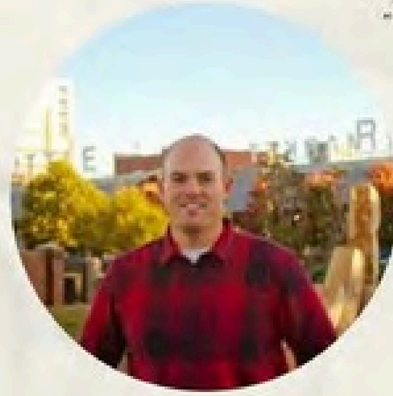
The Power of NOTE PAYMENTS

The Simple Way to Earn Real Estate Income Passively, Without Landlording, Flipping, or Hassles

BY JUSTIN PATTERSON

About the Author



Hi, I'm Justin Patterson — a full-time real estate investor and proud husband and father..

Since 2012, I've been actively investing in real estate and have completed hundreds of deals across a wide range of strategies. But over the years, I found that one approach stood out above the rest for creating consistent, low-stress income: real estate mortgage notes.

Today, I specialize in helping others understand and benefit from this overlooked strategy — whether that's by buying notes, creating them, or lending on them for safe, fixed returns.

When I'm not working deals or talking notes, you'll find me enjoying life with my family, spending time outdoors, and living out my Christian values in everything I do.
This guide is here to share what I've learned — so you can start building wealth the smart way, without the hassles of tenants, toilets, or flipping houses. I'm glad you're here.

Justin

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Foreword:

Hey there,

First off, I believe that everyone should be aware of the power of mortgage note investing, so, thank you for picking up this guide. Whether someone shared it with you, you found it online, or you've been curious about real estate note investing for a while — I'm genuinely glad you're here.

My name is Justin Patterson, and I've been a full-time real estate investor since 2013. I've done just about everything in real estate over the years — buying houses, flipping properties, managing rentals — you name it. But once I discovered the power of mortgage notes, everything changed.

I realized that you don't have to be the landlord to earn real estate income. You don't have to fix roofs or chase down rent. You can own the paper — and let someone else do the work — while you collect payments like a bank.
That's what this book is all about.

My goal here isn't to impress you with complicated formulas or big promises. I just want to show you a better way — a simpler, smarter, more secure approach to earning passive income backed by real estate.
I've personally used these strategies. I'm still using them today. And I've helped others — professionals, retirees, even first-time investors — do the same.

I hope this guide answers your questions, clears up the confusion, and opens your eyes to a side of real estate that most people never hear about. And if it inspires you to take that first step — even better.

Let's get started.

Sincerely,

Justin

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CHAPTER 1:

WHY YOU SHOULD LEARN ABOUT REAL ESTATE NOTES

01 Chapter 1: Why YOU should learn about Real Estate Notes

There's a good chance you've heard about real estate investing in one form or another — maybe from a podcast, a friend, book, or something online.

But I want to open your eyes to a part of the real estate world that most people never see.

It's called note investing — and it's what banks, big institutions, and a small group of savvy investors have been doing for years.

Let's start simple...

What Is a Mortgage Note?

A note is just a written agreement — a promise to repay a loan. That's it.
When someone buys a home and doesn't pay cash (which is 99% of buyers), they take out a loan.
They sign two main documents:

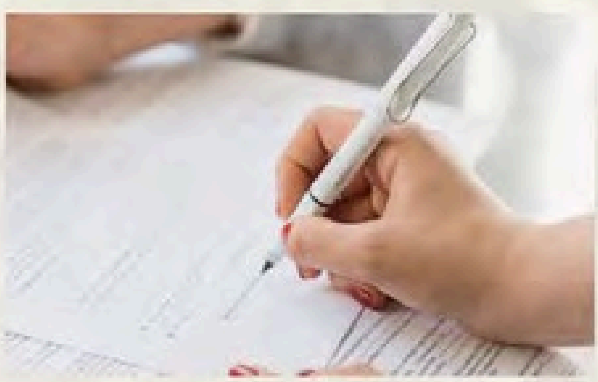
1.) The mortgage (or deed of trust) – This connects the loan to the property as collateral.

2.) The note – This is the borrower's written promise to repay that loan, with the terms spelled out (loan amount, interest rate, payment schedule, etc.).

Think of it like an IOU — but secured by a house.

The note is the agreement between the borrower and the lender. The mortgage (sometimes a deed of trust is used) is the security instrument that is publicly recorded, "attaching" a note to a real property.

Because we are discussing real estate notes, the term 'mortgage note' is commonly used.



Here's the key:

Whoever owns the note is the one receiving payments every month.

You don't have to own the house to get paid — you just have to own the debt on the house.
That's what note investing is.

And the great thing about this strategy is that a mortgage note owner still has the same protections a property owner has, which is the underlying security of real estate.

Real-World Example: How This Works

Let's say Jane buys a home for $200,000. She puts down $20,000 and borrows the remaining $180,000 at 7% interest over 30 years.

She signs a note promising to repay the loan, and she makes monthly payments of about $1,198.

Over 30 years, she'll pay a total of **$431,116** — more than double what she borrowed.

Now, here's where it gets interesting.

Let's say instead of a big bank lending Jane the money, an **investor** did.

The investor is collecting that monthly income — nearly $1,200 every month, for 30 years.

And if she ever stopped paying? There's a legal right to take the house back or sell the note to someone else. The investor's note is secured by the property.

That's why notes are so powerful. You're not just hoping something goes up in value. You're getting steady, predictable payments — backed by real estate.

I believe it to be the most powerful fixed income investment available, because of how low risk it is.

Why Do Banks Love Notes?

Because they understand something that most people don't:

Cash flow > speculation.

Banks aren't in the business of flipping houses. They're not concerned if the market goes up or down next year. They make money by collecting interest, month after month, for decades.

THere's what most people don't realize:

You don't have to be a bank to do what banks do.

There's a whole world of private individuals — people like me and maybe soon like you — who buy and hold notes as investments. It's legal, it's safe (when done right), and it's surprisingly simple once you understand the basics.

Why You Should Pay Attention to Notes

Here's the honest truth:

Most people are chasing the wrong kinds of investments.
They're overloaded with risk, buried in management headaches, or locked into things they don't understand — hoping something good happens down the road.

Note investing flips that on its head.

You're not hoping. You're not guessing. You're collecting.

Here's what I love about notes:
✅ You're the bank. You control the terms. You decide the deals.

✅ You earn passive income. Monthly payments come to you — like clockwork.

✅ Return on principle. Monthly income payments include both interest earnings and principle, so the initial investment immediately begins to be paid back.

✅ It's backed by real estate. If the borrower defaults, you can recover the property.

✅ It fits inside your IRA or retirement plan. Many investors use self-directed accounts to grow their wealth tax-deferred or tax-free.

✅ No tenants, no toilets, no headaches. This isn't rental real estate. You're not the landlord.

✅ The note is professionally serviced by a loan servicing company, meaning they manage the loan for you by collecting payments, escrowing insurance and taxes for the borrower, and providing year-end interest statements.

If that sounds refreshing... you're not alone. A lot of investors come from the rental world and just wanted something simpler, cleaner, and less stressful.

Here's a Simple Analogy…

Imagine you bought a vending machine for $5,000, and every month it paid you $200.

It's working fine. You're getting paid. But one day, someone comes along and offers you $4,800 to buy the machine from you.

Would you sell it?

Maybe, maybe not. You'd have to think about the math.
But either way — the machine is generating consistent income, and the buyer is willing to pay for that income stream.

Now swap out the vending machine for a mortgage note. That's the exact same idea:

- The note produces monthly income (from the borrower).
- You can hold it and collect cash flow.
- Or you can sell it to another investor if you want a lump sum.
- Or… you can create your own notes by selling a property with owner financing.

(We'll get into all of that later.)

My Real Estate Note Deals — Just So You Know This Is Real

To give you some context — this is not just theory for me. This is what I actually do.

I went full time into real estate investing in 2013, and have done hundreds of real estate deals since.

- Sometimes I create notes when I sell a house and finance it for the buyer.
- Other times, I buy existing notes from other investors who want to cash out.
- And I often offer notes for sale to people who want to invest passively.
- I also work with private people who want to partner with me on real estate deals backed by notes.

> *So this book that you're going through? It's not just education for the sake of learning. It's a **peek into a real strategy** that's working every day — and one that could work for you, too, if you wanted it to.*

Why Should You Care?

Because if you've got capital — sitting in the bank, in savings, in an old retirement account — you might want to consider what it is actually doing for you.

Mortgage notes allow you to:

- Put your money to work
- Generate consistent, predictable income
- Invest in something that's tangible and understandable
- Skip the stress of being a landlord or house flipper

And best of all — you don't need to figure this all out alone. That's why I created this content.

What's Next?

In the next chapter, we're going to zoom in on exactly why mortgage notes are so powerful — especially in today's economy.

We'll walk through:

- How notes compare to other investments
- The advantages most people miss
- How notes can help you build long-term financial stability

If you've ever felt like the "traditional" way of investing just doesn't cut it…

Or, you're just ready to explore something different and have more control over your future..

This next part is going to make a lot of sense.

CHAPTER 2:

WHY NOTES ARE A POWERFUL INVESTMENT

02 Chapter 2: Why Notes Are a Powerful Investment

Now that you understand what a mortgage note is — and how you can "be the bank" instead of the borrower — let's dig into the big question:

Why would someone actually want to invest in notes?

What makes it better than owning rental property?
Why not just stick to stocks or mutual funds?
Why not do what everyone else is doing?

Well, I'll tell you why.

