THE Huddel

FROM THE TALK "PAPER RICH" · THE HUDDEL

The Seller Financing Field Kit

Checklists, scripts and math for creating notes someone will buy, servicing them without losing your life, and turning paper into cash.

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PART 1 · CREATE

The investor-grade note scorecard

Every note gets underwritten twice: once by you, and again by whoever buys it from you. Check all seven before you close, and you'll write notes that sell for more.

- [ ] **1. The asset holds up**
  Same diligence you'd do to buy it: access, utilities, zoning, flood, comps. A note buyer underwrites the dirt in case of default. **Red flag:** landlocked, no comps, or priced way over cash value.

- [ ] **2. Clean title**
  At minimum, your title commitment from when you bought it. Gold star: close through a title company with a lender's policy. **Red flag:** no title work at all.

- [ ] **3. Real down payment**
  The higher the better. Down payment is your buyer's skin in the game, and the first thing a note buyer looks at. **Red flag:** a few hundred dollars down. ($500 down buys $500 of commitment.)

- [ ] **4. Buyer qualified**
  Know who you're lending to: identity, income story, and whether the payment makes sense for them. **Red flag:** you've never spoken to them.

- [ ] **5. RMLO review**
  A third-party residential mortgage loan originator review runs about $500. Cheap insurance, and many note buyers ask for it. Required in more situations when there's a dwelling.

- [ ] **6. Deed of trust or mortgage**
  Beats a contract for deed: less liability, less paperwork, easier to explain to a borrower, and easier to sell. **Red flag:** an unrecorded contract for deed.

- [ ] **7. Verifiable pay history**
  Payments recorded in servicing software or by a servicer, so a buyer can verify the history in minutes. **Red flag:** Venmo screenshots and a spreadsheet.

Score it: 7 of 7 is a note you can sell at a fair yield. 5-6, expect a bigger discount. Under 5, fix it before you close.

PART 1 · CREATE (BUY SIDE)

The paper chain check

Buying a note or a contract for deed from someone else? Three of my worst deals came from skipping one of these. Check every box before you wire.

- [ ] **Every assignment, in order**
  Original seller → every assignee → you. Signed, and recorded where your state expects it. Look for anti-assignment clauses in the contract itself.
- [ ] **Is the original contract or deed of trust recorded?**
  If it isn't, know what that means for you in that state before you buy.
- [ ] **Property taxes current**
  Pull the county tax record yourself. Don't take the seller's word.
- [ ] **HOA status and CC&Rs**
  Get a dues statement and read the CC&Rs. Some make new owners liable for the prior owner's unpaid dues.
- [ ] **Pay history from the servicer**
  Not a summary. The ledger, with dates and amounts.
- [ ] **The borrower is reachable**
  A current phone and email, and a notice of servicing transfer you can send on day one.
- [ ] **You know the cost to take it back**
  The foreclosure or forfeiture process in that state, the timeline and the cost, compared to what the property is worth.

What these cost me

Rome, GA: $500 down on a $16,000 lot, and the buyer stopped paying. **Pontiac, MI:** a contract for deed with gaps in the paper chain, and a buyer who went quiet. **Lake County, CA:** the buyer paid off, then the HOA billed me $4,394, partly for dues from before I owned it.

PART 2 · SERVICE

Day-one servicing setup

You'll work with this borrower for 10 years. The work you do in the first week decides how much follow-up you do for the next 119 months.

The first week

- [ ] **Loan set up** in your servicing system with the signed note attached
- [ ] **Welcome call.** Walk them through how to pay. Don't just email.
- [ ] **Autopay on** before the first payment is due
- [ ] **Late fee and grace period** explained out loud, matching the note
- [ ] **Tax and insurance** responsibilities confirmed in writing
- [ ] **Year-end plan** for statements and 1098s

Five rules I service by

1. **Document everything.** Calls, notices, pay history.
2. **Autopay is your best friend.** Work up front, less follow-up.
3. **Pick up the phone.** Then write down what was said.
4. **Understanding, but firm.** It's your business, not a charity.
5. **Expect life to happen.** Decide your leniency before it does.

Three ways to service

	Do it yourself	Software	Pro servicer
Cost	Cheap, until a mistake	Affordable, grows with you	Premium per loan
Your time	All of it	Setup and onboarding	Managing the manager
Selling the note	Hard to verify	Easy to verify and transfer	Verifiable, more coordination

What to look for in software: borrower autopay and a portal, pay history a buyer can verify, statements and 1098s handled, easy loan transfers, and a price that grows with your book. I use Terra Notes. Jake owns Terra Notes.

