. This includes having our legal staff review the state laws that apply to this particular case, and we also check with the national data base offered by the National Association of Settlement Purchasers to see if the client has ever sold payments before or is trying to sell us payments that have already been sold to someone else. We also check to make sure the annuitant doesn't have any unpaid judgments or outstanding child support payments.

We then generate a court-mandated disclosure letter for the client. This letter details the rate the client is charged, how much money they are giving up over time, etc.

Once we receive this back from the client, we must wait 10 days and then we can send the contract to the annuitant. This contract is the legal binding agreement that outlines the payments that we are purchasing. When the contract is signed, notarized, and returned to us, we will then hire an attorney to represent the client in court. We will choose an attorney that we have worked with before unless the client has an attorney that he or she prefers to use.

We will send the attorney the petition that they must use to obtain the court order. The attorney will then request a court date to have the judge approve the transaction. The approval of a settlement is a formality in most cases. Once the court date is confirmed we must wait 20 days to give the insurance company an opportunity to respond to the order. In most cases the insurance company will not contest the order. If they do, the case can go on for over a year and may not fund at all.

Once the order is signed and approved by the judge, we then wait for the insurance company to confirm that they will abide by the order and begin sending payments to our company. Once this takes place the annuitant is funded and so is the contract buyer. The entire process is now taking 60 to 90 days on average and is even longer in certain situations.

Lottery Winnings

Once the required documents are received from the winner, we will then generate a contract for the winner to sign. When the contract is received, we will check and make sure that the winner has never sold payments before or sold the payments we are going to purchase.

We also check for personal liens or judgments as well as unpaid child support payments. In other words, we want to make sure that no one else has any claim to the funds. We will then have our attorney petition the court so that we can have the payments legally assigned to us. When this process is completed, we will fund the lottery winner and the contract buyer. The entire process takes about 30 to 45 days to complete in most cases.

Business Notes

As we have mentioned before, business notes are the riskiest notes that we purchase due to the high failure rates of small businesses. Therefore, they require more due diligence than all of the other types of notes that we purchase.

After receiving the required documents from the note seller, we do the following: verify that all of the documents are real and valid documents, contact the landlord to make sure that the rent is always paid on time, contact the payer's bank and see if they have problems with the account (such as it being overdrawn on a regular basis), and verify that there is a valid lease in place that runs the duration of our purchase. We also make sure there are no liens on the business or the building that it occupies, check credit on both the note seller and note payer, verify tax returns on the business for the two previous years, and contact the payer to make sure the business is everything the seller promised him/her and also to confirm the balance on the note.

When all of these things are completed, we will arrange to do the closing. The closing is similar to that of a mortgage note and can be done at either a title company, attorney's office, or through overnight mail. The timeframe on a business note is usually around 3 to 4 weeks.

Marketing your new business

There are many excellent methods that you can use to market your new note business. Below we will have an in-depth discussion of the different ways that successful contract buyers locate note holders.

Classified Newspaper Advertising

This is still the preferred method of advertising for many contract buyers and the one that we suggest for those associates wanting to get immediate results and income. Classified advertising in newspapers has been used for years by many successful contract buyers. The cost of placing these ads can be as little as \$30 a month for a small “throw-away” newspaper like a Thrifty Nickel or Penny Saver and up to thousands of dollars per month for large national papers like The Wall Street Journal or USA Today.


You must decide on your advertising budget before placing any ad, but it is important to note that the best results will come from leaving your ad in the newspaper every day of the week and every week of the month. **This is a proven formula for success and you must remember this.**

If you decide that newspaper advertising is right for you, then you must be sure that you place your ad in the appropriate section of the newspaper. **The Money to Loan or Financial Services** section of the paper will work best for you. Some papers now include a **Mortgage for Sale** section. Some contract buyers who are trying to locate business notes will place an ad in the **Business for Sale** section of the newspaper.

Internet

The Internet is a wonderful business tool that has revolutionized the way the world does business. Many contract buyers are realizing the importance of having a web presence.

You may develop a website and market your business online or use your website as an information source that you can direct your clients to so they can download information, learn about the process of selling their income stream, or obtain a quote online.



You may also place “free” ads on the Internet so that millions of people can find out about your services. You may also submit your website to hundreds of search engines and hope that you will be listed for free and hopefully towards the top of the search engines list.

You can even pay to have your website listed and also pay for each keyword that you want people to know about, including *mortgage notes*, *settlements*, *lottery winnings*, etc. There are also sites that you can visit on the web where note holders list their notes for sale and you can try to get their business by offering them the best price.

The Internet can be beneficial to the contract buyer because it gives instant credibility and it gives you a place where you can post important information about your company and the types of services you offer.

**Charter Financial does not quote deals that
come from Internet Auction sites.**

We have found that there is no money for either the contract buyer or our company in these types of deals. If you choose to try to get deals from Internet Auction Sites, then you will be responsible for obtaining all of the details on the note and then we will quote it for you.

Charter Financial strongly believes that contract buyers benefit from having a website. We are currently working on a new website program for our brokers and will contact you when the program is ready to be implemented.

