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Loan Acquisitions and Secondary | Market Funding



NOTE SELLER HANDBOOK

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INTRODUCTION

Hello and greetings! This report is intended to help you understand more about the note you carried back when you sold your house, land or other real estate. It is written for the layperson. In other words, it is written for someone who is not a real estate specialist. Many topics will be discussed, including the following:

- How much is your note really worth?
- Why record keeping is vital to your note's value.
- A simple technique that can avoid tax problems.
- What to do when the payments are late.
- What to do if the payments stop and when to foreclose.
- A simple step you can take to verify the safety of your note.
- How to get top dollar if you sell all or part of your note.

In Section 1 of this report, we will review some basics of seller carry back notes. It might be a good idea while you're reading this section to refer to Appendix A that is a glossary of real estate financing terminology.

In Section 2, we will show you an example of the creation of a seller carry back note in order to illustrate several points. Chances are very good that you sold your property for less than you think. We'll show you why.

In Section 3, We will describe the steps you can take to assure the safety of your note. We will also describe how to maximize your note's value and how to make sure the payments are paid on time. Section 4 will also describe how to handle late or delinquent payments. We will describe alternatives to foreclosure if the payments stop altogether. Sometimes it can even be to your benefit when the payments stop. We'll explain.

In Section 4, we will show you several ways to sell all or part of the note that was created in the example of Section 2. You'll see why selling part of your note is like having your cake and eating it, too. Section 4 concludes with a discussion of tax reporting for note holders. You'll see why an amortization schedule for your note is vital. We'll tell you how to get one for your note.

Section 5 describes how a note is valued and how to get the best offers on your note when you sell.

We invite you call us if you have questions about your note. Call **Abby J. Shemesh** at (800) 698-3650 ext. 3.

Abby J. Shemesh
Managing Partner | Loan Acquisitions Director
Amerinote Xchange, LLC

SECTION 1

THE BASICS OF SELLER CARRY BACK NOTES

Whenever any person, partnership, trust, corporation or any other entity becomes a lender on a piece of real property, a promissory note is created. You became a lender when you sold your real estate and carried back a note.

The Promissory Note

A promissory note is a written promise to pay a certain amount of money, and its payment is secured by some type of security instrument that becomes a lien on the real property.

The note specifies: (1) the amount of the loan (principal); (2) the interest rate (interest); (3) the amount and frequency of payments (debt service); (4) when the borrower must repay the principal (due date); and (5) the penalties imposed if the borrower fails to timely pay or tender a payment (late charge) or decides to pay a portion or all of the principal prior to the due date (prepayment penalty). The promissory note identifies the person who makes the payments to you (the buyer of your property—the borrower) and the person who receives the payments (you).

The Security Instrument

The security instrument is the document that provides for the alternate repayment of the debt to you in the case of default by the borrower. The security instrument is recorded in the county recorder’s office as a lien against the title of the property you sold.

There are three kinds of instruments used to make real estate security for a debt: (1) mortgage, with or without the power of sale; (2) deed of trust; and (3) land contract. In California, deeds of trust are by far the most common. People often call them mortgages. They account for well over 99% of the security devices used for real estate. The land contract—known by many names such as installment contract, contract for deed, contract of sale, conditional sales contract, and the like—is used on occasion. A true mortgage is extremely rare in California. However, a discussion of mortgages helps with the understanding of other security device.

Mortgage

The mortgage gives the lender a lien on the real estate and *hypothecates* it as security for the note. The borrower, who is the buyer of the property, is called the *mortgagor*. The lender is called the *mortgagee*.

If the borrower does not pay, the lender may go to court through a procedure called a *judicial foreclosure*, that is, foreclosure through the courts. In this procedure, he has the court sell the property and, out of the money obtained from the sale, take enough to pay the expenses of the foreclosure and pay off the debt.

Deed of Trust

When a *deed of trust* is used, an additional party called a *trustee* is brought into the transaction. The borrower, called the *trustor*, transfers “bare legal title” but nothing more to the trustee. The *trustee* holds this title for the benefit of the lender, who is called the *beneficiary*.

If the borrower does not pay, the lender directs the *trustee* to start a foreclosure. This *non-judicial foreclosure* involves the process of selling the Property to a third-party bidder or, in the absence of a sufficient third-party bid, the *beneficiary* acquires title to the Property. The foreclosure sale, in most cases, satisfies the debt.

