



Multi-Units  
Multiple  
Cash Flows



# Hello Folks

## Presenting Tonight Fixer Jay DeCima

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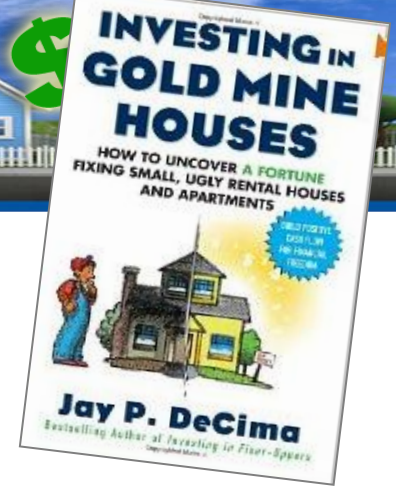
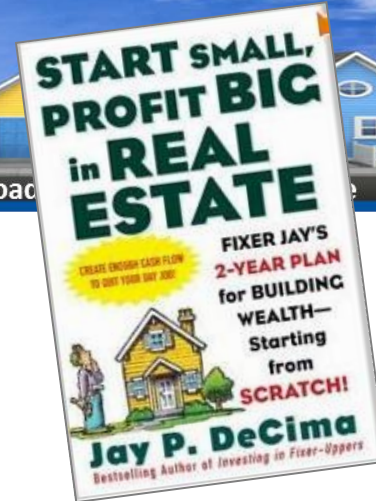
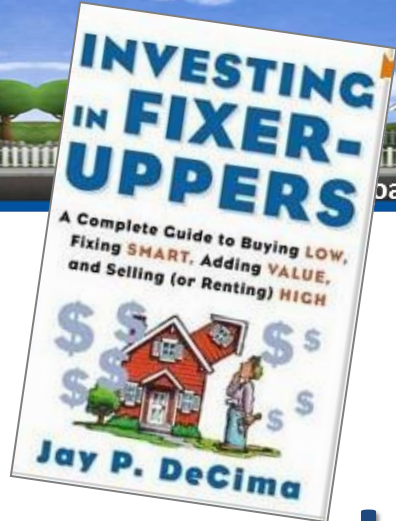
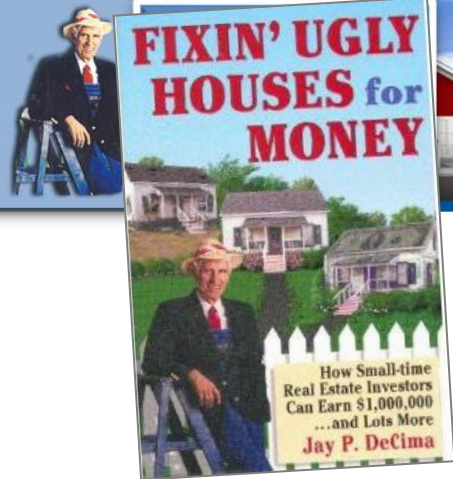
**Multi-Units  
Multiple  
Cash Flows**