For a lot of people — especially busy professionals, retirement-minded investors, or folks who are just tired of the headaches of traditional real estate — notes check every box.
Let's break it down.

Here are 6 big reasons someone like you would want to own notes:

1. Passive Income (For Real)

You hear this phrase all the time: "passive income."

But let's be honest — most "passive" investments aren't really passive.

- Rental properties sound passive... until your tenant calls at 11 p.m.
- Stocks feel passive... until the market tanks and your emotions take a hit.
- Airbnbs? Definitely not passive.

But with a performing note, it's different.

- You're not managing a property.
- You're not dealing with tenants.
- You're not running a business.

You're simply collecting monthly payments — just like the bank does.
When the borrower pays, you get paid. Month in, month out. It's that simple.

2. Predictable, Fixed Returns

One of the things investors love about notes is predictability.
When you buy (or create) a note, you know:

- The interest rate
- The loan balance
- The monthly payment
- The total return over time

For example:

You own a $100,000 note at 8% interest, paid monthly.
That's about $733 a month — every month — until it's paid off.

Unlike stocks, your return isn't riding on the news or politics or tech earnings. You're not hoping something will grow — you're getting paid **based on a contract.**

That kind of steady cash flow brings peace of mind.

And when owning the right type of notes, the borrower is motivated to keep making their payments, because after all, it is the home that they live in.

3. Secured by Real Estate

Here's the biggest difference between note investing and something like buying stocks or mutual funds:

Notes are secured.

That means there's real collateral behind your investment — an actual piece of real estate.

If the borrower stops paying, you're not out of luck.
You can:

- Foreclose and take the property
- Negotiate a deed-in-lieu of foreclosure
- Sell the note to another investor
- Work out a new payment plan

This is very different from watching your stock holdings drop 30% and just... hoping it comes back.

With notes, **you have leverage.**

And because you can often own notes with an attractive loan to value ratio (we'll get into this later), your investment might already have a cushion built in.

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4. Lower Risk Than Many Alternatives

Is there risk with notes?

Of course.. there is risk with everything.

But here's why I believe notes are a **smart risk:**

- You're owning note **debt that's secured by an asset.**
- You're often in an attractive equity position, increasing your margin of safety.
- You're not relying on appreciation or speculation.
- You can do due diligence up front to verify everything before you invest.

The goal isn't to chase big, flashy returns. The goal is to build a steady stream of income backed by something real — **with smart underwriting, not guesswork.**

And if the borrower has equity in the property, they're motivated to keep paying. That matters.

5. Tax Benefits and Retirement Planning

This is a huge one that most people overlook.

Many invest in notes using something called a self-directed IRA (or solo 401k). That means:

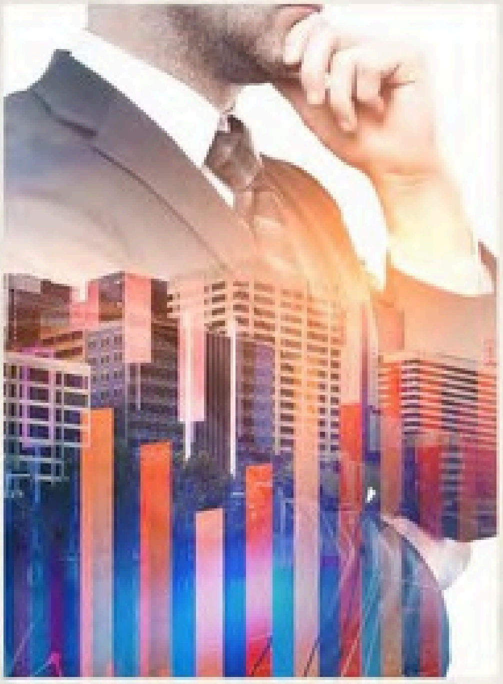
- The returns grow tax-deferred (or even tax-free, if using a Roth).
- All your note payments go into your retirement account.
- You're building long-term wealth without lifting a finger.

And unlike rental property, there are no depreciation schedules or bookkeeping headaches. It's just simple interest income.

You can even **partner with others** in certain deals.

6. Flexibility and Control

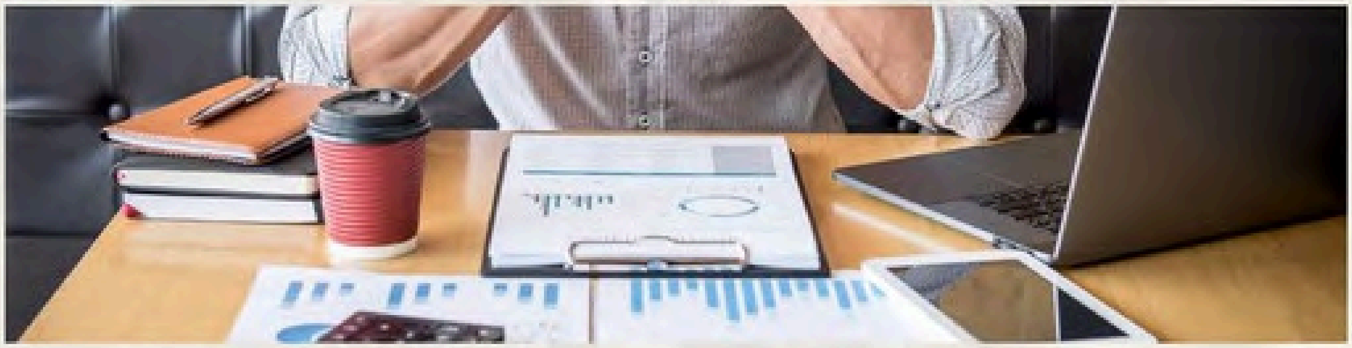
One of my favorite things about note investing is how customizable it is.



You can:

- Buy a full note and receive the full monthly payment
- Buy a partial (just a set number of future payments)
- Create your own notes when selling property with owner financing
- Sell your note later if you want to cash out
- Invest jointly with other people to spread risk

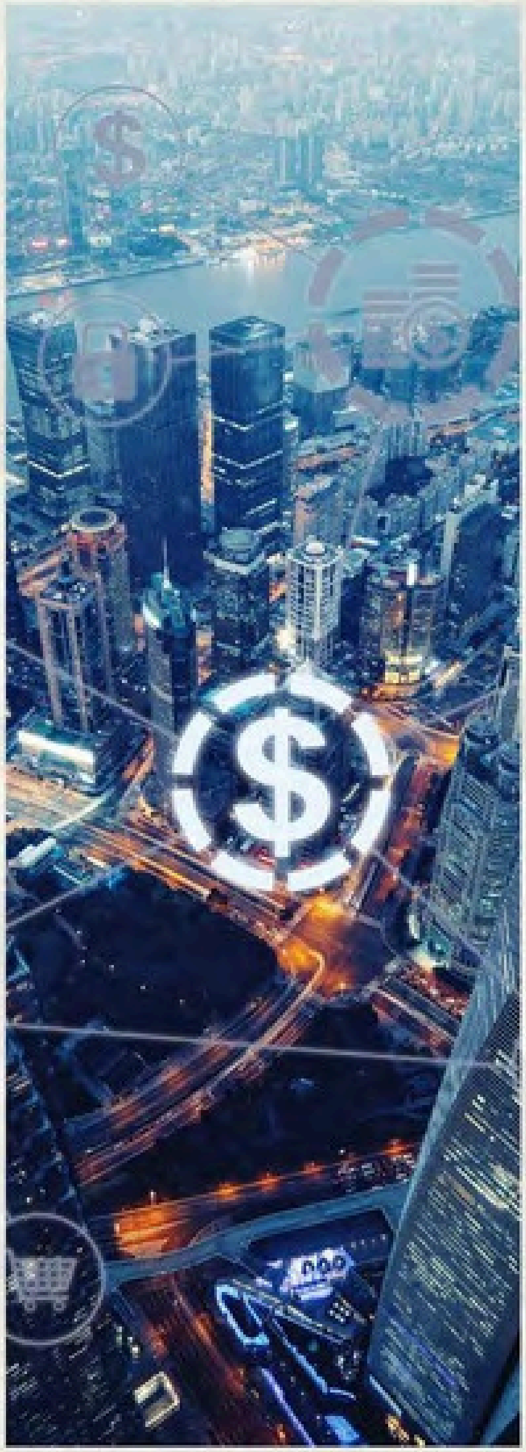
This isn't a one-size-fits-all strategy. You can adjust it to match your goals, your capital, and your risk tolerance. And you don't need millions to get started. I've seen people start with $50k, $25k, or even less.



Quick Comparison Table

Investment Type	Passive	Predictable	Secured	Tax-Friendly	Hands-Off
Rental Property	❌	⚠️ Sometimes	✅	✅	❌
Stocks & Mutual Funds	✅	❌	❌	✅	✅
Crypto	✅	❌	❌	❌	✅
Mortgage Notes	✅	✅	✅	✅	✅

Who Is This Perfect For?



- High-income professionals who want passive income without hassle
- Retirees looking for steady returns with lower volatility
- Self-directed IRA holders who want better alternatives to the stock market
- Busy people who want cash flow but don't want to manage real estate

Sound like you?

Then this path might be worth exploring further.