If you need to direct the trustee to start a non-judicial foreclosure, you may or may not be able to recover the entire loan balance. For example, if a third party bids at a non-judicial foreclosure sale an amount equal to or greater than the amount which you are owed (including fees, costs, and expenses of the foreclosure) you would be fully paid. On the other hand, if you bid the full amount that is owed to you, including all foreclosure fees, costs, and expenses (full credit bid) and there are no third-party bids, you will generally be limited to the Property and its value as the source of repayment of the outstanding balance of the note.

Land Contract

A *land contract* comes about in a situation similar to the purchase money deed of trust. Instead of giving a deed and taking back a promissory note secured by a deed of trust, the seller enters into a land contract with the buyer in which the buyer promises to pay for the land. Ordinarily the buyer promises to pay in installments over a period of time. In the same contract, the seller promises to deed the property to the buyer when the purchase price is fully paid.

SECTION 2

CREATION OF A SELLER CARRY BACK NOTE

The following discussion also applies to first and second position liens with minor modifications. This type of transaction usually occurs because there are not enough prospective buyers who can qualify for institutional financing.

If there were, there **would** be no need for the seller to take back a note. Even when the buyer can qualify for a loan, the buyer may not have enough for the entire down payment. In this case, the buyer gets a first loan from the institution, and the seller takes back a second note and deed of trust.

Because the buyer is able to buy a property that he or she would not otherwise have been able to buy, and because the value of the \$90,000 face value note in the secondary mortgage money market is only about \$70,000, assuming yields in that market are 15% at the time of this sale, the buyer may be willing to pay more than the current appraised market value of the property. This is true because with a seller carry back note the buyer doesn't have to pay points, fees and other costs usually associated with an institutional loan.

The seller carry back note can be structured in an almost limitless variety of ways. The note can be fully amortized with no balloon payment (as in this example), amortized over a number of years, say 30 years, with a balloon payment at say 5 or 10 years. The note could be interest only with a balloon.

It can even have stepped interest payments (for example, 8% in year 1, 9% in year 2 and 10% in year 3 through the end of the term), or graduated payments (for example, \$500 per month for the first 12 months, \$600 per month in year 2, \$700 in year 3, etc.) The value of the note in the secondary mortgage money market depends on all of these parameters and more. See Section 6 of this report for a discussion of note value.

Here Is A Typical Example:

A free and clear property (with no existing loans) was sold for \$100,000. BUYER gave SELLER a \$10,000 cash down payment and SELLER carried back a purchase money Note and Deed of Trust for \$90,000. SELLER was getting no action on the property when trying to sell it for \$90,000 cash (the appraised value). Potential buyers would have had to pay all cash or qualify for a loan.

SELLER offered to sell the property for \$100,000 with 10% cash down payment to attract more buyers.

This sale is equivalent to selling the property for \$80,000 cash because the SELLER would get about \$70,000 for the note if he sold it immediately, assuming the market yield for these types of notes was 15% in the secondary mortgage money market.

SECTION 3

NOTE SAFETY

During the years after the creation of the note when you are receiving your monthly payments, there are several things you should do to keep your note safe and to maximize its value in the event you want to sell all or part of it in the future. You also need to know the best way to handle problems when they occur.

Note Safety—Loan-To-Value Ratio

A low loan-to-value ratio makes your note safer and increases its resale value. The loan-to-value ratio for your note is the sum of the current loan balance for your loan and all senior loans divided by the current market value of the property securing the note.

Loan-to-value ratio for a second loan having a current balance of \$30,000, an underlying first deed of trust with a loan balance of \$100,000 and a current property value of \$200,000 is 65% ($130,000 \div 200,000$).

The priority of your note and deed of trust on the property (first position, second position, etc.) is critical to the note’s value and should be verified by going to the county recorder’s office and researching the title if you have any doubt about its priority.

This can be done by finding the document numbers of the liens filed against the property in the grantor/grantee index at the recorder’s office and then reviewing the time stamp on each document to see which one was filed first, second, etc. You must know the priority of your note and the loan balances on any senior liens to be able to accurately calculate loan-to-value ratio.

If the loan-to-value ratio for your note is too high, there may not be enough equity in the property to pay off your note plus back payments, late charges and foreclosures costs in the event of a default and resulting foreclosure.