# **Fixer Jay Presents:**

## **How To Quit Fiddling Around & Start Making Serious Money With Income Properties**





**Best Sellers**

# Jay's Recipe Books For Financial Freedom

**OWNER – OPERATOR**  
With Over 260 Units  
For 30 Years - Plus

**Sold In Bookstores Everywhere**





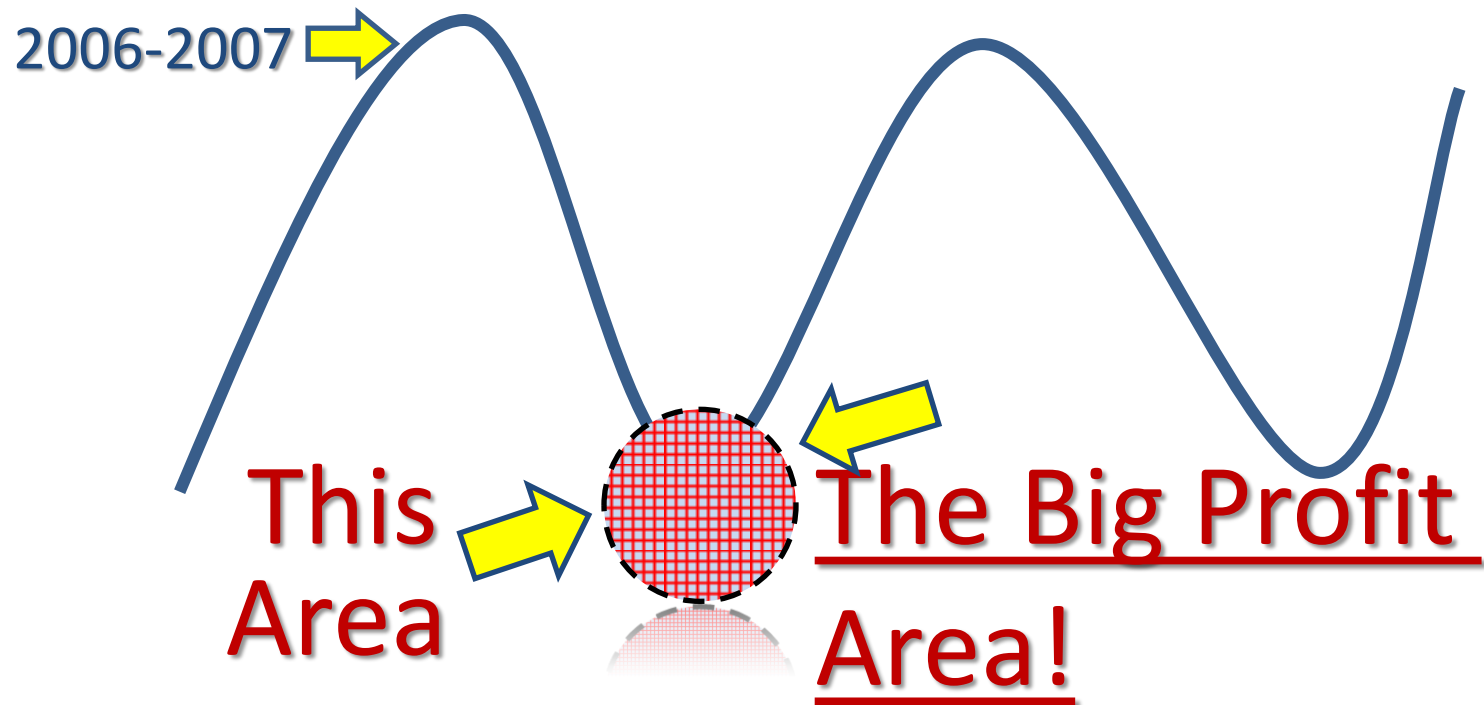
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Multiple  
Cash Flows



Start Without a "Boatload" of Cash or Experience

# Real Estate Values Run In Cycles

## Where Are We Today?







Multi-Units  
Multiple  
Cash Flows

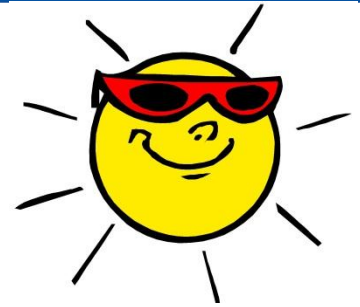


Start Without a "Boatload" of Cash or Experience

**THE  
PERFECT  
STORM**



**PRICES**



**HALF OFF**



**MORTGAGES**

**LOWEST RATES**

**– 60 YEARS**





Multi-Units  
Multiple  
Cash Flows



# Why Start Investing Now?

“Middle Class Families’ Wealth  
Drops 39% In Last 3 Years”



USA Today June 12, 2012



**Multi-Units  
Multiple  
Cash Flows**



**Investing Is A Lot Like Golf-**  
You “Gotta” Do A Number Of Things  
Right Each Time You Swing – Or You  
Won’t Know Where The Ball Is Going