Mail Campaigns

Many successful contract buyers use mailings and postcards as a successful way of attracting note holders. The most popular example of this in the industry is seen in the Mortgage Note area. Many mortgage contract buyers purchase lists of names, pay individuals to retrieve names of mortgage holders from local courthouses, or even research the courthouse themselves.


We also suggest you do mail-outs to Business Brokers (individuals that list and sell businesses for a living) to obtain business notes. You can also send letters to personal injury attorneys. These attorneys all know of someone who has settled a personal injury settlement and who is now receiving payments. You will find sample letters in the back of this training manual.

Networking / Word of Mouth / Referrals

Networking is one of the absolute best ways to find clients. The only catch is that networking takes time. Networking is an art and it is something that needs to be developed by some individuals. Others are just naturals at it. One way to get started is to join your local Rotary Club or Chamber of Commerce. You can even speak in front of these groups if you desire and tell them about what you have to offer. You will be surprised at how many notes you can find this way.

You can also start telling everyone that you know and meet about your business and what it has to offer. Carry your business cards with you at all times.

Many contract buyers offer a set “referral fee” to anyone who refers a client to them. This can be a small amount around one hundred dollars. You will be surprised at how much business this method can bring you. Networking is not something that you should depend on to bring you all of your business when you start because it takes time to develop your referral base. You should make networking a part of your overall marketing strategy.



In the cash flow industry, word of mouth advertising is used on a limited basis, but still it is effective. The reason is because most people that hold notes probably don't know other people that do. You must remember in your dealings with your clients that you must be professional at all times and offer the best possible service. When you do this it is most likely that if your client knows of someone who has a note to sell they will refer that person to you.

This is most evident in the structured settlement industry where you might deal with a client who receives an annuity due to a wrongful death claim. Your client might have three siblings who receive the same claim because their father was killed in an accident and now they all receive lifetime annuity payments. There are documented cases of contract buyers making up to 5 or more commissions from one family.

Many contract buyers send a simple thank-you card to their client when the deal has been completed. This just reinforces the fact that you appreciate their business. Many of our associates also send Christmas cards to the clients they have done business with during the past year and prior years. This will help the client remember them for future business and will keep the contract buyer's name fresh in the memory of the client.

Referrals can be generated in other ways as well. It is to your advantage to work out agreements with other professionals so that they will be motivated to refer business to you. Take them to lunch on a regular basis or, of course, offer them money for referrals. A standard referral fee is usually 10% to 15% of whatever your commission is on a deal. The referral fee is always paid by the contract buyer, not Charter Financial.

We have mentioned before that you can set up reciprocating agreements with individuals in fields closely related to yours. An example of this is between a person who brokers mortgage notes and one who originates mortgage loans. The contract buyer receives calls from individuals wanting a home loan and the mortgage broker receives calls from individuals wanting to sell a note. Just refer these leads back and forth to each other.

Radio, TV, and Billboards

These are grouped together because they all have two things in common: they reach a large number of people and they are all relatively expensive. The most important thing to remember when using one of these types of media is that repetition is the key word. You must be able to have the ads run many times and this can be costly.

At the same time, these ads will pay off handsomely if you can afford to do them. There are documented cases in the industry where successful contract buyers and investors have done national television advertising campaigns and made tons of money. You may have even seen these ads. We highly recommend that you **DO NOT** start your business by placing these types of ads. You will first need to learn the business before placing these ads because there is no room for error.

Court Research

Court research is one of the oldest techniques used in locating note holders. It really is most prominent in the mortgage note sector of the industry. Many mortgage contract buyers will spend time at their local courthouse researching names of people who have sold a property and who are carrying a note.

The good thing about this technique is that you are locating individuals who may not know they can sell their note, and if they do, they may not know who to sell to. This is beneficial to the contract buyer because when there is less competition for a note, the contract buyer can and does make a much larger commission.

The downside to courthouse research is that it takes a lot of time and energy to do. Because of this, Charter Financial has recently contracted with a national courthouse research firm so that we can offer mortgage leads to our contract buyers. This has been a very successful program for our associates. You will find an order form for these lists in the right-hand side of your training manual. Not all states are available and the names are never provided to more than one contract buyer.

Multiplying your marketing efforts

The key to getting rich

When you begin your advertising program and you are using a paid form of advertising (such as newspapers), you should commit to this form of advertising for at least two months so that you can measure your results. If you have written a good ad and placed it in the correct section of the newspaper, you should see some positive results.

Once you begin getting paid for your efforts, the best thing you can and should do is to reinvest some of your commissions into marketing your business. The secret to riches in this business is to place as many similar ads in as many additional newspapers as possible. You can also place an ad with the companies mentioned in the right hand side of this manual and they will place it in multiple papers for you.

If you placed an ad that ran for a month and cost you around \$300 and your commission was \$2,000 on your first deal, you should take half of this commission (\$1,000) and place three more similar ads. Now you will have four ads running and you should have similar results times four. If you choose, you can also reinvest the \$195 that you receive back on your first deal to place another ad and also reinvest the \$250 on your second deal and the \$500 on your third.