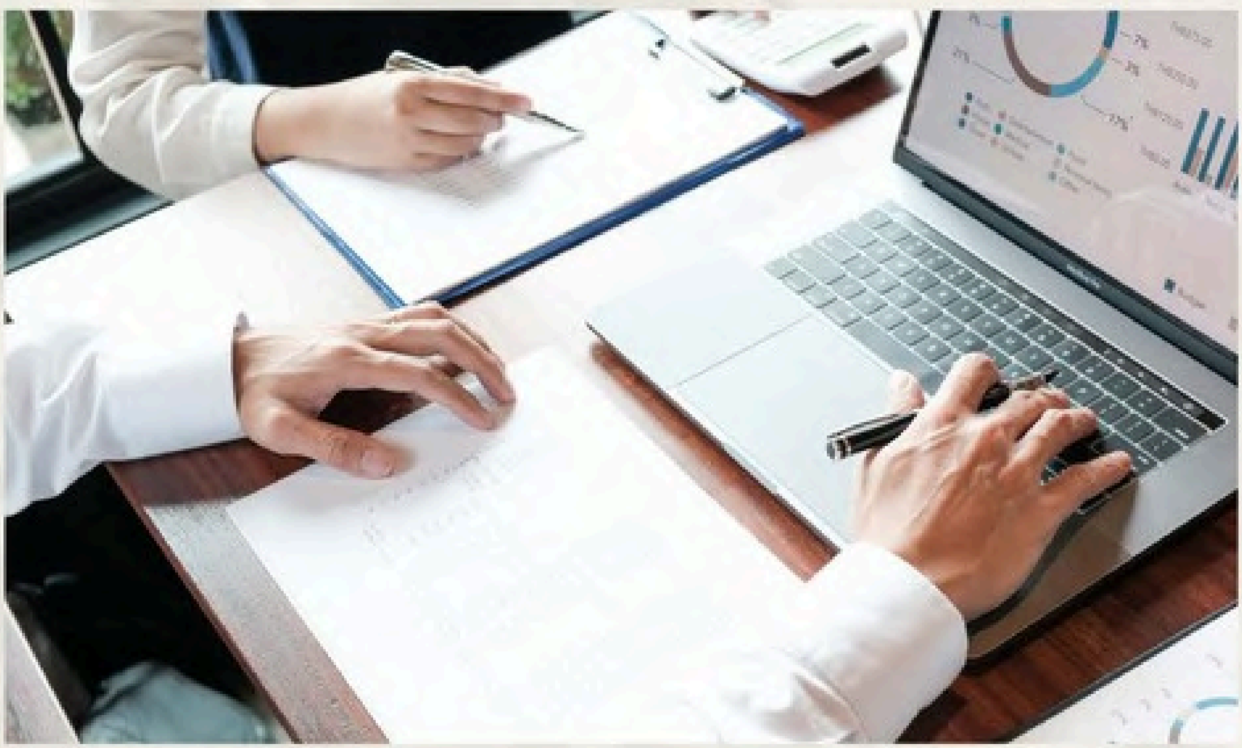
Bottom Line:

Mortgage notes offer something that's rare in today's world:

A way to grow your money that's **simple, steady, and backed by real assets.**

You don't have to swing for the fences. You just have to be the bank — and let time, interest, and structure do the heavy lifting.

We're just getting started, but now you can see why I'm so passionate about this.



What's Next?

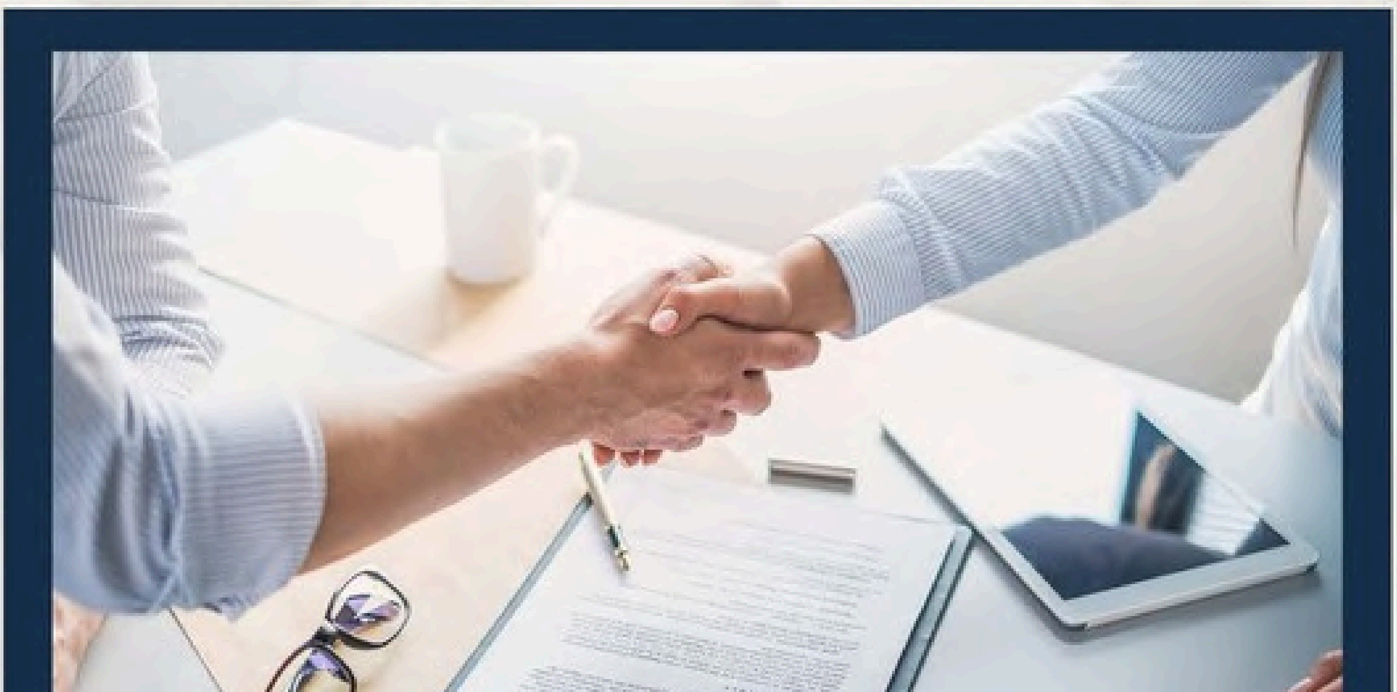
In the next chapter, I'll show you the two main ways to invest in notes:

- Buying existing notes from others
- Creating new notes by offering owner financing

You'll see how both options work, how people like you are using each strategy, and how to choose the right approach based on your goals.

CHAPTER 3:

THE 2 MAIN WAYS TO OWN NOTES



03 Chapter 3: The 2 Main Ways to Own Notes (plus a bonus method)

By now, you've got a basic understanding of what a mortgage note is — and why it can be such a powerful, passive, and secured investment.

At this point, a lot of people ask:

"Okay... I'm interested. But how do I actually get a note?"

That's exactly what this chapter is all about.

There are **two main** ways to own a mortgage note:

1.) Buy an existing note
2.) Create a new note

Each path has its pros and cons, and I've personally done both — depending on the deal, the timing, and the goals of the investor.

Let's walk through each one.

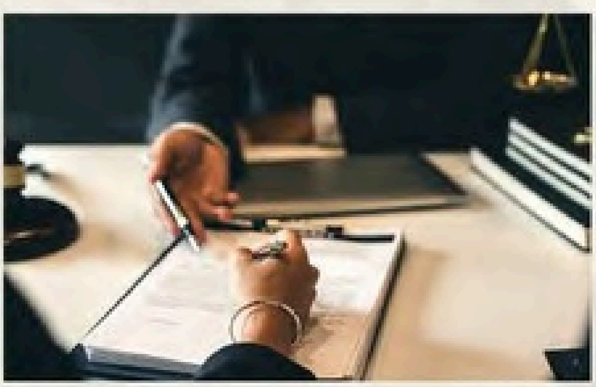
Option 1: Buy an Existing Note

This is the most straightforward path for someone who just wants to put capital to work.

Buying a note means you're purchasing a loan that already exists. The borrower is already making payments, the paperwork is already in place, and the terms are already set.

You're basically **stepping into the bank's shoes.**

Instead of originating the loan yourself, you're buying the right to receive future payments from someone who already owes money on a property.



Here's what this looks like in action:

- A seller financed house sale from 2 years ago. The buyer has been paying monthly since then.
- The seller now wants to cash out instead of waiting 28 more years for payments.
- You (the investor) buy that note from the seller for a fair price — often at a **discount.**
- Now you receive the monthly payments moving forward.

The borrower doesn't even need to know anything changed — they just keep paying as usual.

The only difference is the payments now go to you (or to the loan servicing company, which we'll talk about in a later chapter).

Pros of Buying Notes:

- You skip the work of selling a property with owner financing
- The payment history is already there (you can evaluate the borrower)
- You can often buy notes at a discount for better returns
- It's hands-off — perfect for passive investors

Things to Keep in Mind:

- You need to do your homework (due diligence is key)
- Not all notes are created equal — some are better than others
- You're buying someone else's structure, not your own
- You may want professional help reviewing documents before buying

If you're someone who has capital ready to invest and wants cash flow now, buying an existing note is a great way to start.

I regularly offer notes for sale to my investor network — and we'll talk later about how you can access those opportunities.

Option 2: Create a New Note

The second path is to create the note yourself — by selling a property and offering owner financing to the buyer.

This is what I do often in my business.

Instead of selling a property and getting cashed out by a bank or buyer, I sell the property and become the bank myself.

Here's how that looks:

- I buy a house for $90,000
- I fix it up and sell it for $160,000
- The buyer doesn't get a bank loan — they put $20,000 down and I finance the remaining $140,000
- I write a mortgage note at 8% interest, and they pay me $1,025/month for the next 30 years

Just like that — I've created a brand-new note that produces long-term passive income.