PART 3 · EXIT

Four ways out of a note

Rich on paper, short on cash? You have more options than waiting 10 years.

Keep it

Collect the payments. Slow, steady and wealth-preserving.

Sell it

Cash today. Note buyers price for roughly a 10-25% yield.

Sell a partial

Sell the next few years of payments. Cash now, keep the back end.

Borrow against it

Banks, personal loans or project-based hard money, with your notes as collateral (hypothecation).

What a buyer pays: a quick example

A brand-new $50,000 note at 10% for 10 years pays $660.75 a month. A buyer pays the present value of those 120 payments at the yield they want:

Buyer's target yield	Price they'd pay	Cents on the dollar
12%	$46,055	92¢
15%	$40,955	82¢
20%	$34,191	68¢
25%	$29,045	58¢

The takeaway: the buyer's yield is your discount. Everything on the scorecard (down payment, title, loan type, pay history) pushes the yield a buyer demands down and your price up. Seasoning helps too: 12+ months of on-time payments is worth real money.

Run your own numbers with the free Be the Bank calculator at thehuddel.com/tools.

ON THE BUY SIDE

How to ask for seller financing

The most underused move in land. Always ask. Here's how I do it.

1. Give two prices

> "I can do $[cash price] cash and close in [X] days. Or, if you're open to carrying the note, I can pay $[higher price] with $[down] down and [rate]% over [term] years. That's $[monthly] a month, and you'd collect $[total] over the life of the loan. Spreading the sale out may also help you on taxes. Worth asking your CPA."

2. Send the full amortization schedule

Show every payment and the total they'll collect. Sellers think in totals. The schedule does the selling.

3. Name the servicer up front

"Payments will be handled through [servicing software or company], so you'll get statements and a payment history every month." It makes you look legit, and it is.

4. Plan for reselling on terms

If you'll resell on terms (a wrap), ask the seller to leave out the due-on-sale clause, and tell them plainly why. Make sure your buyer's payment comfortably covers yours.

5. Subdividing? Set release prices first

Agree up front what it costs to release each tract from the seller's lien. A fair starting point: acreage % = loan %.

Example: 100 acres, $200,000 loan, releasing a 25-acre tract	Release price
Acreage % = loan % (25%)	$50,000
What banks and hard money lenders typically ask (110-150%)	$55,000 - $75,000

Education, not legal or tax advice. Have a real estate attorney in that state review your documents.

THE CASE STUDIES

The math from the talk

Case 1 · The wrap · 37.77 acres, Coconino County, AZ

	Bought (seller financed me)	Sold (I financed my buyer)
Price	$28,000	$40,000
Down	$7,000	$1,000
Rate and term	7%, 7 years	8.3%, 10 years
Payment	$316.95	$479.38 + $20 fee

The plan: $6,000 net in, $182.43 a month in spread for 7 years, then $499.38 a month for 3 more. Roughly a 39% IRR on paper, before closing costs and taxes.

What happened: the buyer stopped paying. I foreclosed, paid off my underlying loan, and sold it on terms again. That note is still paying today.

Case 2 · The subdivide · 80 acres, Pawnee County, OK

Bought for $204,000 with $0 down on hard money at 20%, 12-month balloon (about $3,400 a month). **Split** into 4 tracts and sold all four on terms at 10.9%, 20-year amortization: tracts 1-3 for $270,000 ($40,000 down) and tract 4 for $100,000 ($12,500 down).

Option A: sell both notes	Option B: keep both notes
$295,771 in down payments and note sales - $204,000 hard money - $10,201 in interest (3 payments) **= about $81,570 profit inside a year**	**$3,296 a month** for 20 years (incl. $20 fee on each) But the $204,000 balloon is still due at month 12: about $151,500 to pay off after the down payments.

I sold. The notes went for about 75-77 cents on the dollar, roughly a 15-16% yield for the buyer.

KEEP GOING

Get paid like the bank.

Everything at The Huddel is free. Real deals, real numbers, and the mistakes too.

- **Be the Bank calculator:** run a seller-financed sale or a note purchase before you sign. thehuddel.com/tools
- **Notes FIRE:** how many notes it takes to cover your bills, and when.
- **The Huddel newsletter:** one real move every Thursday.
- **The Austin meetup:** monthly, for people doing this.

Hit reply on any Huddel email and tell me what deal you're working on. I read every one. - Jake

Jake owns Terra Notes. Education, not financial, legal or tax advice.

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