The loan-to-value ratio of your note should improve over time because the loan balances are being reduced. If the property appreciates, this also improves loan-to-value ratio (makes it lower).

The same low loan-to-value ratio that improves the safety of your note also makes it more valuable because the risk of ownership is reduced.

Note Safety—Storage

It is important to keep your original note in a safe place such as a safe deposit box or a fireproof safe in your home. Make a photocopy to keep with your trust deed and other escrow papers.

There are two reasons for this precaution. First, the note is not recorded in the county recorder’s office. The deed of trust is. If you lost your deed of trust, you could simply get another copy at the recorder’s office.

Second, your note is a negotiable instrument that means it can be endorsed on the back like a check. You wouldn’t keep an uncashed check lying around, so think of your note like check and take good care of it.

Many people guard their original grant deed on a property with their life. The fact is anyone can get another copy of their grant deed from the county recorder’s office, just like they can a trust deed.

Maximizing Note Value—Payment Records

Keeping a detailed, well-organized and legible payment record showing the date each payment was received, and a breakdown of the principal, interest and late charge for each amount received is important to maintaining the value of your note.

If you ever decide to sell your note, you will be required to show the payment history to a prospective note buyer so the note buyer can verify the payment patterns of the note payor.

If the payments on a “seasoned” note, which is a note with a payment history over an extended period, have been made consistently on time, the value of the note will be greater than if the payments have been late or delinquent because the perceived risk of the note is lower.

Note Problems—Late Problems

If the payments on your note are late, it is important to call the note payor and find out why the payment is late and when it will be sent. Most note payors don’t like to receive these kinds of phone calls, and just by calling you will improve your chances of receiving future payments on time. Be courteous but firm about the need to receive the payments on time.

If your note calls for a late payment charge, be sure to collect it. Many note holders have a late payment charge built into their note but do not collect it. There are two reasons to collect the late charge besides the obvious one that it is more money in your pocket.

First, you will again improve your chances of receiving future payments on time if you collect the late charge.

Second, if you don’t collect the late charges regularly, you may not be able to collect them later in the event of a foreclosure because you demonstrated that you do not enforce that part of the note contract.

Note Problems—Delinquent Payments

If a payment is more than a month overdue, it ceases to be late and becomes delinquent. If you have talked to the note payor when the payment was merely late, you have taken the first step toward solving the delinquency problem because you have established communication with the payor.

The worst thinking you can do when the payments stop is to break off communications with the payor and start a foreclosure. Foreclosure may eventually be necessary, but it should definitely not be your first option.

A non-judicial foreclosure takes approximately four months if there are not postponements of the trustee's sale. In many cases, there are multiple postponements that could further prolong the process. Usually one or two months have passed without payments before the notice of default is filed, which means that six or more payments may be in arrears before the foreclosure sale takes place.

In order for you to recoup your investment in your note, someone must bid high enough for the property at the trustee's sale to cover the remaining principal balance on your note (and any underlying notes), all the back payments and late charges, and the trustee's fees and attorney's fees.

The amounts bid by the bidders at a trustee's sale will be well below the market value of the property. If the loan-to-value ratio of your loan is not low enough, no one will bid high enough at the trustee's sale to purchase the property. In this case, you will end up with the property back and may not be able to sell it for enough to get your money back out of your note.

If the note payor declares bankruptcy, this could incur further delays and costs. Even though the court may eventually rule that the foreclosure may proceed, these additional costs could mean you might end up with the property and not be able to sell for enough to recoup your investment in the note.

Another problem with foreclosure occurs when you have to take the property back. You must report the remainder of the realized gain that has not yet been reported (see the section on *Tax Reporting For Notes*, pages 16 — 18). In other words, you must complete the tax reporting of the installment gain from when the property was sold. If you are not able to sell the property in the same year that you receive it in a foreclosure, then you must pay taxes on the gain even though you have received no cash. Then if you sell the property in a subsequent year and take a loss you can only deduct \$3000 of the loss per year.

It is best if you can get the note payor to make up the delinquent payments, but sometimes this is not possible because the delinquency may have been caused by the payor's loss of a job and other loss of income during a period of several months.