**...With Investing – You  
“Gotta” Do A Bunch Of  
Stuff Right, Or You Won’t  
Make Any Money!**



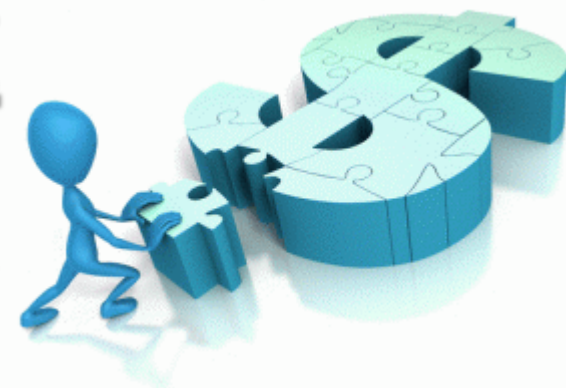


**Multi-Units  
Multiple  
Cash Flows**



Start Without a "Boatload" of Cash or Experience

# **An Important Part Of That Stuff Is The Financing Of Income Properties**



**So Let's "Roll-Up Our Sleeves"  
And Learn About Financing**



# The Seller

## **This Presentation Will Cover The Best Source Of Financing Available**

- Reasons Why
- Negotiating With Sellers
- Special Tips
- Jay's Favorite Financing Techniques
- Seller Carry-back Financing



Multi-Units  
Multiple  
Cash Flows



Start Without a "Boatload" of Cash or Experience

# Nearly 85% Of All My Financing (Buying) Is From Sellers

## When I'm Selling...

## All Seller Financing (Me!)

Or

## 1031 Trades







# Seller Financing – Why?

1. Always AVAILABLE
2. Almost Always CHEAPER
3. Always More FLEXIBLE
4. Sellers Give Best TERMS
5. Excellent BUYBACK Opportunity



# Seller Financing Is Not A LOAN!

The Seller Is **Not Lending Money!**

- He's granting an Extension of Credit
- Allowing you Terms to purchase his property



Multi-Units  
Multiple  
Cash Flows



# (Almost Always) Seller Financing Requires One-on-One Sit Down With The Seller

-Real Estate Agents work hard  
against this from happening

-It's your job to explain the

Deal to your agent - To get his help!







# Negotiating With Sellers

- Recognize people & their desires are at stake



- The property is the subject, **YES**

**But the discussion is personal!**



Multi-Units  
Multiple  
Cash Fl



Most Of  
The Time

## When Agents Are Involved

-You'll find they've already  
"poisoned the well"



They've advised the seller.... "Why should  
you be the lender, when Jay is buying  
your property? Let Jay go to the bank—  
this way you'll get your money and be  
safe?"



# To Borrow A Line From The Paul Newman Movie:



**“What we have  
here is a failure  
to communicate.”**





# How To Get Sellers To Agree To Terms



-You must explain why  
your way is Better!

-Plus, they must feel  
Safe!



## Here's A Typical Situation

-An older seller wants all CASH,  
\$100,000 from his sale



-He plans to put his money in the  
bank & draw \$750 per month, to  
support his retirement income

(Continued...)

# “Help Me Understand Mr. Seller”

-You plan to put your \$100,000 in the bank & draw out \$750 each month to supplement your retirement!

- **Do you know how long your payments will last?**

- Most sellers don't know, so I tell them   x   yrs.

- Mr. Seller if you'll finance \$100,000 with me,

I'll pay you \$750/mo., including 7.5% interest.

- Do you know how long that will last?

- I tell them   x PLUS   years.

**WHICH DO YOU LIKE BEST ??**

# If Safety Becomes A Stumbling BLOCK...

## I Try Offering My Financial Documents:

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- ✓ Profit & Loss Statement
- ✓ Schedule Of Real Estate Owned
- ✓ Mortgages I Pay (with addresses, amounts, phone #s)



Now they can thoroughly check me out  
to determine if I'm a good risk! If they're  
still not satisfied, I'll try Additional Collateral



# My Financial Documents



## Profit & Loss (P&L)

- Shows whether I'm Profitable or Not

## Financial Statement

- Shows all my assets – Real estate, notes receivable & cash. Also liabilities.
  - Assets – liabilities = My Net Worth