This strategy is a great fit for active investors, flippers, landlords ready to retire, or anyone selling a property and looking for **ongoing income instead of a lump sum.**

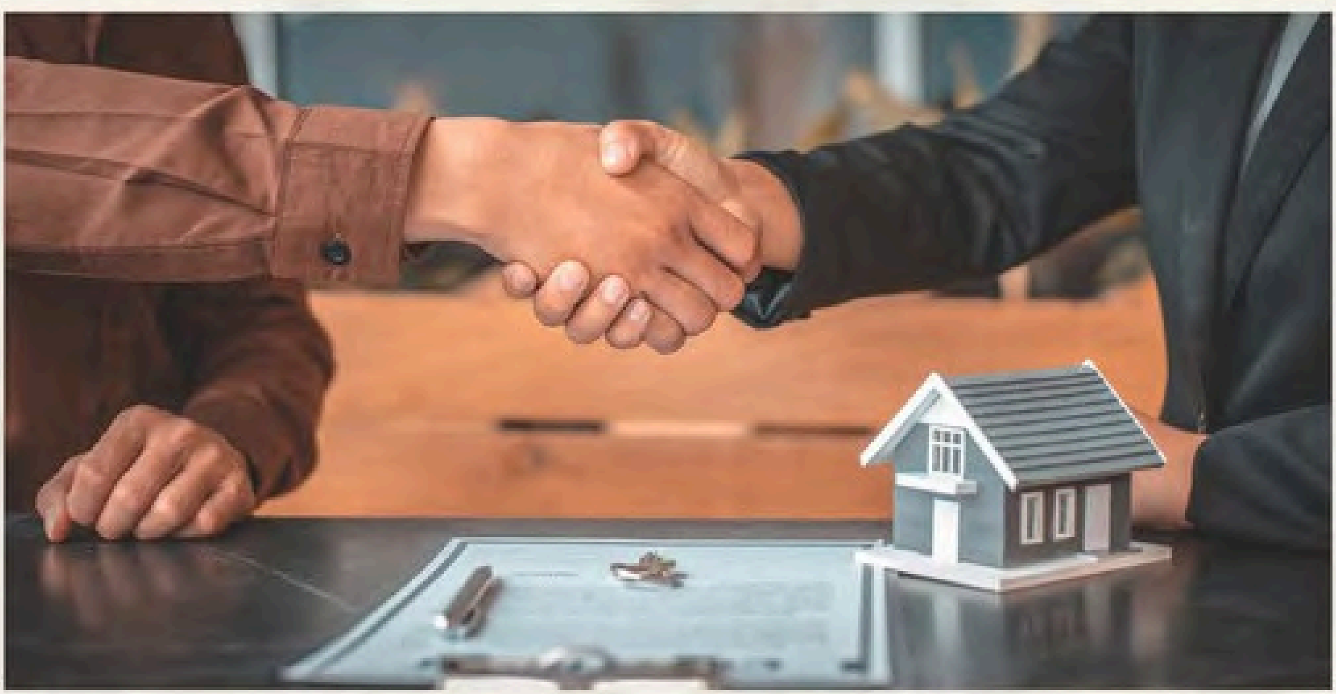
Pros of Creating Notes:

- You control the terms (interest rate, down payment, borrower, etc.)
- You often earn a higher return than just selling the house outright
- You can structure deals in creative ways
- You can hold the note, sell it later, or sell a partial to get upfront cash

Things to Keep in Mind:

- You need a property to sell (or acquire one first)
- You'll want to screen buyers carefully
- It requires some setup — legal paperwork, servicing, etc.
- You're more involved than just buying a note. (its active work)

If you're an investor who already owns property or is comfortable being more hands-on, creating notes can be a powerful wealth-building tool — and a great way to exit properties while keeping the cash flow.



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Which Strategy Is Right for You?

Here's a simple way to think about it:

Situation	Best Option
"I have money and want income."	Buy a note
"I'm selling a property."	Create a note
"I'm tired of landlording."	Create and sell note
"I want passive cash flow."	Buy a performing note
"I like being active in deals."	Create notes

I myself do both.

Sometimes I'll create a note — hold it for a few years — then sell it to an investor who wants monthly payments.

Other times, I'll buy a performing note from someone who wants to cash out.

Either way, the end result is the same:

Predictable, passive income — backed by real estate.

The criteria is really if you want to be passive, or more active.

How much time do you have? How much money do you have to invest ? Your answers lead you to your strategy.

Bonus Option #3: Be a Capital Partner (and Still Own a Note)

So far, we've talked about:

1. Buying existing notes
2. Creating new notes

But there's also a third way to get involved in note investing — and it's honestly one of the **easiest and most passive strategies** available.

That's by becoming a **capital partner as a private lender** to someone like me — a real estate investor — and earning fixed returns while being **secured by a real mortgage** note that I already own.

It's called **hypothecation,** but don't let the term scare you.

Here's the idea:

-I already own a note that's bringing in monthly income.
-You lend me money, and I use that note as collateral for your loan (a new note).
-You get paid monthly, just like a bank would.
-And everything is secured, documented, and professionally structured.

How It Works:
The Easiest Way to Be the Bank

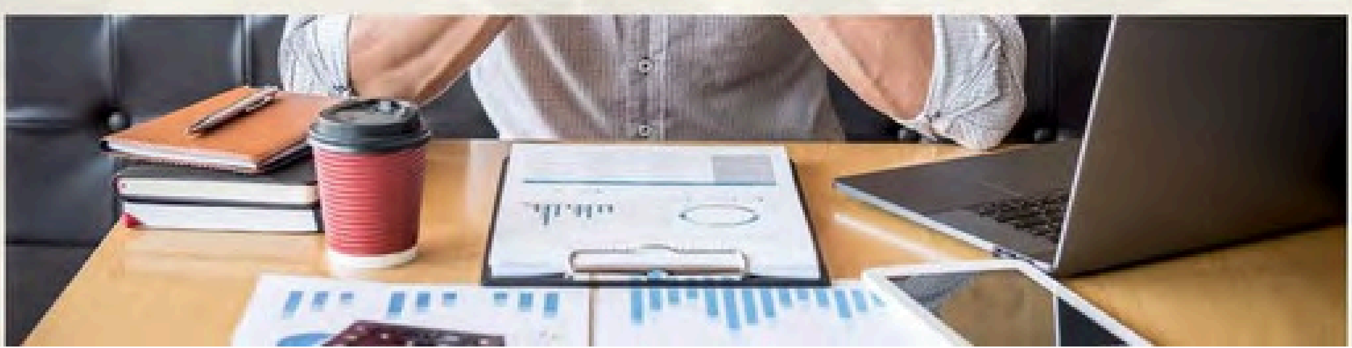
This strategy is all about simplicity — and security.

I already own a mortgage note that's performing — meaning a borrower is making monthly payments, on time, every month. Instead of selling that note, I use it as collateral to borrow money against it in order to recapitalize.

Here's what that means for you:

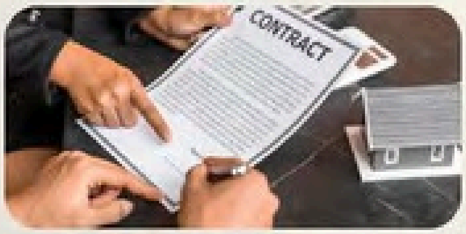
1. You lend money to me (or my company) — for a set term, at a fixed interest rate we agree on.
2. I secure your loan with a real, cash-flowing mortgage note that I already own.
3. You get paid monthly — earning interest just like a bank would.
4. At the end of the term, you get paid back in full, and your secured position is released.

> *You're not buying a note, managing a property sale, or getting involved in the deal itself. You're just earning passive income, backed by something real — and I handle all the details.*



And Yes — It's All Done Professionally

This isn't some casual agreement. Everything is structured professionally and with proper paperwork — just like a bank would do:



- We sign a **formal loan agreement and promissory note**

- Your loan is **secured with a collateral agreement** tied to the mortgage note I pledge

- We file paperwork to show your **secured interest**

- You have **legal protections and documentation** outlining your rights and repayment terms

So while it's hands-off for you, it's still a real, legally protected investment.