Once you begin duplicating your ads, you must keep in mind that you are not limited to any geographic region. This means that you can begin placing ads anywhere in the United States. When you place ads where clients must call you via long distance, we suggest that you have a toll-free telephone number for them to call. You can sign up for toll-free long distance service on our website or by calling your local telephone company.

Most successful contract buyers started with a small budget and grew their business by duplicating their positive results. We recommend that you do the same.

Funding Guidelines

Mortgage Notes

Minimum Funding Amount: \$20,000
Maximum Funding Amount: \$500,000+
No Maximum for Commercial notes
First Position Notes only -- **No Seconds**

Structured Court Settlements and Annuities

Minimum Funding Amount: \$20,000
Maximum Funding Amount: No Maximum
All Transactions require a Court Order
No Workers' Compensation Settlements
**No Workers' Compensation Settlements, Retirement Plans,
Disabilities, Judgments, Divorce Settlements, Social Security
Payments, IRAs**

Lottery Winnings

Minimum Funding Amount: \$100,000
Maximum Funding Amount: No Maximum
Some States require Court Orders
Some States non-assignable therefore most likely cannot purchase these

Business Notes

Minimum Funding Amount: \$20,000
Maximum Funding Amount: Case by case (usually \$250,000)
Personal guarantee by payer and good credit
Minimum three (3) months seasoning

All guidelines are subject to change without notice.

Revised July 2004



Quote Sheets



MORTGAGE QUOTE SHEET

Broker Name _____ Phone _____ Fax _____

Date _____

E-mail _____ How did you find us? _____

1. Original Selling Price _____

2. Down Payment _____

3. Original Note Balance _____

4. Months / Years Financed _____ Interest Rate _____

5. Monthly Payment _____

6. Balloon Yes or No? If yes Date _____ Amount _____

7. Date of First Payment _____ Current Appraised Value _____

8. Current Balance _____

9. Owner Occupied? Yes or No

10. Underlying Balance Yes or No - If yes, Amt. _____

11. Credit of Payer ___ Excellent ___ Good ___ Bad ___ Unknown

12. Property Type

___ Single Family Res. ___ Duplex/Four-plex ___ Condo/Townhome

___ Mobile Home: ___ Single ___ Double ___ Age ___ Commercial

___ Land Only ___ Land with Improvements (utilities) ___

13. ___ Deed of Trust ___ Mortgage ___ Land Contract ___ Contract for Deed

14. Title Policy Yes or No

15. Property Description and Location / Comments:

SETTLEMENT QUOTE SHEET

Broker Name _____ Phone _____ Fax _____ Date _____

E-mail _____ How did you find us? _____

Name of Insurance Company paying the settlement? _____

State client lives in? _____

What type of settlement?

___ car accident ___ personal injury ___ wrongful death ___ other, explain _____

Was this work related? Y or N **If yes, we cannot do this deal -- stop here**

Have you sold payments before? Y or N **If yes, to what company?** _____

What payments? _____

How are payments paid out?

___ monthly ___ quarterly ___ annually ___ combination

Monthly Payment Amount _____ Paid on what day of month _____

Do payments increase? Y or N If yes, date and amount of increase _____

If client receives lump sum payments, when are they due and how much?

Date _____ Amount _____ Date _____ Amount _____

Date _____ Amount _____ Date _____ Amount _____

Date _____ Amount _____ Date _____ Amount _____

Date _____ Amount _____ Date _____ Amount _____

How many payments would you like to sell?

How much money would you like to get by selling these payments?

LOTTERY QUOTE SHEET

Broker Name _____ Phone _____ Fax _____ Date _____

E-mail _____ How did you find us? _____

What type of prize winning was it?

___ State Lottery ___ IGT Casino Winning ___ Other (specify) _____

Have you sold any payments before? Yes or No **If yes, to what company?**

What was the Win Date? _____

Were you the only winner? Yes or No

If no, how many other winners _____ What % did you win?

What was the gross amount won? _____

What is the gross annual payment amount? _____

What is the net annual payment? _____

What state was the prize won in? _____

What state do you reside in? _____

How many payments would you like to sell? _____

How much money are you looking to obtain? _____

BUSINESS NOTE QUOTESHEET

Broker Name _____ Telephone _____

Fax _____ Date _____ Email _____

Business Information:

Type of Business _____ How long in business _____

Asset Value Breakdown: Equipment _____ Inventory _____ Goodwill _____

Is operation a Franchise? Yes or No

Is the note personally guaranteed? Yes or No

Business location is leased? Yes or No

Street Address of Business _____ City/State _____

Note Information:

Sell Price of Business _____ Down Payment _____

Original Note Balance _____ Months Financed _____

Interest Rate on Note _____ Date of First Payment _____

Monthly Payment Amount _____ Number of Payments Remaining _____

Balloon Payment Yes or No? Current Balance of Note _____

Credit of Payer

_____ Excellent _____ Good _____ Marginal _____ Bad _____ Unknown



Sample Solicitation Letters

SAMPLE MORTGAGE LETTER

“We would like to purchase your mortgage payments”

ABC Funding Company is a national leader in the purchase of Owner Financed Mortgage Notes, Deeds of Trust, and Land Contracts.