## Schedule Of Real Estate

- Same form banks use. Shows real estate, mortgages, whom owned, addresses, phones

# Additional Collateral ... Sometimes

## This Works To Reduce Down Payment Cash!

(Seller wants \$40,000 down payment)

APN 620-123-45



Deed of  
Trust #1  
APN  
60-123-45

I offer to purchase this property:

\$300,000 Sale

10,000 Cash

\$290,000 Note

Promissory  
Note \$290,000  
Promise to  
pay  
\$2,000 /mo.  
'Til paid in full  
Security is

Property I  
already own



APN 30-678-90  
Value \$100,000  
(free & clear)

Deed of  
Trust #2  
APN  
30-678-90

Terms I ask for On TD #2:

- Reconvey after 5 years for good pay record
- Substitution of Collateral



## Frequently Asked Questions

# Promissory & Installment Notes

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The Basics - How do I put a note together? Do I need a form, or can I just grab my yellow pad & put this deal together, then type it up myself?

What actually needs to be on a note...

For it to be legitimate?

What sorts of clauses, etc.?





# Documents Needed For Loan:

Deed of Trust....(Recorded)

Lien: Public Evidence of Debt

Promissory Note...(Not Recorded)

Pledge to Pay Debt Between

Borrower (Trustor) **AND**

Lender (Beneficiary)







Multi-Units  
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Cash Flows



# Deed Of Trust (Recorded)

With Assignment of Rents & Acceleration Clause

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-This is a Pledge of Security  
(The Property)

-Cross referenced to Note with  
same Date, Amount, & Terms



## Multi-Units Multiple Cash Flows



# Promissory Note (Secured by Deed of Trust)

For value received: I, “Fixer Jay”,  
promise to pay **Seller** payments of  
\$\_\_\_\_\_ per month **until paid in full.**

Made by: Fixer Jay

(This note is secured by Deed  
of Trust to ABC Title Co.)





## Multi-Units Multiple Cash Flows



### 1. Due On Sale Clause

Sell or Transfer

### 2. Acceleration Clause

Failure to make payments

### 3. Late Fee Clause

Helps to get timely payments

### 4. First Right Of Refusal

Note holder must offer you opportunity to buy note FIRST, should he decide to sell

**4 Clauses You  
Always  
Put In Your  
Notes**



## The Best Negotiating Tool...

Jay's: Income Property Analysis Form

(It's in all my training courses)

It's a common tool:

Between the buyer & seller...So

both can sit down and agree on all expenses



You Can't Make Offers Without  
Information!



# **(Partial)** Income Property Analysis Form

<b>Operating Income (Less Vacancy Losses)</b>	<b>\$_____</b>
<b>Taxes</b>	<b>\$_____</b>
<b>Insurance</b>	<b>\$_____</b>
<b>Management</b>	<b>\$_____</b>
<b>Maintenance</b>	<b>\$_____</b>
<b>Repairs</b>	<b>\$_____</b>
<b>Utilities</b>	<b>\$_____</b>
<b>Mortgages</b>	<b>\$_____</b>



Multi-Units  
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Cash Flows



# Why Learn About Multi-Unit Properties And Financing Techniques?

In My Study Courses And At My Seminars  
You'll Learn Many Reasons...For Now



Let's Take A Look At One Called:

**CHERRY STREET**

(I call this my "6 unit **Colony**")

Six houses on big lot in my town



# Cherry Street



## 6 Houses Multi-Unit Property (I call a small Colony)

Purchased many years ago

- \$145,000 purchase price  
with **\$20,000** down
- Purchased with seller  
financing



**I Operated The Property  
For 26 Years**

**Then I Sold**

**Selling Price.....\$650,000**  
**Down Payment Received.....\$50,000**  
**I Carried Back Note For 20 Years..\$600,000**  
**Payments To Jay..... \$3,250/Mo.**  
**(Interest Only Financing @ 6.5%)**