Why People Love This Strategy:

✅ It's truly passive — no property to manage, no paperwork to chase

✅ You earn fixed monthly income

✅ Your investment is backed by real collateral

✅ Everything is professionally documented and secured

✅ You can use personal funds or a self-directed IRA or 401(k)

This strategy is especially popular with:

- Busy professionals
- Retirees
- First-time alternative investors
- Anyone looking for steady, low-maintenance income

Where This Fits in the Big Picture:

Method	Involvement	Risk	Return	Control	Ideal For
Buy a Note	Low	Low	Steady	Medium	Passive cash flow investors
Create a Note	High	Low	High	High	Active investors / property sellers
Lend to an Investor	Very Low	Low	Fixed	Medium	Hands-off investors with capital

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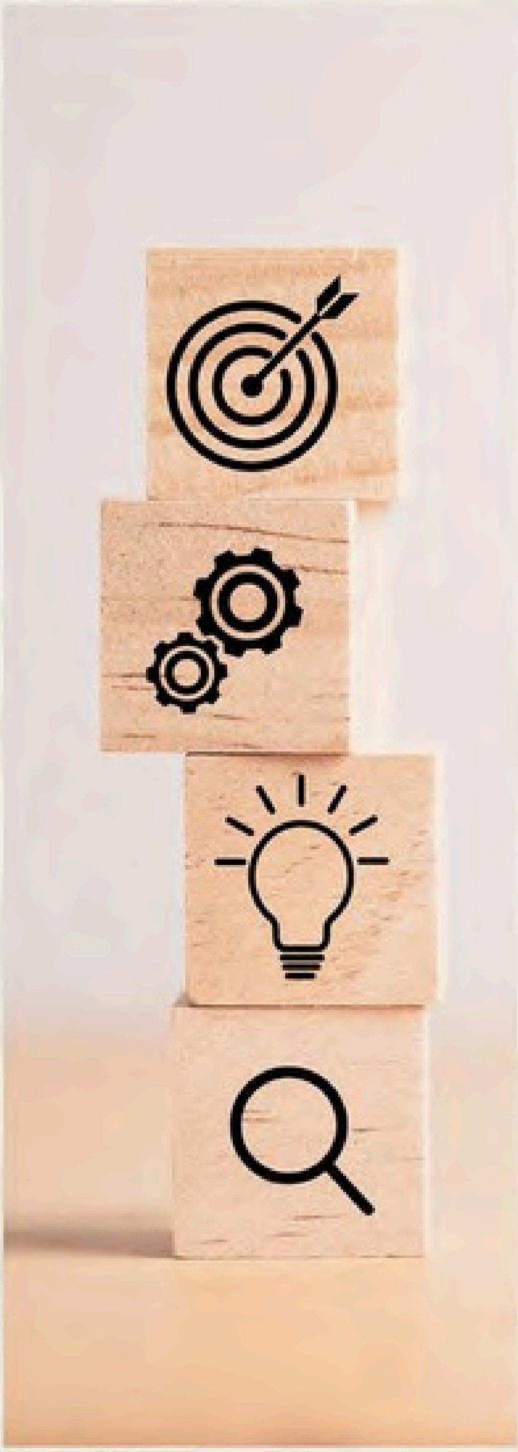
Want to Explore This?



- If you love the idea of earning fixed monthly income, but want someone else to handle the deal — this strategy might be the perfect fit.
- I occasionally work with private lenders on a deal-by-deal basis and offer opportunities like this when I have notes available to pledge.

If you'd like to learn more or get on my private lender list, just reach out and I'll walk you through the next steps.

What's Next?

Now that you've seen the three main ways to get involved — buying notes, creating them, or lending against them — let's look at what a real-life deal actually looks like, from the numbers to the paperwork to the payoff.

In the next chapter, I'll break down an actual note deal so you can see exactly how the cash flow works, how returns are calculated, and what makes a deal truly secure and profitable.

CHAPTER 4:

ANATOMY OF A REAL MORTGAGE NOTE DEAL

04 Chapter 4: Anatomy of a Real Mortgage Note Deal

Welcome to one of my favorite parts of this book.

So far, we've talked about **what notes are, why they're powerful,** and the **different ways you can own or invest** in them. Now it's time to roll up our sleeves and look at a **real-life deal.**

This will help you see how the money actually flows, how the returns are calculated, and how the deal is structured so that the investor is protected from day one.

Let's break it down step-by-step — simple, clear, and with real numbers

The Property

- Let's start with a single-family house I purchased in a working-class neighborhood.
- Purchase Price: $36,608.77
- Repairs + cleanup: $0 (the buyer wanted to rehab the home themselves)
- Total cost basis: around $38,000

The Buyer and Terms

A local family was interested but couldn't qualify for a traditional bank loan. They had steady income and a solid down payment.

Here's what we agreed on:

- **Sales Price:** $84,000
- **Down Payment:** $12,000 (about 14%)
- **Financed Amount (Note Face Value):** $72,000
- **Interest Rate:** 9.75%
- **Term:** 20 years (240 months)
- **Monthly Payment:** ~$682.93 (Principal & Interest only)

Now — let's look at what that means.

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The Cash Flow

Each month, the buyer pays **$682.93.** That's the full monthly payment on the mortgage note.

Let's break down what happens with those payments if I decide to **keep the note** and collect the income:

- **Monthly Income**: $682.93
- **Annual Income**: $8,195.16
- **Over 30 years**: $163,903.71

Remember, my all-in cost on this deal was $38,000. So I created a note that will generate over **$125,000 in interest alone** over time — all secured by a house that's worth more than what's owed.

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Your Return (If You Bought This Note From me)

Let's say you were now a note investor as well and after a few months, I offered to sell you this note — fully performing, clean pay history, well-vetted buyer, professionally serviced, — for **$65,853.**

You'd receive $682.93/month until the note is paid off.

What's your return?

This is where it gets fun...

Your **yield,** or annualized return, would be 11%, depending on how many payments remain.

And it's all passive — you're just collecting checks (or direct deposits).

You're not fixing the roof. You're not chasing rent. You didn't have to sell a house and create a note yourself...

You're just holding the paper.

And if anything goes wrong?

You're still secured by the house — which in this case is worth $100,000+.

Optional Exit:
Selling the Note Later

Here's another angle.

Let's say I keep the note for the first 3 years and collect around **$24,500** in payments. Then I decide I'd rather get a lump sum and move on to the next deal.

I can offer to sell the note — and investors love this kind of deal because it comes with:

- A seasoned borrower
- A shorter payoff window
- An large equity position

Depending on market conditions and remaining balance, I might sell that note for $37,000+ — meaning I already made back most of my original investment ... and now I get another big payday.

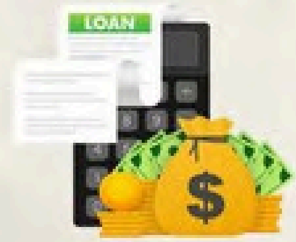
That's the beauty of notes: **multiple strategies can be used to match goals.**

How the Investor Is Protected

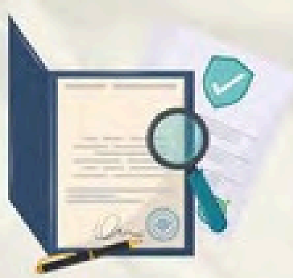
Whether I keep the note, sell it, or borrow against it — the investor is protected through:

A signed **promissory note** with clear repayment terms

A recorded **mortgage or deed of trust**, which secures the note to the property



A professional **loan servicing company** to collect and track payments



Property **insurance policies**, naming the lender as the loss-payee

And a strong **equity cushion**, since the borrower put real money down

This is not a wild, high-risk investment. It's structured, secured, and designed to protect the capital of whoever holds the note.

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Summary:

Here's what we just walked through:

- A house bought for $37,000 was sold for $84,000 with owner financing
- A $72,000 note was created, paying over $680/month for 20 years
- The investor earns passive income, backed by real estate

The total lifetime return far exceeds what traditional investments offer — and it's far more stable

What's Next?

Now that you've seen the full anatomy of a note deal — the property, the paperwork, the numbers, and the income — you're probably wondering:

"But what could go wrong?"

That's exactly what we'll cover in the **next chapter: Understanding the Risks (and How to Reduce Them).**

We'll walk through the common risks new investors face — and more importantly, how to protect yourself from them.

See you in the next one.

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CHAPTER 5:

UNDERSTANDING THE RISKS (AND HOW TO REDUCE THEM)

05

Chapter 5: Understanding the Risks (and How to Reduce Them)

Alright — let's talk about the part most people avoid...
Risk.

The truth is, **every investment comes with some level of risk** — whether it's real estate, stocks, starting a business, or buying notes.

But here's the good news:

In note investing, most of the common risks are **predictable, manageable,** and — best of all — **often avoidable** with the right strategy.

In this module, I want to walk you through:

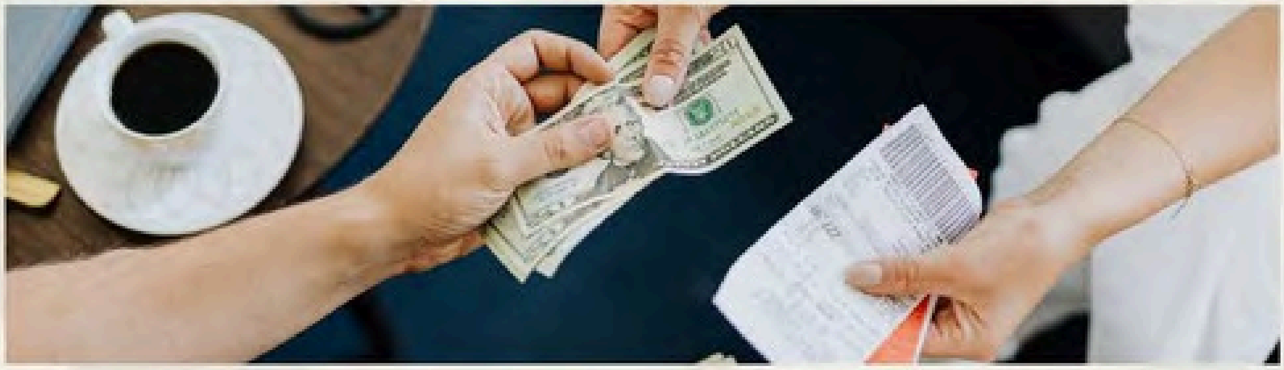
- The most common risks in note investing
- What they actually look like in real life
- And how to protect yourself from them — starting from day one

Let's dive in.

Risk #1: The Borrower Stops Paying

This is the big one. It's the question everyone asks:

"What happens if the borrower stops making their payments?"



It can happen — life events, job loss, divorce, poor money habits... all the usual suspects. But here's why note investing is different from something like stocks or crypto:

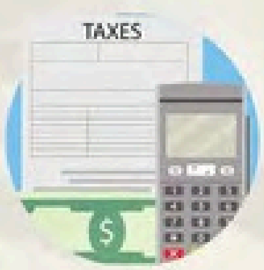
If a borrower stops paying, you still have collateral — the property.