Many times a payor can resume making payments but cannot make up the missed payments. If this is the case, it is an excellent opportunity to restructure the note so that you have a more valuable note. The payor will usually go along with a restructuring because it solves his problem also. In other words, you agree not to foreclose if the payor agrees to restructure the note.

Restructuring a note requires some special expertise and you should only do this yourself if you feel confident you know what you are doing. If you want help restructuring a note, call **(Enter Your Name)** or at *Enter your company and phone number*.

If the payor is not able to resume payments, you have two options—start foreclosure or sell the note. Sometimes you can still work with the note payor to restructure the note after the foreclosure has been started.

To start a foreclosure, notify the trustee of the default and request a foreclosure. The process will proceed according to the process described in Appendix B.

If you sell the note when payments are delinquent, but before a foreclosure is initiated, you will not receive as much cash for the note as you would if payments were not delinquent, but probably more cash than you would if the foreclosure is already in process. This is because if you sell the note before the foreclosure process is started, the new buyer of the note has the time to try to work with the note payor to restructure or refinance.

If you want to sell a delinquent note before the foreclosure process has started, call **Abby J. Shemesh at (800) 698-3650 ext. 3**.

SECTION 4

SALE OF A SELLER CARRY BACK NOTE

A secured real estate note can be sold at any time from the day it was created until the day of the last payment. What is actually being sold is the stream of monthly payments. A note holder can sell all the payments (a full sale) or part of the payments (a partial sale).

There are so many options available to the note holder for full and partial sales; they are too numerous to mention. If the note holder is working with a knowledgeable note buyer, the note buyer can structure options designed specifically for the cash needs of the note holder.

It is important to know that all of these sales are equivalent. In other words, a note buyer would be equally happy with any of these purchases from a note holder.

Example Of A \$90,000 Note On Which You Are Receiving Payments

Sale Price = \$95,000

Loan To Value = $\$84,257/\$95,000 = 89\%$

- **\$90,000 Face Value Note**
- **10% Interest Rate**
- **15-Year Term (180 Payments)**
- **\$967.14 Monthly Payments**

24 payments have been made. The current Balance owed is \$84,257.15.

Buyer's Equity \$10,742.67
First Trust Deed \$84,257.15 Owed Now

(See Appendix C for the Amortization Schedule)

Some Of The Options Available To The Note Holder

1. DO NOTHING. Continue receiving the remaining 156 monthly payments of \$967.14.

2. FULL SALE. Sell the entire note now.

NOTE HOLDER GETS: \$66,229.43 CASH NOW

3. PARTIAL SALE-FRONT END PAYMENTS. Sell the next 5 years of payments (60 payments). Then receive the last 96 payments.

NOTE HOLDER GETS: \$40,653.34 CASH NOW
 \$63,736.86 Loan Balance in 5 years
 \$104,390.20 **Total Cash to Note Holder**

4. FULL SALE - SPLIT FUNDING. Sell one half of the note (the next 78 payments) now and the other half of the note (the remaining 78 payments) after the first 78 payments are paid.

NOTE HOLDER GETS: \$48,010.47 CASH NOW
 \$48,010.47 Cash in 78 months
 \$96,020.94 **Total Cash to Note Holder**

5. PARTIAL SALE - ONE HALF OF EACH MONTHLY PAYMENT. Sell one half of each monthly payment and continue to receive the other half.

NOTE HOLDER GETS: \$33,114.72 CASH NOW
 \$483.57 Per Month for 156 Months

Many other options are available. Options can be designed specifically for the cash needs of the Note Holder.

Full Sale

When the entire note is sold, it is always sold at a “discount” off the current principal balance of the note. The reason for this is that the face interest rate of the note is seldom as high as the market yield required in the secondary mortgage money market. In the example, the discount is \$18,027.90 (\$84,257.33 minus \$66,229.43) assuming the secondary mortgage money market yield is 15%. The discount could be more or less depending on the current yield requirements in the secondary mortgage money market.

Partial Sale— Front End Payments

Partial sales are very attractive from the point of view of a note holder because the note holder does not have to take a big discount. The main reason for the discount being so large (\$18,027.90 in the example) is that the payments due in the distant future are worth much less in today’s dollars than the payments that are due soon.