## Box Score For All Monies To Jay...

**\$999,010. . . . . Rents Received**

**\$50,000.....Down Payment Received**

**\$780,000 .....Interest Income (Seller Financing)**

**(\$3,250/Mo. Note Income For 240 Months)**

**And**

**\$600,000 Principal Payment**

**(Due At End Of 20 Years)**





## From Start To Finish

**\$2,429,010**

**Total Money Received**

Jay Has Earned 121 Times His Down  
Payment For Every Year He Owned &  
Financed

Jay's Average Income....\$53,000  
Annually



## **FAVORITE FINANCING TECHNIQUES**

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- ✓ **VARIABLE**
- ✓ **SUBORDINATION**
- ✓ **LEMONADE**
- ✓ **PERFORMANCE**
- ✓ **ALL PAPER**
- ✓ **SHELVING**
- ✓ **ADDITIONAL SECURITY**



# “Soggy Paper”

## When I Design Notes As A Buyer....I Want:

- Longest term I can get
- Lowest payment & interest
- No due on sale clause
- No pre-pay clause
- No late fee penalty

**\*My note has very low  
value to commercial  
note buyers, making ME  
the one who will pay the  
most to buy the debt**



# Jay's Variable Rate Note



Property Sale	\$300,000
Down Payment	<u>-\$30,000</u>
<b>Seller Financing</b>	<b>\$270,000</b>

-Older Seller Insists On:  
-7% Interest Rate  
-20 Years Amortized @ \$2,093.31  
month

**I Agree....IF**  
**I can pay the debt as follows:**

# Jay's Variable Rate Note



See Handout

	Annual Income	Monthly Rent	Amort. Mort. Payment	Actual Payment	Shortage Plus Amt.
Year 1	\$ 37,500	\$ 3,125	\$ 2,093.31	\$ 1,600.00	\$ (493.31)
Year 2	\$ 37,500	\$ 3,125	\$ 2,093.31	\$ 1,600.00	\$ (493.31)
Year 3	\$ 43,500	\$ 3,625	\$ 2,093.31	\$ 1,650.00	\$ (443.31)
Year 4	\$ 49,700	\$ 4,142	\$ 2,093.31	\$ 1,650.00	\$ (443.31)
Year 5	\$ 56,250	\$ 4,688	\$ 2,093.31	\$ 1,700.00	\$ (393.31)
Year 6	\$ 56,250	\$ 4,688	\$ 2,093.31	\$ 1,775.00	\$ (318.31)
Year 7	\$ 57,000	\$ 4,750	\$ 2,093.31	\$ 1,850.00	\$ (243.31)
Year 8	\$ 58,200	\$ 4,850	\$ 2,093.31	\$ 1,925.00	\$ (168.31)
Year 9	\$ 58,200	\$ 4,850	\$ 2,093.31	\$ 2,000.00	\$ (93.31)
Year 10	\$ 59,000	\$ 4,917	\$ 2,093.31	\$ 2,093.31	\$ -
Year 11	\$ 61,080	\$ 5,090	\$ 2,093.31	\$ 2,093.31	\$ -
Year 12	\$ 62,000	\$ 5,167	\$ 2,093.31	\$ 2,186.62	\$ 93.31
Year 13	\$ 63,400	\$ 5,283	\$ 2,093.31	\$ 2,261.62	\$ 168.31
Year 14	\$ 65,000	\$ 5,417	\$ 2,093.31	\$ 2,336.62	\$ 243.31
Year 15	\$ 66,900	\$ 5,575	\$ 2,093.31	\$ 2,411.62	\$ 318.31
Year 16	\$ 71,900	\$ 5,992	\$ 2,093.31	\$ 2,486.62	\$ 393.31
Year 17	\$ 72,200	\$ 6,017	\$ 2,093.31	\$ 2,536.62	\$ 443.31
Year 18	\$ 73,200	\$ 6,100	\$ 2,093.31	\$ 2,536.62	\$ 443.31
Year 19	\$ 74,200	\$ 6,183	\$ 2,093.31	\$ 2,586.62	\$ 493.31
Year 20	\$ 75,000	\$ 6,250	\$ 2,093.31	\$ 2,586.62	\$ 493.31



## Jay's Favorites



Seller has to have cash:

1. Agrees to Subordinate his carry-back note
2. I borrow money on **1<sup>st</sup>** mortgage,  
give money to the seller
3. Seller carries back **2<sup>nd</sup>** mortgage  
with weaker terms (interest)

So both mortgages fit the deal

# Lemonade Offers (or Sweet N' Sour Offers)



Yes, Mr. Seller – I'll Pay You  
\$40,000 Down As Follows:

**\$20,000**

**CASH**

**\$10,000**

**Ski Boat** (Skis Free)

**\$6,500**

**Ford Pickup** (with Free camper)

**\$3,500**

**NordicTrack II**

(Schwarzenegger Signature Model)

**\$40,000**

**TOTAL DOWN**





# Performance Note

Based On Income

**Beginning September 15, 2011:**

- ✓ Payments shall start at \$1,500 per mo.
- ✓ When gross monthly income increases to \$4,000 per month, the monthly payments shall increase to \$2,000/month

**Until this note is paid in full**



(Continued)

# Performance Note

Based On Occupancy %

**Starting September 15, 2011:**

- ✓ Payments shall be \$1,000 per month
- ✓ And when occupancy rises to 70%,  
monthly payments shall increase to  
\$1,500/month.

**Until this note is paid in full**



# Performance Note (Continued)

Based On Condition Of Road

**...And Further:**

Failure to perform

maintenance (upkeep) on private road,  
described within the terms of sale  
agreement, shall constitute a default  
under this **promissory note and deed of  
trust** securing same.





# No Money Down – All Paper

Seller Asking \$100,000...w/ \$20,000 Down

My Offer Is \$110,000 ...Using 2 Different Notes

Note 1

\$30,000  
Note  
10%  
10 Years

This note can be  
sold for \$20,000  
CASH for the seller

Note 2

\$80,000  
Note  
25 Years  
EZ Terms

Seller carry back note  
Long term – low interest  
affordable payments to  
fit property income





# Shelving Equity...Create 2 Notes

Purchase Price \$500,000

Down Payment \$50,000

Seller Carry-back Note **\$450,000**

Income / month \$5,000 (100%)

Expenses / month \$2,500 (50%)

Seller Financing **Note # 1**  
\$2,500 / month \$350,000

Seller Financing **Note #2**  
**\$750 / month** ...Deferred  \$100,000



# Shelving Equity (Terms)

Choose One



## Payments on Seller Financing Note #2

-Shall begin 10 years from closing

Or

-When income reaches \$6,000/mo.

>Shall be paid in full when property  
is sold



# Additional Security

I will agree to sell my property for \$250,000 With small down payment of \$25,000 (only 10%)

**But...I want more safety**

**Buyers home  
Value is \$200,000  
1<sup>st</sup> mortgage of  
\$100,000**



**DEED**  
2 properties  
5 houses  
APN #  
1 SFH  
APN #  
\$225 K

**NOTE**  
.....  
.....  
...  
\$225 K

**Blanket Mortgage  
Deed encumbers  
Both the sale  
property – plus  
The Buyer's  
home**

**Alternate –  
2 Deeds are OK**

# Why I like Seller Financing

## Hillcrest Cottages Financing



### SOLD PROPERTY

Using a Wraparound

\$594,000

Underlying Mortgages

\$333,055

Indicated Profits

\$260,945

OVER 27 YEAR  
CARRYBACK

PERIOD

GROSS Payments Received  
(from wraparound)

\$1,878,000

Cost of underlying  
mortgages and notes

\$677,978

Principal & interest  
Income to Jay

\$1,200,022  
TOTAL





# Jay's 27 Year Wraparound Note

## \$594,000 Hillside Cottages Note, 12% rate

### Note Breakdown:

- > \$333,005 = **9 underlying notes**, with interest rates ranging from 7% to 10%
  - Jay earns spread between underlying note rates & new wraparound rate of 12 %
- > \$260,995 = profit or equity earns 12% interest