Unlike unsecured debt or volatile investments, you're not relying on hope. You're backed by real estate.

How to Reduce This Risk:

Screen the borrower well (credit, income, history) — especially when creating a note

Look at their **down payment** — more skin in the game = more commitment



Verify **payment history** and servicing records on existing notes

Make sure there's a **solid equity position** (i.e., the borrower owes less than the property is worth)

And remember:
Even if a borrower defaults, you have multiple ways to recover your investment — including foreclosure, a deed-in-lieu, or selling the note to another investor who specializes in workouts.

Risk #2: The Property Declines in Value

Because your note is secured by real estate, it's important to make sure the **underlying property holds its value.**

If the local market crashes or the home deteriorates, your collateral could be worth less — and that affects your position if the note ever has to be enforced.

How to Reduce This Risk:

- Get a **BPO or appraisal** before buying a note
- Stick to stable, **middle-market properties** in working-class areas
- Avoid ultra-rural or high-end properties with limited buyer pools
- Check that **insurance** is in place and active (name yourself as the lienholder if you're the note buyer)

A good rule of thumb?

If you wouldn't want to own the property at the amount owed, **don't buy the note.**

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Risk #3: Bad Underwriting or Documentation

Sometimes notes are poorly written, lack proper paperwork, or weren't recorded correctly. This usually happens with inexperienced sellers or casual investors who skipped steps.

If you buy a note with sloppy documentation, it can cause major problems — especially if the deal ever goes south.

How to Reduce This Risk:

- Review the note, **mortgage (or deed of trust)**, **and payment history** before buying
- Make sure the documents were **recorded properly**
- Work with a **licensed loan servicer** and **title company**
- Get a **title search** or **O&E (ownership and encumbrance) report**

When you work with professionals, these things are handled for you — but if you're buying notes directly, always double-check.

Risk #4: Overpaying for a Note

This one's simple but important: if you pay too much for a note, your return might not justify the risk.

Just like with any investment, you need to buy at a price that gives you a healthy yield — **and some cushion if things don't go perfectly.**

How to Reduce This Risk:

Know your **desired yield (ROI)** before making an offer

Account for the **age of the note,** the borrower's history, and the property value

Run the math with **a note calculator or spreadsheet**

Don't be afraid to negotiate if the note has any quirks or red flags

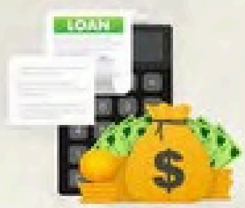
Buying notes at a discount isn't just about getting a deal — it's about building in protection.

Risk #5: Mismanaging the Note

Even a good note can become a mess if it's mismanaged — late statements, missed notices, disorganized records, or letting taxes lapse.

Thankfully, this is the easiest risk to avoid.

How to Reduce This Risk:



Use a professional loan servicing company to handle everything

Have payments go to a neutral third party, not directly to your bank account

Keep clear records for taxes and tracking

Make sure insurance and taxes are paid and current

Servicers are inexpensive and worth every penny. They handle the logistics so you don't have to — especially helpful if you're trying to keep this passive. They manage all parts of the loan.

Bonus: The Risk-Reduction Checklist

Here's a quick cheat sheet of what to look for before investing in a note:

✅ Strong borrower with good payment history

✅ Clear documentation and recorded mortgage

✅ Property value supports the loan amount

✅ Equity in the deal (borrower has skin in the game)

✅ Clean title or O&E report

✅ You're working with a professional team (servicer, title, etc.)

Bottom Line:

Yes — note investing has risks.

But unlike many investments where you're just hoping for the best, here you have:

- Control over the asset
- Real collateral backing your investment
- Legal rights to enforce repayment
- And multiple ways to protect yourself from day one

Smart note investors expect risk — but they also know how to build in protection and only move forward when the deal makes sense.

What's Next?

Now that you understand both the upside and the risks of note investing, let's explore two easy paths moving forward:

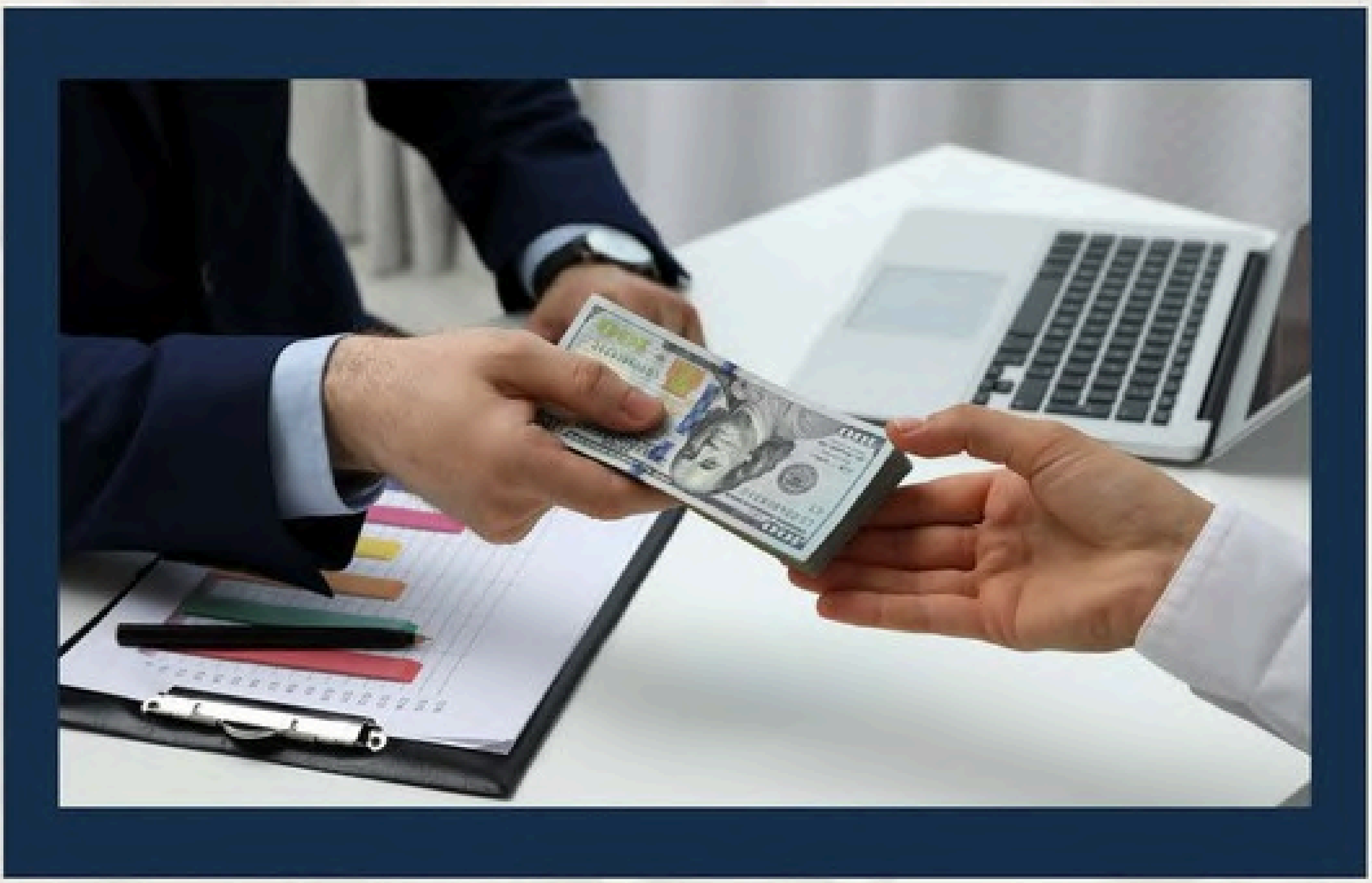
- **Buy notes** that are already producing income
- Or **lend to someone like me** and earn fixed returns, secured by real estate

In the next module, we'll break down both options so you can see which one best fits your goals — and how to get started the right way.

You're getting close. Let's keep going.

CHAPTER 6:

EASY OPTIONS — BUY NOTES VS. BE A CAPITAL PARTNER



Chapter 6:

06 Easy Options— Buy Notes vs. Become a Capital Partner

You've come a long way in this series — and by now, you understand the what, why, and how of mortgage note investing.
So let's answer the next logical question:

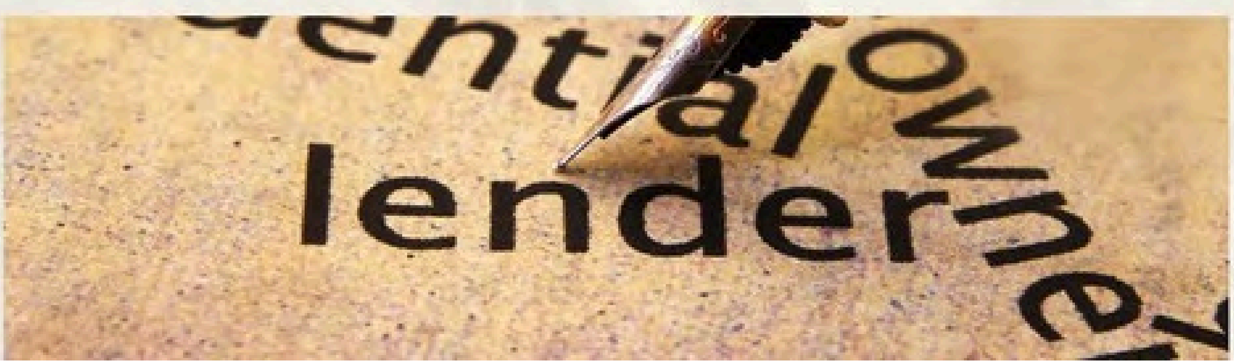
"How do I actually get started with this?"