In a full sale, the note holder is selling all the payments, and not getting much for the ones at the end of the 15-year term—thus the large discount. In a partial sale where the front-end or near term payments are sold, most of the payment is interest. This means that the note holder gets a sizable amount of cash now (\$40,653.34 in the example) and when the note holder gets the note back after 60 payments, the balance of the note is still fairly high (\$63,736.86 in the example). The note holder then gets the remaining 96 payments of \$967.14.

A partial sale of the front-end payments is like having your cake and eating it, too. You get a sizable chunk of cash now, and when you get the note back, it has a high remaining principal balance and many payments left to collect.

In the example, the cash the note holder receives now plus the remaining loan balance the note holder receives in 5 years is more than \$20,000 higher than the current principal balance of the note. In many cases, note holders prefer this type of an arrangement rather than selling the entire note for a large discount off the current principal balance.

Full Sale-Split Funding

In the split-funded sale, the note holder is selling all of the payments but is only selling part of the ___ payments now and part of the payments in the future. This type of sale is really a hybrid between a full sale and a partial sale.

In the example, one half of the note (the next 78 payments) is sold now and the other half of the note (the last 78 payments) is sold after the first 78 payments are paid. \$48,010.47 is paid in cash now and an equal amount in 6 ½ years.

This is only one variation of a split-funded sale. The note could be split into three, four or more equal or unequal parts.

Partial Sale-One Half Of Each Monthly Payment

In this type of a sale, the note holder sells on half of each monthly payment and continues to receive the other half. This is a particularly attractive way to sell a note if you need some cash now but also want to keep part of the monthly cash flow. The example shows that one half of each of the 156 remaining payments can be sold for \$33,114.72 and \$483.57 keeps coming in every month.

Again, this is only one variation of this type of sale. Many different variations are available to suit your needs as a note holder.

Tax Reporting For Note Holders

When real property is sold, and a purchase money note and deed of trust are carried back by the seller as part or all of the purchase price of the property, the gain on the sale is reported on the seller's tax return as an installment sale.

The amount of interest received each year by the seller or note holder must be reported on Schedule B of Form 1040. This is a very simple process if the note holder has an amortization schedule for the loan, which summarizes the interest portion of each payment received.

A portion of the principal received each year must also be reported on Schedule D of Form 1040 (and supporting Form 6251 for Installment Sales). This is not as simple as the tax reporting for interest.

The total amount of the gain on the sale is called the *realized gain*. Realized gain is the net sales price less the cost. The amount of the realized gain that is reported each year on the note holder's tax return is called *recognized gain*.

Refer to Appendix C—AMORTIZATION SCHEDULE—\$90,000 NOTE. The amortization schedule shows the amount of interest and principal reduction for each payment, and the yearly totals.

For this example, we will assume that the cost of the property (cost basis) was \$40,000. The realized gain is the sales price (\$100,000) less the cost (\$40,000) or \$60,000.

A simple technique for properly computing the recognized gain for each year's tax return, and thus avoiding tax problems, is to first compute the gross profit percentage which is the realized gain divided by the sales price. In the example, this percentage is \$60,000 divided by \$100,000 or 60%.

In the example, the property was sold in December 1988. The cash down payment was \$10,000 and no payments were received on the note in 1988 because payments did not start until January 1989.

The amount of the gain to report on Schedule D in the first year (1988) is 60% of the \$10,000 down payment of \$6,000. For 1989, the amount to report on Schedule D is 60% of principal received in 1989 (\$2,728.49 from appendix C) or \$1,637.09.

For the next year, 1990, the amount to report on Schedule D is 60% of principal received in 1990 (\$3,014.18) or \$1,808.51. In our example, we assumed that the note holder sold the note after two years. Therefore, he also has to report the net amount he receives on the sale of the note in 1990.

The additional amount to report in 1990 is 60% of the remaining note balance of \$84,257.33 or 50,554.40. Notice that the total of the four amounts reported (\$6,000 + \$1,637.09 + \$1,808.51 + \$50,554.40) is equal to the \$60,000 realized gain that must be

reported over the life of the note.

However, what about the discount? The note holder did not receive the entire remaining balance of \$84,257.33 when he or she sold the note. The note holder received \$66,229.43 in our example.

In this case, the note holder takes the entire discount of \$84,257.33 less \$66,229.43 or \$18,027.90 as a tax deduction thus reducing the amount to report on Schedule D in 1990 from \$50,554.40 to \$32,526.50.