Would you like to have a lump sum of Cash Now instead of waiting years to collect the money that is owed to you? Perhaps you might use the money for an investment opportunity, to consolidate bills, to send a child to college, or even to purchase a new car. The choice is yours!

Did you know that you can sell a portion of your payments as opposed to liquidating the entire note? Inquire about our ***Partial Purchase Program*** and find out how you can receive a lump sum of cash now for a predetermined number of future mortgage payments.

There are many good reasons to sell a mortgage note, and one great reason for selling to ABC Funding Company: we pride ourselves on paying the highest price in the industry. Also, we conduct ourselves in a professional manner and have the ability to fund your deal quickly.

Please call today for a free no-obligation evaluation of your current note. I personally guarantee you will be glad you chose to do business with the Industry Leader. Remember:

“A dollar today is worth more than a dollar tomorrow”

SAMPLE ATTORNEY SOLICITATION LETTER

Smith, Jones and Anderson Law Firm
John Smith
1111 Avenue A
Anytown, USA 56789

Dear Mr. Smith,

The purpose of this letter is to acquaint you with ABC Funding Company and how your clients or yourself may benefit from the services offered by our company. We are in the business of purchasing future cash flows that are generated from structured settlements and annuities.

As you know, many lawsuits are settled by awarding plaintiffs annuities. Our program allows your clients to sell future payments for a lump sum of cash now.

Often, attorney fees are also paid over time. We can also provide you with cash now for future payments you may be entitled to. We have no maximum transaction amount and all transactions are handled in a confidential and professional manner.

Should you have any questions or if we can be of assistance, call us at the number on the enclosed business card. We would be happy to discuss any situation and provide you with a quick, no-obligation quotation.

Sincerely yours,

Mr. Contract Buyer

SAMPLE ANNUITY OR LOTTERY LETTER

January 1, 2004

Mr. Annuitant or Lottery Winner
123 Main Street
Anytown, USA 12345

Dear Mr. Annuitant or Lottery Winner,

Our company, ABC Funding, is in the business of purchasing future payment streams that result from *personal injury lawsuits/lottery winnings*. We specialize in providing a lump sum of cash now for future payments paid by *insurance companies/lottery commissions*.

We have helped numerous individuals reach their financial goals by selling future payments. These individuals have been able to purchase new homes, buy new cars, send their children to college, consolidate bills, and purchase many other necessities and luxuries.

We offer you the option of selling all or part of your remaining payments. We will tailor a buyout that benefits you, the client.

Our records indicate that you are currently receiving payments from a *structured court settlement/lottery winning*. If you are interested in receiving a lump sum of cash now, please call one of our customer service representatives today at (555) 123-4567. We will be happy to give you a free, no-obligation quote of your *annuities/lotteries* present-day value. Call today!

Sincerely,

Mrs. Contract Buyer

Business Note Solicitation Letter

August 1, 2002

Mr. Business Broker
ABC Business Brokers
1111 Main Street
Any Town, USA 12345

Mr. Business Broker,

The purpose of this letter is to introduce my company (ABC Funding) to you. We are in the business of purchasing privately-held business notes. We provide a lump sum of **CASH NOW** for the rights to receive future payments from these types of notes.

As you know, many businesses are sold with some form of seller financing. Our program allows these note holders to cash out their note. This allows these individuals the opportunity to perhaps purchase another business through you.

We have found that many times a business will not sell because it is difficult for potential buyers to obtain financing and at the same time a business owner will not finance because he wants all of his cash up front. Our program allows you to do more business by providing the owner the option of selling his note once the deal is completed. This will result in more commissions for you.

As is the custom with all good business people, we are more than willing to offer you a referral for each business note that you refer to us.

Please call me today at (123) 456-7890 so we can discuss how we can form a mutually beneficial relationship. I look forward to hearing from you soon.

Sincerely,

Mr. Contract Buyer



**Mortgage Purchase Agreement &
Mortgage Estoppel Letter**

MORTGAGE PURCHASE AGREEMENT

This Purchase Agreement made and entered into this _____ day of _____, in the year 2004, by and between, _____ (SELLER) and CHARTER FINANCIAL, and/or assigns (PURCHASER), whereas SELLER is the owner of a certain deed (DEED) which secures a certain promissory note (NOTE).

SELLER agrees to transfer said DEED and assign said NOTE all upon the following terms and conditions as set forth herein:

Now therefore, for and in consideration of the value to be paid and mutual benefits derived, the SELLER agrees to grant the PURCHASER and/or assigns the exclusive right to purchase the note and security instrument, and the parties hereto agree to as follows:

1. PURCHASER PRICE: SELLER warrants and represents that the balance due on the above mentioned NOTE, as of _____, 2004 is the sum of \$ _____.

PURCHASER shall pay to SELLER \$ _____ for all remaining payments.