Well, other than selling a property to create new note, most new investors take one of two main paths:

1. **They buy a performing note** that's already producing income
2. **They work with an active note investor as a capital partner,** and earn fixed returns secured by real estate

Both are great options. It really just depends on your goals, your personality, and how hands-on you want to be.

Let's break each one down so you can figure out which path feels right for you.



Option 1: Buy a Note

This is the route for someone who wants to own the income stream.
You purchase a note that's already in place — meaning the borrower is already making payments, the documents are already recorded, and the cash flow is already happening.

As the new note owner, you step into the bank's shoes and start collecting those monthly payments.

✅ Best For:

- Investors who want steady, long-term cash flow
- People who like the idea of owning paper (not property)
- Self-directed IRA holders looking for passive growth
- Anyone tired of being a landlord but still wants real estate-backed income

Real-World Snapshot:

- You buy a note for **$95,000**
- It pays you **$900/month** for the next 25 years
- Your yield is **10%+**, depending on the deal
- You do **zero management** — a loan servicer handles everything
- You're backed by a **real house** worth more than the loan balance

If the borrower pays, you get paid. If they don't, you still have legal rights and a property as security.

What You'll Need:

- Capital to invest (typically $25,000–$150,000+)
- A willingness to review a deal before committing
- A little patience to understand the structure (we'll help!)
- A servicing company in place (we already work with great ones)

You don't need to become a paperwork expert — you just need to work with people who know how to do it right, and then you need to use a closing checklist to make sure you have the proper things in place for your protection.

Option 2: Be a Capital Partner

This option is even more passive. It is often called Private Lending.

Instead of buying a note, **you lend money to me (or my company),** and I secure your loan with a **real mortgage note that I already own.**

This is often called a **hypothecation note,** but all you really need to know is:

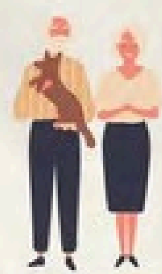
You earn fixed monthly returns, backed by a performing note — and you don't have to manage or buy anything.

Best For:

Busy professionals

Investors who want consistent monthly income

People looking for fixed returns with lower involvement



Retirees or hands-off investors who want a secure, reliable strategy

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Real-World Snapshot:

- You lend **$60,000** for 2 years at **9% interest**
- You're paid **$450/month,** interest-only
- Your loan is secured by a real, cash-flowing mortgage note
- At the end of the term, you get your full principal back
- It's all done **professionally and legally** with proper documents

You don't have to chase borrowers, monitor deals, or even understand all the mechanics behind note investing — because we do that for you.

You just get paid.

Quick Comparison Table

Here's a quick guide:

Your Situation	Best Option
"I want long-term monthly income."	Buy a note
"I want fixed interest and minimal effort."	Be a private lender
"I have a self-directed IRA or 401(k)."	Either — both work great
"I want to learn the business and get hands-on."	Buy a note
"I want to test the waters safely."	Be a private lender

And here's the thing — you don't have to choose just one.

Many investors **start as capital partners,** and once they see how it all works, they decide to buy a note later. Others start with a note and then lend on a future deal. It's flexible.

How I Can Help

If either of these paths sounds interesting to you, I offer:

One-on-one calls to walk you through current opportunities

Real note deals and private lending opportunities

Help with the paperwork, the servicing, and the setup

And ongoing education to help you feel confident every step of the way

This isn't a pitch — it's a partnership. I only work with people when it's a good fit on both sides.

What's Next?

In the final chapter, we'll wrap things up and walk through how to **get started with confidence.**

You'll learn:

- What the first step actually looks like
- How to join my list of buyers and lenders
- What to expect when reviewing a real deal
- And how to take action in a way that feels right for you

Let's finish strong.

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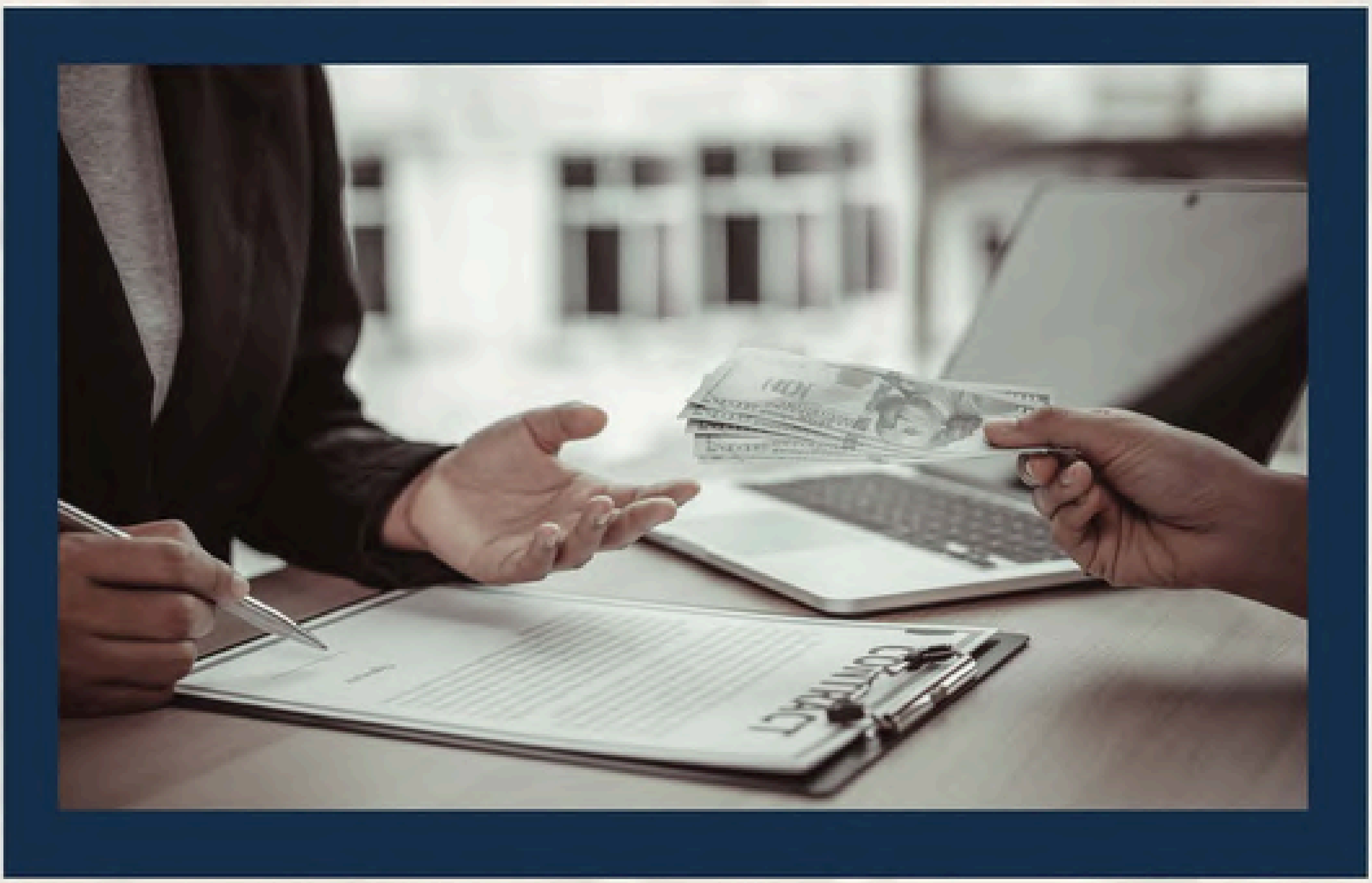
CHAPTER 7:

HOW TO GET STARTED WITH CONFIDENCE



07

Chapter 7: How to Get Started With Confidence

You made it!

If you've gone through all the information so far, then you now understand what most people never learn about real estate investing:

> *You don't have to swing hammers, flip houses, or deal with tenants to build steady, secure, real-estate-backed income.*

You can **own the paper, earn passive income, and be the bank** — in a way that fits your lifestyle, your risk tolerance, and your long-term goals.

But maybe you're still asking:

"Okay... what now? How do I actually get started?"

Let me walk you through it — step by step.

Step 1: Decide What Kind of Investor You Want to Be

You don't need to know everything, but it helps to know your comfort level.

Ask yourself:

- Do I want **long-term monthly income** or **short-term fixed interest?**
- Do I want to **buy a note** or **lend against one?**
- Am I investing **personal funds** or **retirement money?**

There's no wrong answer. We'll match the right opportunity to your situation. But having clarity on your goals helps us make smart decisions together.

Step 2: Join My Buyer & Lender Interest List

This is how you stay in the loop when I have new opportunities available.

When a new note is for sale or a private lending spot opens up, I first reach out to my **interest list** — the people I already have a relationship with.

There's no pressure. You're not committing to anything. It just means you'll:

- Get a look at real deals when they come up
- Be able to ask questions and get personalized guidance
- Learn through real examples, not just theory

If something fits your goals and you're ready, we'll move forward.
If not, no worries — you can keep learning until the timing is right.

***I'm sharing real life deals that I am actively doing as I run our real estate business, so frankly, there is no better way to learn than to be on my email list and get a sneak peek behind my shoulder.

