



Create Consistent Income *Through* Real Estate **Notes**

ASPEN FUNDS

ABOUT YOUR PRESENTER

BOB FRASER | CO-FOUNDER & CHIEF FINANCIAL OFFICER

Mr. Fraser has 20+ years experience in finance, investing and technology and has held several CFO and CTO positions. Fraser is a former E&Y Entrepreneur of the Year winner when he founded a technology company that became one of the fastest growing companies in the Midwest reaching 250+ employees. He was Magna Cum Laude graduate of U.C. Berkeley's computer science program.





ABOUT ASPEN FUNDS

8+ years

Track Record

100+ years

*Team Real Estate
Experience*

3,500+

Total Loans Purchased

50

*Number of States
Invested*



THE SEARCH FOR INCOME INVESTMENTS

Aspen Income Fund vs. Other Asset Classes

	Aspen Income Fund	Bonds	Stocks / REITS	Real Estate
Liquidity	✓	✓	✓	✗
High-Yield	✓	✓	✓	✗
Low Volatility	✓	✗	✗	✓
Asset-Backed	✓	✗	✓	✓
Tax Efficient	✓	✗	✗	✓
Low Leverage	✓	✓	✗	✗



STORY OF SANDY D.

- A retired client of ours was trying to find a cash flow investment to generate income
- He created a combination of CD's and a bond ladder
 - Overall his return was ~3%
- By investing in our note fund, we was able to **3x his income** and **reduce his risk to market volatility**



RENTAL REAL ESTATE

Cash flowing real estate has some benefits

- Potentially good yields
- Less volatile

BUT... As a Landlord, this could be you on Labor Day Weekend

The Terrible T's!

Toilets



Tenants



Termites





REAL ESTATE NOTES: BE THE BANK

- What is better than owning real estate? Becoming the Bank!
- You can buy these notes at discounted prices and receive monthly mortgage payments
- Mailbox money





LIEN-LORD VS. LANDLORD

When you purchase mortgage notes, **you become the bank**

ADVANTAGES OF BUYING NOTES VERSUS RENTALS

- ✗ No property management
- ✗ No maintenance responsibilities
- ✗ No managing tenant issues
- ✓ Lien secured by real estate
- ✓ Collect mortgage payments – mailbox money
- ✓ Liquid secondary market versus selling costs of exiting assets



WHY WE LOVE REAL ESTATE NOTES

Discounts!

Discounts give us:

1. Higher yields
2. Profits on exit
3. Protection



REAL ESTATE NOTE: CASE STUDY No. 1

Location: Glenwood, IL



Financial Info

1 st Mortgage:	\$95,000
<u>Home Value:</u>	<u>\$132,000</u>
Homeowner Equity:	\$37,000
LTV:	72%

**Results not guaranteed. Past performance not indicative of future results. These are examples ONLY!*

Mortgage Info

- Lien Priority: First mortgage
- Payoff: \$95,000
- Interest Rate: 5.375%
- Monthly Payment: \$649.24

Strategy: Cash Flow

- Purchase Price: \$45,835
- Discount to Payoff: 52% discount
- Effective Yield: 17%
- Investment to Value (ITV): **34.7%**

Margin of Safety

- Nearly 300% Equity coverage
- Zillow Rent Est.: \$1,795/mo.
- 107% capital gain on refi or resale



REAL ESTATE NOTE: CASE STUDY No. 2

Location: Friendswood, TX



Financial Info

1 st Mortgage:	\$143,000
<u>2nd Mortgage:</u>	<u>\$52,000</u>
Loan Total:	\$195,000
Home Value:	\$220,000
LTV:	89%

**Results not guaranteed. Past performance not indicative of future results. These are examples ONLY!*

Mortgage Info

- Lien Priority: Second mortgage
- Payoff: \$52,000
- Interest Rate: 11.1%
- Monthly Payment: \$500, 5 yr. balloon

Strategy: Cash Flow

- Purchase Price: **\$35,000**
- Discount to Payoff: **33% discount**
- Effective Yield: 17%

Outcome

- After 4 years of payments, borrower refinanced
- Aspen I received \$24K in monthly payments, and \$50K from payoff funds



FAQs



WHY ARE NOTES SOLD AT A DISCOUNT?

There is a very active secondary market for real estate notes. It is still a fairly inefficient market.

Most of the cash flowing notes are what's called a re-performing loan modification.

- Borrower usually has temporary crisis that causes them to need to adjust payments

Banks want to get rid of them because of regulators and not a core competency



WHERE DO I BUY NOTES?

- **Direct from Banks**

Generally smaller or regional banks asset managers are looking to sell

- **Hedge Funds**

Hedge Funds buy these in large quantities from larger banks and then need to sell due to tax consequences

- **Private Mortgage Lenders**

Another great source for real estate notes are from private lenders that have seller-financed a property and now looking to sell



WHAT HAPPENS IF THEY STOP PAYING?

- Most of the time borrowers continue to pay as agreed and you receive mailbox money.
- But, this does happen in rare circumstances. Aspen Funds has historically experienced between a 5-10% redefault rate.
- But, you have a **secured lien**
 - There are many strategies to deal with a situation like this.
- Aspen Funds generally profits even when borrowers redefault – advantage of a managed fund
 - Recovery rate has been 30%+ ROI, including write-offs



ACTIVE VS. PASSIVE INVESTING?

1. **Leverage expertise** of experienced managers – leverage our teams' track record and experience in real estate
2. **Management of assets** – actively managing assets is a lot of work; outsourcing that frees up time & energy
3. **Deal flow** – one of the biggest challenges for active investors is keeping capital deployed
4. **Liquidity** – unlike other RE investments, there is an active secondary market, and we allow liquidity after 1 year

QUESTIONS?

- What other questions do you have?
- [Visit our Virtual Booth](#) in the exhibit hall
- At the booth, you can download resources including:
 - ❑ Free Mortgage Note Investing Guide
 - ❑ Free Passive Real Estate Investing Guide
 - ❑ Executive Summary on our Income Fund, and more



NEW PODCAST

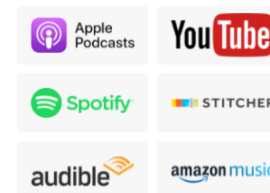
www.TheBillionairePodcast.com

Check out our new podcast,
where we discuss:

- Alternative investment strategies
- Interview successful passive investors
- Discuss economics, and more!



Listen On :





THANK YOU!