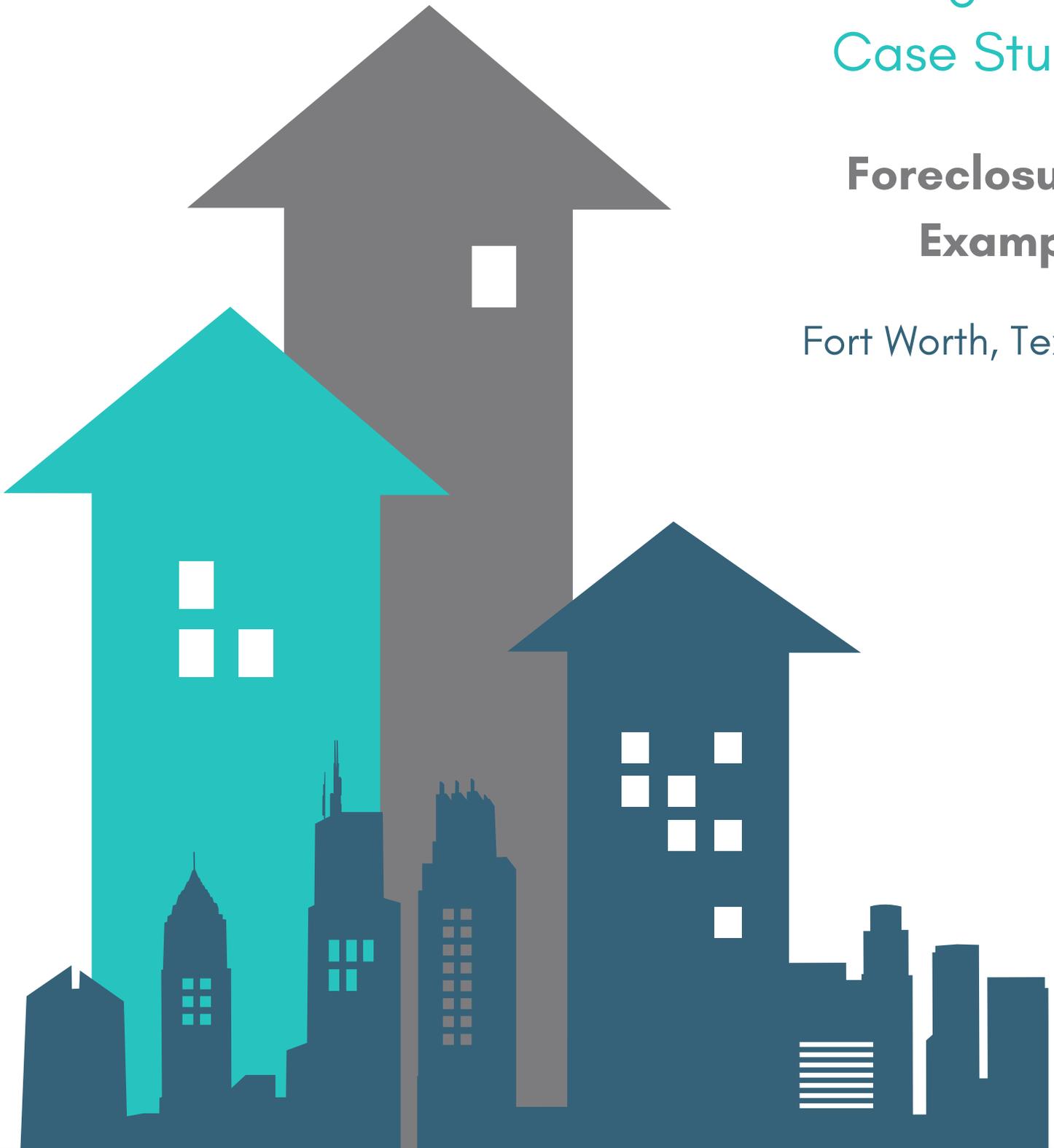


Non-Performing Note  
Case Study

**Foreclosure  
Example**

Fort Worth, Texas



# Background:

Ms. X purchased a single family property in Fort Worth, TX in 2000 for \$50,000 and took out a \$35,150 mortgage for the purchase with a local lender. Ms. X stopped paying the mortgage in 2012 and the non-performing mortgage was available to purchase from a seller who acquired the note on the secondary market. Details as follows:

<b>Date of mortgage</b>	00-Nov	Date that the mortgage was taken out
<b>Original loan</b>	\$35,150	
<b>Last payment</b>	12-Jun	Date of last payment to mortgage company
<b>Outstanding loan (UPB)</b>	\$27,880	UPB - Unpaid Balance - loan amount outstanding
<b>Other Liens</b>	None	No other registered debts or liens
<b>Property purchase price</b>	\$50,000	Price paid in 2000
<b>Assessed value (BPO)</b>	\$40,000	BPO - Broker Price Opinion - current assessed value of the property
<b>Note Purchase Date</b>	15-Sept	
<b>Offer price</b>	\$16,000	The mortgage note was offered at 40% of BPO
<b>Property status</b>	Occupied	The property "owner" is still believed to be in residence
<b>Property taxes owed</b>	\$0	Back taxes paid by Seller of the Note
<b>Utilities owed</b>	\$0	No known utility liens
<b>Note Sold Date</b>	16-Mar	

## Comments:

This non-performing mortgage note cost \$16,000 to buy and the original lender assigned all rights and responsibilities of the non-performing note to us and we effectively became the new "lender". Our course of action was as follows:

- Engaged a second BPO to verify valuation.
- Ordered an "Owner & Encumbrance" title report to determine whether any other liens were attached to the property. Generally outstanding taxes and utility liens remain attached to the property after foreclosure. If any other superior liens to this first charge are discovered, then would generally pass on the purchase
- Engaged a local realtor to do a drive-by of the property, and have them provide their opinion of as-is value
- Determined whether property is vacant or occupied. Appears occupied so assuming owner was still in the property.
- Offered to purchase at the asking price based upon our own BPO.
- After the purchase, immediately boarded the loan with a Mortgage Servicer and instructed legal to continue the foreclosure process since it had already been commenced by the seller of the note.

An unoccupied or vacant property generally goes down the route of foreclosure and an absent borrower normally means a speedier progress through the courts. The mitigation team utilizes skip tracing and private investigator services to find the borrowers but in some cases they are deceased or cannot be found. In this case, it was discovered that the original borrower was deceased which made the foreclosure process much easier as the borrower had not willed the property to anyone and therefore provide any kind of defense.

Upon receipt of the note, the local realtor discovered that the former owner's daughter was living in the property, but made the arrangement for her to vacate by offering "Cash For Keys" and finding another place for her to rent. Securing this note did not just cost \$16,000 - but also necessitated relocating the current "squatter", performing minor repairs, reinstating the utilities and also payment of the legal costs to carry out the foreclosure. Once the property was foreclosed upon, it was mutually decided by the Realtor and us to market and sell it as-is, given the hot Texas market.

## Summary

Note cost	\$16,000
Legal/Foreclosure Fees	\$2,743
Holding costs	\$233
Repairs	\$600
Total expenditure	\$19,576
Property advertised	\$40,000
Offer accepted	\$38,000
Selling/Closing Costs	\$4,631
Net return	\$33,369
Expenditure/Investment	\$19,576
Profit	<b>\$13,793</b>
Return on Investment	70.4%
Annualized ROI *	120.8%

\* Return on investment over 7 months