2. COSTS: PURCHASER will pay for the cost of the Appraisal and Title Policy.

3. SELLER warrants that all real property taxes that are due and payable have been paid. In the event, at the time of closing, there are real property taxes due and payable, then PURCHASER shall pay said taxes and deduct the amount paid from SELLER's proceeds.

4. SELLER shall escrow the original DEED and NOTE to the mutually agreed-upon closing agent at the time of closing. In the event SELLER refuses to transfer the DEED or endorse the NOTE to PURCHASER at the time of closing, or SELLER cannot produce the original DEED and NOTE, then PURCHASER may terminate this agreement and SELLER agrees to pay PURCHASER liquidated damages equal to 1% (one percent) of the outstanding note balance or \$500, whichever is greater, plus any and all legal fees associated with collection of said damages.

5. CONTINGENT: This purchase shall be expressly contingent upon the following conditions:

- A. The real property securing the above described DEED and NOTE shall be of sufficient value to secure the investment. The determination of sufficient value shall be the sole discretion of PURCHASER.
- B. PURCHASER shall have 30 days to fully examine the SELLER’S title, original note and mortgage, mortgaged property, payment history, credit and financial status, and shall have the right to cancel this agreement if any of the same is found to be unsatisfactory to PURCHASER.
6. If any of the above mentioned conditions of sale are found to be unacceptable to PURCHASER, the PURCHASER shall notify SELLER and this contract shall become null and void.
- 7. SELLER shall keep and maintain documentation of any mortgage payments that are paid during the processing of this transaction. The purchase price that PURCHASER is paying is for all remaining payments. Any payments that are received by the SELLER during the processing of this transaction will be deducted from the agreed upon price.**
8. This agreement shall be in full force and effect for a period of 30 days from the date of the PURCHASER receiving all of the documentation requested below.

A copy of the PROMISSORY NOTE

A copy of the DEED of TRUST, MORTGAGE, LAND CONTRACT

A copy of the original Title Insurance Police (if applicable and available)

A copy of the Settlement Statement or Closing Statement (if available)

A copy of Proof of Insurance (declaration page)

Verification of the outstanding balance (amortization schedule)

Payer’s name, address, and social security number (if available)

Seller’s social security number (for tax reporting purposes only)

Proof of payment history (only if note is less than one year old)

Copies of underlying notes and balances (if applicable)

9. SPECIAL PROVISIONS

Seller’s name

CHARTER FINANCIAL

SAMPLE ESTOPPEL LETTER

Mr. Note Payer
123 Main Street
Anytown, USA 12345

Property Address: 567 Broadway, Anytown, USA 12345

Dear Mr. Note Payer,

We are in the process of purchasing the interest of Ms. Note Seller, from who you are purchasing the above-referenced property. The terms of your mortgage note will not change. We are only taking an assignment of the interest of Ms. Note Seller in the subject mortgage.

To enable us to set up your account with the proper balance, payment dates, and next payment due, we ask that you review the figures noted below. If they are incorrect, please change to the correct figure and initial. After making changes or verifying that the figures and dates are correct, please complete the phone numbers, employment information, previous address information, insurance information, and then sign where indicated.

Principle Balance: \$59,238.70
Interest Rate: 8.0%
Payment Amount: \$621.17

Interest Paid to: November 10, 2004
Next Payment Due: December 10, 2004
Reserve Payment/Balance: 0

Your Telephone Number: Work _____ **Home** _____
Your Employer & Occupation: _____
Social Security Number: _____
Hazard Insurance Company: _____
Agent's Address: _____ **Agent's Telephone Number** _____
Current Binder/Policy Expiration Date: _____ **Premium** _____

Please continue to make your payments in the normal manner until further notice. Should we finalize this purchase, you will receive additional instructions regarding where to make your future payments.

Your prompt return of this letter is requested to enable us to properly set up your account should we finalize this purchase. If we have not received the signed copy of this letter within 5 days from the date of mailing, we will consider the information to be correct. If you have any questions, please do not hesitate to contact us at (123) 456-7890. RECEIPT OF THE ABOVE ACKNOWLEDGED THIS _____ Day of _____, 2004.

Ms. Note Seller

Mr. Note Buyer



Settlement and Lottery Applications

Application for Sale of Annuity Payments

(print this application and submit to the address listed below)

Applicant's Name _____

Street Address _____

City _____ State _____ Zip _____

County/Parish _____

Home Telephone _____

How Long at Current Address _____

Next of kin not living with you:

Name _____ Relation _____

Address _____

City _____ State _____ Zip _____

Phone (include area code) _____

States and Counties resided in last 10 years?

Years	States	Counties	Year(s)	States	Counties
-------	--------	----------	---------	--------	----------

Current Occupation: _____

Applicant's Employer: _____

Address: _____

Phone: _____

Annual Income: \$ _____

Driver's License No.: _____ State: _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Marital Status Single Married

Since _____ Widowed Divorced

Maiden Name (if different) _____

Have you been divorced since the settlement? yes no

Divorce Attorney's Name _____

Address _____

City _____ State _____ Zip _____

Two Non-Family References

Name _____ Phone _____

Address _____

City _____ State _____ Zip _____

Name _____ Phone _____

Address _____

City _____ State _____ Zip _____

Settlement Attorney's _____

Name _____

Address _____

City _____ State _____ Zip _____

Telephone _____ Fax _____

Please detail below the reason you are entering into this transaction.
Be specific as to why this funding is important to you.