Tax reporting for partial sales and split funded sales are somewhat more complicated than this example for a full sale. You should consult your tax advisor for the tax reporting method for these types of sales.

As you can see from this example, it is very important to have an amortization schedule for your note. If you don't have an amortization schedule, you can get one like the example shown in Appendix C by following the instructions in Appendix E —*Low Cost Amortization Schedule For Note Holders*.

Another important reason to have an amortization schedule is that California law requires you, as the holder of a real estate note, to provide an annual statement to the payor of the note within 60 days after the end of each year. This statement itemizes and accounts for the entire principal and all the interest received during the year. If you have an amortization schedule for your note, the yearly principal paid the yearly interest paid are simple taken from the yearly totals shown on the amortization schedule.

SECTION 5

WHAT IS YOUR NOTE WORTH

Another way of asking this question is “How much of a discount must I take if I sell my note?” All notes are purchased at less than the remaining balance of the note if the whole note is purchased. This difference between the remaining balance and the purchase price of the note is the “discount.”

There is no standard discount because there are no standard notes or standard properties. Each note is different and each note must be individually researched in order to determine its highest value.

If you do not need all the cash from your note immediately, it is possible to receive 100% or more of the remaining balance of your note by selling only a part of the payments on our note now. This is illustrated in section 4 of this report.

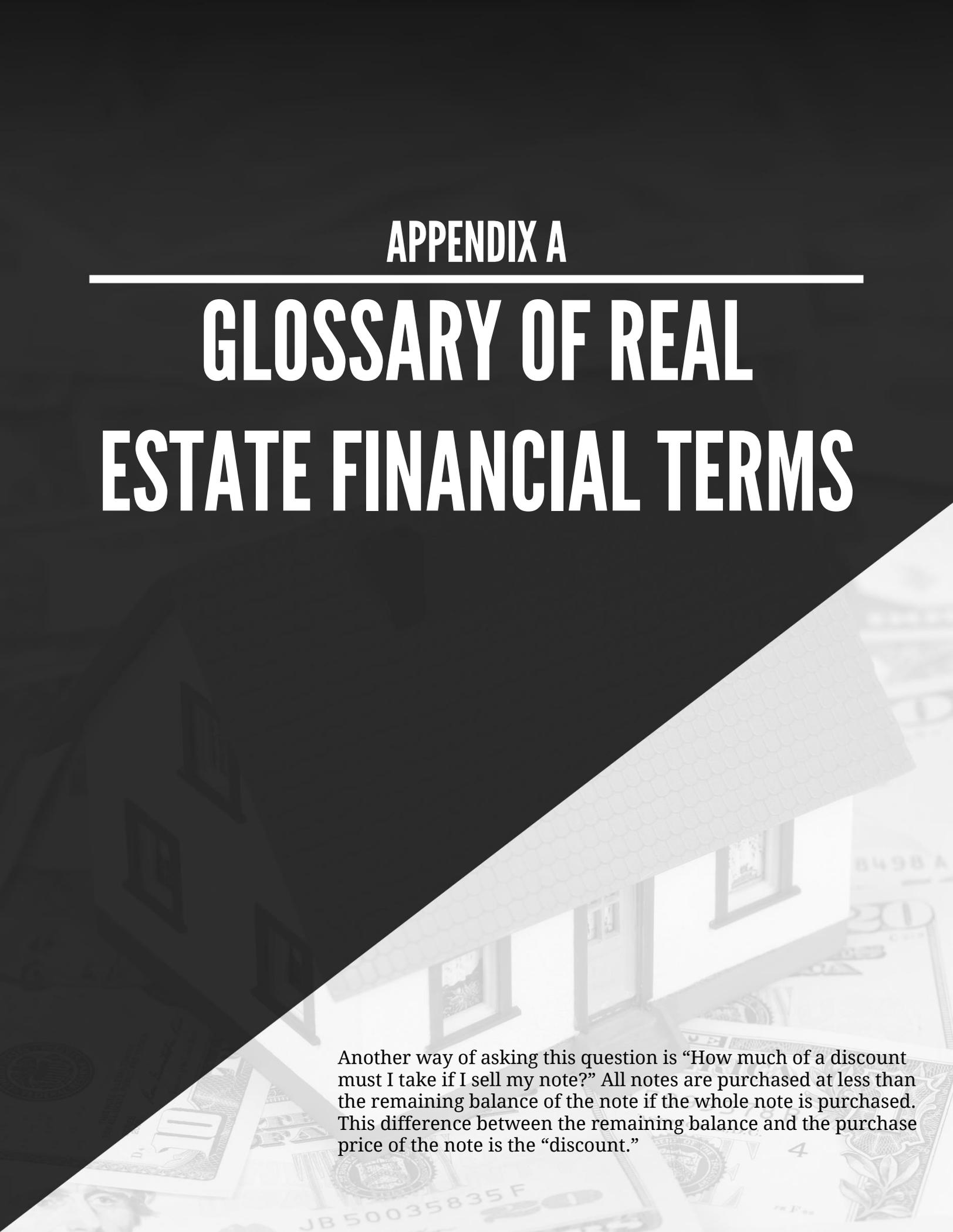
The best way to find out how much your note is worth is to get a quotation from a professional note buyer. Be wary of some people who may approach you offering to buy your note for cash. Many of these buyers will attempt to give you a low-ball offer, whereas a professional note buyer will be more competitive with current secondary mortgage money market rates.