Step 3: Book a Call (Highly Recommended)

If you want to talk through your situation, your investment goals, or just ask me questions directly — book a call.

This is personal — not a sales pitch. My goal is to educate first and help you invest **only when it makes sense for you.**

Step 4: Take Action When You're Ready

When you see a deal that fits your goals, I'll help guide you through the process:

- Reviewing deal details (I provide a deal sheet that literally walks you through your steps for reviewing a note deal)
- Understanding your rate of return
- Signing paperwork
- Setting up servicing
- Confirming your security and collateral

Whether you're **buying a note** or **lending on one**, I'll walk you through it like a partner ... because that's what we are.

Bonus: What You Don't Need to Worry About

A lot of people hesitate because they think they need to:

- Learn every legal term
- Understand the full backend of a note deal
- Be a financial wizard
- Or manage everything themselves

You don't.

That's why I created this guide — and why I offer **support, service, and education** as part of every relationship I build with my investors.

Final Thoughts

Here's what I want you to take away:

- This strategy is real, proven, and used by everyday people to build wealth quietly
- You don't have to do it alone — that's what I'm here for
- And the best time to start learning is now — before the next opportunity passes you by

So whether you want to:

- Start with a small note
- Lend on your first deal
- Use your IRA to invest passively
- Or just talk it through one-on-one...

I'm ready when you are.

Let's make your money work harder, with less stress — and start building steady, secured income together.

Thank you, and God Bless

Sincerely,

Justin Patterson

Next Steps:

👉 Visit www.NotePayments.com and join my email list for further education.

👉 Book a free 1-on-1 call with me at **501-441-3500**

👉 Get Deal Alerts so that you'll never miss out. Text 'add me' to **501-300-7771**

BONUS MODULE:

FAQS & COMMON CONCERNS

08 Bonus Module: FAQs & Common Concerns

You've made it through all the core training — and now you've got a solid understanding of how mortgage note investing works.

But if you're like most people, you probably still have a few questions... or maybe even some hesitations.

That's totally normal.

This bonus module is here to answer some of the most common questions and objections I hear from new investors — so you can move forward with more clarity and confidence. Most of this has been covered already, but it's often nice to see it in a different format. I hope it helps.

"How do I know I'm not overpaying for a note?"

This is where I help walk you through the numbers.

We look at:

- Property value vs. loan balance
- Borrower history
- Remaining payments
- Yield and return on investment
- Note seasoning (how long it's been performing)

If the math doesn't make sense — we don't move forward. Period.

"What if I don't know how to manage all this?"

You don't have to.

- I work with licensed loan servicing companies
- We handle all paperwork and setup
- You don't collect payments, chase borrowers, or call attorneys
- You get monthly reports and automated payments

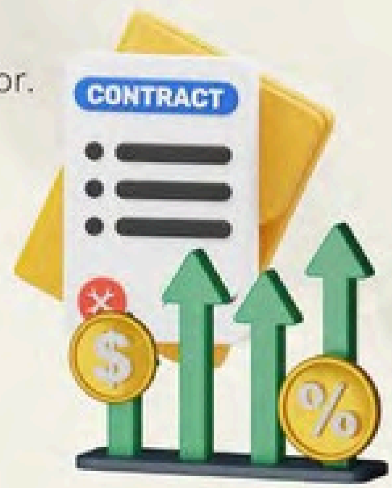
Your role? Sit back, check your email or bank account, and enjoy the returns.

"What kind of returns can I expect?"

For passive investors, typical deals range from **7% to 12% annualized,** depending on whether you're buying a note or lending against one.

- Private lenders often earn **fixed interest** (e.g. 9% paid monthly)
- Note buyers earn **passive cash flow** over time, plus the benefit of long-term yield

All backed by real estate and structured in your favor.



"How much money do I need to get started?"

It depends on the deal.

- Some notes are available for **as little as $25,000–$50,000**
- Others may require **$75,000–$150,000+,** depending on size, terms, and performance
- Private lending opportunities are often around **$30,000 to $100,000**
- **I NEVER pool money.** One note for one investor. If you need to start small, I wait on one that works. If you have more capital than only 1 note costs, then I can find you multiple notes to invest in, all separate transactions for your protection.

And again — you're never locked in without full transparency. I show you the deal, the documents, the numbers — and you decide if it fits.

"What if I just want to learn more and not invest yet?"

Perfect. That's what this content is for.

There's **zero pressure** here.

My goal is to help you understand what's possible — so when the time comes and you're ready, you'll feel confident.

Your next steps would be to:

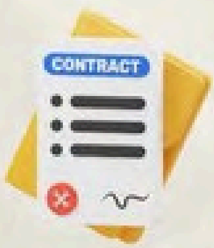
- Join my email list - visit www.NotePayments.com
- Review deal alerts when they come through
- Book a call just to ask questions

And when you're ready, I'll be here.

“What if I don’t know you personally — how do I know this is legit?”

A fair concern — and one I respect.

That’s why I run this business with transparency and professionalism:



Every deal is backed by **legal documents**

You’ll always have access to the **property info, borrower info, and full paperwork**

I work with **licensed professionals** (title companies, servicers, custodians)

I don’t ask anyone to invest until we’ve had a **real conversation**

Trust is earned — and I’m happy to take the time to earn yours. But frankly, once you understand the process and follow the steps for making a good decision, you don’t really need to know me.

“How is this different than a Ponzi scheme or scam?”

This is a fair question — especially in a world where people have been burned by shady deals.

Here’s the clear difference:

A Ponzi scheme relies on **new investor money** to pay old investors — there’s no real asset, no real income, and no sustainability.

In mortgage note investing:

- You’re investing in a real debt instrument tied to real property

- The income comes from a borrower making actual monthly payments

- Your investment is secured by legal paperwork, recorded in public records

- You receive copies of the note, mortgage, insurance policies, and servicing agreements

- If the borrower stops paying, you still own a lien on a tangible asset (the property)

In other words: **this is a real asset-based transaction, not a promise built on smoke.**

If every investor that was involved in the Bernie Madoff scandal had an actual tangible asset as collateral on their money, then not a single one of them would have lost money. Sad, isn’t it ?

“Who handles the closing and paperwork?”

Every transaction is handled professionally and legally, just like a traditional real estate deal.

When you buy a note or lend against one, we use:

- A **title company and/or attorney** to handle the closing
- A **licensed loan servicer** to manage payments and reporting
- And all documents are properly signed, recorded, and stored

Nothing is done under the table. You’ll receive full documentation, servicing setup, and confirmation that your position is secured.

As a matter of fact, you never send money directly to me! It is all handled by a closing agent.

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"Are there any costs involved in buying a note or lending?"

Sometimes, yes — but in this case they're minimal and disclosed up front.

Depending on the deal structure, you may encounter:

Closing costs (title, recording, document prep — typically $500–$1,000)

Servicing fees (usually $25–$35/month, paid from your monthly income)

IRA custodian fees, if investing through a self-directed retirement account

Occasionally, **a due diligence fee** if you're buying a note from a seller

If you're lending privately, I cover all costs as part of the deal —

If you're buying a note from me, I keep the costs very minimal. (what I mean by this is there are other websites and sources that you can find notes for sale.. And these will more than likely incur closing costs)

What we'll want to do is add any closing costs to your net cost, and make sure that your yield (ROI) isn't affected by them.

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"How do I use my IRA to invest?"

You'll need to set up a self-directed IRA (SDIRA) with a specialized custodian — these accounts allow you to invest in alternative assets like notes, not just stocks or mutual funds.

Here's how it works:

- Open a self-directed IRA with a qualified custodian

- Transfer or roll over funds from your existing IRA or 401(k)

- When a deal is available, the IRA sends funds directly to the title company or closing agent

- All income goes back into the IRA — tax-deferred or tax-free (Roth)

- You cannot touch the funds personally — everything flows through the IRA

I can help you connect with reputable custodians who make it simple.

“I’m afraid the borrower won’t pay. What happens then?”

That fear is normal — but here’s where note investing shines:

Even if the borrower stops paying, you **still hold a lien on the property.**

You’re not left in the dark. You can:

- Let your **loan servicer handle collections**
- Start a **foreclosure process,** depending on the state
- Offer a **loan modification or payment plan**
- Accept a **deed-in-lieu** to take back the property
- Or **sell the note** to another investor who specializes in non-performing notes

The key is that you’re **not unsecured.** You have real rights and real remedies — and in many cases, the borrower **resumes paying** once they know the note holder is professional and proactive.

And, you can always call me for guidance.

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"How do I calculate yield or return on a note?"

Great question — and easier than you think.

Yield (also called **return or ROI**) is based on:

- The **price you pay** for the note
- The **monthly income** you receive
- And how long the borrower is expected to pay

Let's say:

- You buy a note for **$90,000**
- The borrower pays **$850/month**
- That's **$10,200/year**

Your yield is roughly **11.3% annually** ($10,200 ÷ $90,000).

The best answer to this question is to use a yield calculator. Once you plug in the variables, it computes your yield.

> *If you want to get more precise (accounting for amortization, balloon payments, etc.), I can provide simple spreadsheets or walk you through a free calculator. But with my deals, you'll know your* ***expected return up front*** *before moving forward.*

Final Encouragement

If you've come this far, you already understand more about note investing than 95% of people out there.

Now it's just a matter of **deciding what kind of investor you want to be** — and taking the next small step.

Start slow. Ask questions. Learn a little more.
Or, if you're ready, explore a deal with me and get your first passive investment rolling.

No pressure. Just opportunity.

Let's build something smart — together.

Justin Patterson