Phone number _____

SPOUSE (Place former spouse's name if divorced or deceased)

Spouse's Name _____

Maiden Name (if different) _____

Driver's License No.: _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Address (if different) _____

City _____ State _____ Zip _____

Annuity is a result of: (Check one)

Court Judgment Out of Court Judgment

Please list all sources of income.

Do you depend on the Annuity payments for medical necessities?

Yes No

If Yes, please explain.

Describe the payments you wish to sell.

Specify the amount of money you need to raise to satisfy your financial need.

Do you have any tax liens or unpaid taxes:

Yes No

If yes, please explain.

Do you have any unpaid child-support obligations?

Yes No To Whom: _____

If yes, please specify amount and term remaining.

Do you have any liens or judgments against you?

Yes No

If yes, please explain.

Have you ever filed bankruptcy?

Yes No

If yes, detail when and where and attach proof of discharge.

Can you maintain your standard of living after selling your annuity payments?

Yes No

Do you have a disability that prevents you from working?

Yes No

If yes, please explain.

Has your annuity ever been garnished?

Yes No

If yes, please explain.

Have you ever sold, assigned, pledged or borrowed against your annuity payments?

Yes No

If yes, please explain.

Annuity Information

Insurance Company that makes your payments

Name _____

Do you have an Account Representative? Yes No

Name of Account Representative _____

Telephone _____

Policy Number _____

Are you currently involved in litigation?

Yes No

If yes, please describe.

Have you ever been convicted of a felony?

Yes No

If yes, please explain.

To what address or bank does the Insurance Company now send the payments?

Name _____

Address _____

City _____ State _____ Zip _____

Home Attorney's Office Direct Deposit

For monthly payments, what day of the month do you usually receive your annuity payment?

What is the date of the final guaranteed payment?

Do payments continue after the guaranteed period for the life of the Annuitant? Yes No

Was your settlement the result of a workers compensation claim?

Yes No

Besides the Annuitant, were others listed as plaintiffs in the original Settlement Agreement? Yes No

If yes, who? _____

Policy Owner's Name _____

Who is listed as the Annuitant on the policy? Yes No

Who is listed as Measuring Life on the policy?

Who is listed as Payee on the checks?

In the event of the Annuitant's death, who is listed as Beneficiary on the policy?

Name _____

Address _____

City _____ State _____ Zip _____

Phone Number _____

Does the Settlement Agreement specifically allow for a change of Beneficiary? Yes No

Have you every changed the Beneficiary? Yes No

If yes, from whom to whom and when was the change made?

Do you have a Will? Yes No

If yes, who is the named beneficiary of your Annuity Payment?

Where did you first hear about us?

Required for funding. PLEASE ATTACH TO APPLICATION

The Annuity Policy

The Executed Release / Settlement Agreement

A copy of your most recent Annuity Check or Check Stub. If direct deposit, attach copy of bank statement showing deposit

A copy of front forms of identification (one must be clear photo I.D.)

A copy of Marriage License (if applicable)

- A copy of Divorce Decree(s) / and property settlement(s) (if applicable)
- A copy of Will and Probate Papers if you are receiving payments as the result of a probated estate
- A copy of the Court Judgment (if applicable)
- Copies of any Assignments, Revisions, or other important papers related to the Annuity or Settlement Agreement, and Bankruptcy discharge papers, if applicable

Authorization to Conduct Credit and Criminal Background Check

I hereby authorize the designated representatives to conduct any and all criminal background checks and any and all credit history reports, searches, or checks which it, in its sole discretion and judgment, deems necessary or advisable.

Authorization to Release Information

I hereby authorize the designated representatives or any of their successors, assigns, designees, agents or administrators to disclose, make available and furnish to them any and all information pertaining to my settlement as set forth. I specifically direct that the Annuity Issuer and Annuity Owner or any of their successors, assigns, designees, agents or administrators cooperate with the purchasing company listed below regarding disclosure of information pertaining or related to my settlement. Please provide copies of any and all documents requested by the company listed below regarding my settlement. This also authorizes Charter Financial to contact next of kin for date resources.

Acknowledgement of Fraud Prevention System Inquiry

I hereby acknowledge that the National Association of Settlement Purchasers maintains records of individuals who sell, assign or otherwise hypothecate structured settlement annuity payments. I authorize you to check the records of said association for such activity.

By signing below, I / we certify that all of the information provided above is true and correct. I / we understand that any intentional misrepresentation on my / our part will result in the immediate cancellation of the assignment.