Blended Rate MUCH HIGHER Than 12% Rate

# An Example Of The "Spread" **"Magic Earnings"** **Seizing Opportunity Through Wraparound Financing**

**New Wraparound Note \$600,000 @ 8%**

**Int**

Underlying Mortgages	Interest Paid	Interest Rec'd	Spread
1 <sup>st</sup> Mortgage \$160,000 @ 6%	\$800 / Mo.	\$1,066.66	\$266.66
2 <sup>nd</sup> Mortgage \$185,000 @ 7%	\$1079.16	\$1,233.33	\$154.17
<b>Totals</b>	\$1,879.16	\$2,299.99	<b>\$420.83</b> <b>To You</b>



# When I Sell & Finance the Deal

## Big Price + Low Interest

- ✓ Why I sell with low interest?
- ✓ Usually when you sell, depreciation is likely used up...so
- ✓ You're in a high State & Federal Tax Bracket



More interest = More taxes





# You Sell & Finance the Deal

## The Advantages



Low interest income = Less taxes



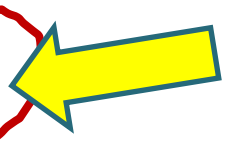
-Bigger profit gain converted to  
low tax rate (capital gains 15%)

-Buyer is happy with larger basis (book  
value) which equates to more  
depreciation

Life is good!



# Split Carryback Notes



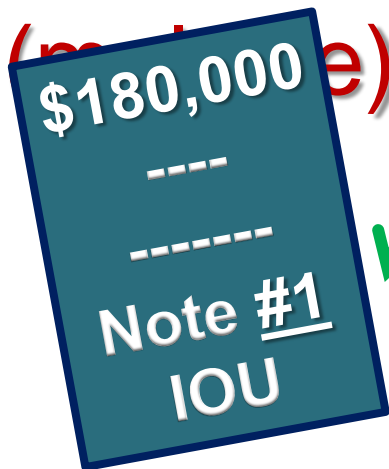
When I'm Selling:

\$300,000 Sale

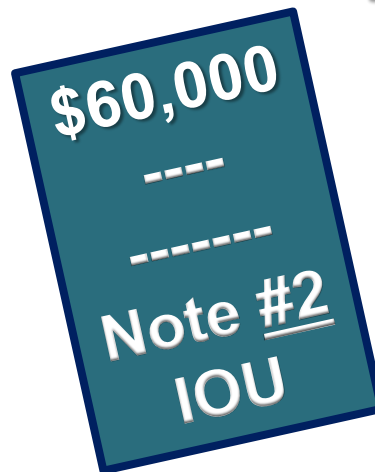
\$30,000 Down



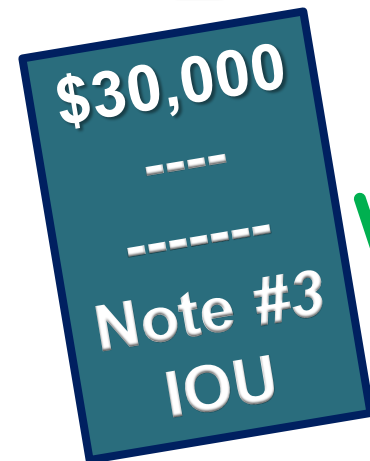
\$270,000 Seller Carryback Notes



Used for  
down payment



Used  
for trades  
(mix & match)



Sell this note  
for cash





## 3 Important Clauses In Note (When You're Selling)

- Due On Sale Clause (Sell or transfer)
- Acceleration Clause  
(Failure to make payments)
- Late Fee Clause  
(Helps get timely payments)



# Creating Notes For Down Payments Using “Dead Equity”

Your Personal  
Home



\$300,000	Value
-100,000	1 <sup>st</sup> Mortgage
<b>\$200,000</b>	<b>Equity</b>
-30,000	2 <sup>nd</sup> Note
-60,000	3 <sup>rd</sup> Note

**\$110,000 Remaining  
Equity**

**2<sup>nd</sup> Note**  
Trust Deed  
\$30,000  
For Down  
Payment

Price =  
\$200,000



**3<sup>rd</sup> Note**  
Deed Trust  
\$60,000  
For Down Pay

Price =

\$500,000