Applicant's Signature _____

Date _____ / _____ / _____

Spouse's Signature _____

Date _____ / _____ / _____

Return to:



5615 Morningside, Suite #100 - Houston, TX 77005
Telephone: 713-432-0030 Facsimile: 713-522-2400

Lottery Application

Winner's Information

Winner's Name: _____

Street Address: _____

City: _____ State _____ Zip _____

County/Parish: _____

Home Telephone: _____

Driver's License No.: _____ State _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Current Marital Status

- Single Married Since _____
 Widowed Divorced

Maiden Name (if different) _____

Have you ever been divorced or widowed since you won the reward?

- Yes No

If yes, former spouse's name _____

Current Spouse:

Spouse's Name: _____

Maiden Name: _____

Driver's License No.: _____ State: _____

Social Security No.: _____ - _____ - _____

Birth Date: ____/____/____ Birth State: _____

Address (if different) _____

City: _____ State: _____ Zip: _____

How did you hear about us?

- Radio TV Internet Friend Advisor Newspaper-If Newspaper, which one? _____

Comments: _____

Lottery Information

Winner's Name: _____

Date of Drawing: _____

Total Prize (before taxes): \$ _____

Gross Amount of Your Check: \$ _____

Net Amount of Your Check: \$ _____

Date of Initial Payment: _____

Frequency of Payments: _____

Date of Final Payment: _____

Date Each Payment Received: _____

Was the winning ticket shared with others?

- Yes No

If yes, how many winners? _____

Are the payments being made to a trustee?

- Yes No

If yes, who is the trustee? Name: _____

Address: _____

Have you ever sold, assigned, borrowed or garnished from your lottery payments?:

- Yes No (If yes, explain)

Have you paid all of your federal, state, and local taxes derived from your lottery payments?

- Yes No

Documents required for funding:

Lottery Award Letter (from state lottery commission)

Option Agreement (signed)

A copy of your most recent Lottery Check or Check Stub

If direct deposit, attach copy of bank statement showing deposit

A copy of front page of most recent tax return

Copies of two forms of identification (one must be clear photo I.D.)

A copy of Marriage License (if applicable)

A copy of Divorce Decree(s)/ and property settlement(s) (if applicable)

A copy of the will and Probate Papers if you are receiving payments as the result of a probated estate

Copies of any Assignments, Revisions, or other important payments related to your lottery winnings

Copies of all important papers related to your bankruptcy discharge (if applicable)

Authorization to Conduct Credit and Criminal Background Check:

I hereby authorize the designated representative to conduct any and all background checks and credit history reports, searches, or checks which it deems necessary or advisable.

Authorization to Release Information:

I hereby authorize the designated representatives or any of their successors, assigns, designees, agents or administrators to disclose, make available and furnish to them any and all information pertaining to my lottery award as set forth. I specifically direct that the Lottery Commission or any of their successors, assigns, designees, agents or administrators cooperate with the purchasing company listed below regarding disclosure of information pertaining or related to my lottery award payments. Please provide copies via fax or otherwise of any and all documents requested by the company listed below regarding my lottery award payments. This also authorizes Charter Financial to contact next of kin for data resources.

Applicant's Signature _____

Date ____ / ____ / ____

Spouse's Signature _____

Date ____ / ____ / ____

Return to:

CHARTER
FINANCIAL

5615 Morningside, Suite #100 - Houston, TX 77005
Telephone: 713-432-0030 Facsimile: 713-522-2400

Commonly Asked Questions

Q: Am I an employee of Charter Financial?

A: No, you are an independent contractor with no quotas to maintain.

Q: Do I need to immediately send in my Broker Agreement and W-9 Form?

A: We encourage you to do so, but it is not mandatory until you get your first deal.

Q: How do I register my company name?

A: You can do that at your county courthouse - ask for an Assumed Name Certificate.

Q: Do I need a license to purchase notes?

A: No, currently there are no licensing requirements in any State for contract buyers.

Q: Do you purchase other income streams in addition to the ones listed in the course?

A: We will consider other notes on a case-by-case basis.

Q: Does Charter Financial purchase properties (homes or land)?

A: No, we only purchase notes that individuals are receiving payments from.

Q: Can Charter Financial send and receive business faxes for me?

A: Yes, if you do not have a fax or access to one in the beginning stages of your business.

Q: Does Charter Financial still sell mailing lists of mortgage holders?

A: Yes we do. You will find an order form in the right-hand side pocket of this manual.

Q: If more than one contract buyer brings you the same note, who gets credit for it?

A: The first contract buyer to contact us with the client's name, telephone number and accepted offer price.

Q: Does Charter Financial purchase notes in other countries?

A: No, we only purchase notes in the United States (50 States).

Q: Can I live outside of the United States and broker notes with Charter Financial?

A: Yes, as long as the notes originated in the United States.

Q: Can I market my business anywhere in the United States?

A: Yes, we do not have restrictions or geographical boundaries / territories.

Q: May I set up my own web page on the Internet?

A: Absolutely. We encourage you to do so. You can obtain one through Charter Financial.

Q: I have noticed sites on the Internet that have notes for sale; may I give you these names and numbers as referrals?

A: At the current time, we are not accepting these referrals. We do not encourage our contract buyers to spend time trying to broker these notes.

Q: How may I use Charter Financial's name in my ads, business cards, etc?

A: You may state you are an "agent" or "independent representative" of Charter Financial.

Q: Does Charter Financial offer legal or accounting advice to contract buyers?

A: No, you must speak to your own attorney or accountant to answer questions in regards to legal and accounting matters.

Q: Will I ever have to use any of my own money to purchase notes?

A: No, Charter Financial will pay transaction expenses, provide the funding, and always take the risk on each note.

Q: What happens if I broker a note and Charter Financial loses money on the transaction for whatever reason?

A: Nothing. The contract buyer is always paid when the deal closes and assumes no risk.

Q: What happens if I refer a client who sales you a mortgage note and you have to foreclose on the home?

A: Nothing. There is no recourse to either the contract buyer or note seller. Charter Financial carefully examines each and every note prior to funding and assumes all risk.

Q: How soon will I get paid after a transaction closes (funds)?

A: You are wired your funds (or sent a cashier's check) within 24 hours of closing.

Q: Do you have any helpful hints?

A: Yes: always conduct business in a professional manner. Answer the telephone with your business name. Do not let children answer this line or let them be heard in the background. If you do not have enough money to set up a separate telephone line, call the phone company and request a "distinctive ring" on your existing line. This will allow you to know when you have a business call and only costs a few dollars.

Q: What is the biggest key to success in this business?

A: Perseverance. Don't give up! Sometimes it takes a while to get established and for your advertising to pay off. We recommend that you start with small classified ads or free Internet advertng and get comfortable conversing with potential clients. Then build up to larger classified advertising and a website of your own. We believe in investing commissions to increase advertising and exposure.

GLOSSARY OF INDUSTRY TERMS

Amortization Schedule – A month-by-month breakdown of principle and interest to be paid on a note, as well as the balance after payment is made.

Annuitant – The person receiving payments from an annuity.

Annuity – Income stream paid over time by an insurance company.

Assumed Name Certificate – A name that a contract buyer registers with his/her local courthouse that allows him/her to do business using that name.

Balloon Payment – A lump sum payment that pays off a note in full.

Beneficiary – A person who is designated to receive a payment or payments.

Contract Buyer – An individual who buys and sells income streams for profit.

Credit Score – A number that is assigned to an individual's credit report that rates their likelihood of repaying a debt.

Collateral – Something that is used to secure a loan or note.

Debt Ratio – An individual's total debt in relation to their income.

Discount – Purchasing a note for less than the face value.

Estoppel Letter – A letter that is sent out to the payer of a mortgage note prior to funding the transaction. This letter asks the payer to verify the balance, interest rate on the note, payer's work numbers, etc.

Equity – The difference between what a property is worth and how much is owed on it.

First Position Note – Refers to a note that takes precedence over all other liens and notes. Charter Financial only purchases first lien position notes.

Hypothecate – The process of buying a property with borrowed funds, using that very property to secure (collateralize) the loan.

Income Stream – Any kind of note that is paid out over time: same as “payment stream.”

Loan To Value – Also referred to as LTV. This is the ratio of the loan amount to the value of the property.

Mortgagee – The person or investor who receives the payments from a mortgage.

Mortgager – The person who owes (makes the payments) on a mortgage.

Owner Financing (Seller Financing) – When the seller of a property or business finances the sale of that home or business.

Paper – A slang term for notes.

Partial – The purchase of a portion of an income stream’s remaining payments, or the purchase of a portion of a specific payment, or any combination thereof.

Retail Quote – A quote that is net to the contract buyer. Neither the contract buyer nor note seller is responsible for any closing cost or processing fees for that transaction. All quotes given by Charter Financial are done in this manner unless otherwise requested by the contract buyer.

Seasoning – Refers to the length of time a mortgage note or business note has been in place and paid on.

Second Position Note – Refers to a mortgage note that is “behind” another note on the same property. Look for additional information in Section II of this manual.

Sole Proprietorship – An individual operating a business as a business entity.

Time Value of Money – A financial concept that addresses the way the value of money changes over a period of time. It determines how much a future payment is worth in today’s dollars.

Title Insurance – Insures that a piece of property is free and clear of any liens.

UCC-1 – Uniform Commercial Code Form One. This document is filed at the county courthouse and list items that secure a business loan. For example: On a restaurant note, you would find items such as tables, chairs, dish machines, etc. This filing places a lien on those items so that the buyer of the business cannot sell them. This lien is released when the note is paid in full.

Underlying Note Balance – This occurs when a note holder of a mortgage is still making payments on another note (the underlying note). For example: If a person sells a property for \$100,000 and takes back a note but still owes a mortgage of \$20,000, then this balance is the “underlying balance”. We must pay this balance off at the time the deal is funded so that we will be in the first position.

Wholesale Quote – A quote offered to a contract buyer from an investor that **does not** include the cost of closing the transaction such as an appraisal and title insurance. The contract buyer can make a larger commission but must be responsible for paying for costs such as title and appraisal even if the deal does not finalize (close).