Also, many amateur note buyers don't know how to structure partial offers tailored to your needs as a note holder and many don't know how to close the transaction properly so both the note holder and the note buyer are protected.

If you want to get a no-obligation quotation on your note, see Appendix F - **FREE PURCHASE QUOTATION FOR YOUR NOTE** or click on this link >>> <http://www.amerinotexchange.com/get-a-quote/>.

APPENDIX A

GLOSSARY OF REAL ESTATE FINANCIAL TERMS



Another way of asking this question is “How much of a discount must I take if I sell my note?” All notes are purchased at less than the remaining balance of the note if the whole note is purchased. This difference between the remaining balance and the purchase price of the note is the “discount.”

Abstract of Title

A summary of all the recorded instruments and proceedings that affect the title to property, arranged in the order in which they were recorded.

Accelerate

To make a debt due and payable at once.

Acceleration Clause

A provision in a note, mortgage or trust deed that permits the holder to declare the entire unpaid balance due and payable at once upon the happening of some particular event, such as failure to pay an installment on time or sale of the property used as security.

Accrued interest

Interest that has been earned but is not due and payable.

Acknowledgment

A formal declaration before an authorized official (usually a notary public) by the person who executed 'a document stating that he did in fact execute it. The notary public signs and puts his seal on a written statement describing the declaration. This written statement, or acknowledgment, is required on most instruments before they may be recorded.

All-Inclusive Contract of Sale, Mortgage or Trust Deed - See Wrap-Around Contract of Sale, Mortgage or Trust Deed.**ALTA Title Insurance Policy**

A type of title insurance issued to lenders that gives greater coverage than a standard policy by insuring against additional item, such as unrecorded physical easements, unrecorded mechanic's liens, water and mineral rights, facts a physical survey would show, and rights of persons in possession..

ALTA (Formerly ATA title insurance policy)

is an abbreviation for American Land Title Association, a trade association of title insurance companies.

Amortization

The repayment of a debt in installments.

Amortized Loan

A loan that is completely paid off in installments.

Amortized Note

A promissory note that is completely paid off in installments.

Annual Statement

A statement required by California law statute to be given by a note holder to the payor within 60 days after the end of each year itemizing and accounting for the money received during the year just ended.

Appraisal Report

The report, written by a real estate appraiser, stating the appraiser's opinion of the value of real property.

Appraised Value

An estimate or opinion of value at a stated time. The opinion of Value expressed by a real estate professional known as a real estate appraiser.

Assessed Value

The value placed on property for taxation purpose.

Assessor

An official who has the responsibility of determining assessed value.

Assign

To transfer title to personal property or a right or claim to another person.

Assignee

A person to whom title to personal property or a right or claim is transferred.

Assignment

A transfer by one person (the assignor) to another (the assignee) of title to personal property.

Assignor

A person who transfers title to personal property or a right or claim to another person.

Assume

To take over the obligation of another, for example, to assume a note and deed of trust.

Assumption Agreement

An agreement under which a person (usually a buyer) “assumes” (that is, agree to pay) a note and mortgage or deed of trust on a property.

Balloon Payment

A final installment payment, larger than previous installments, that pays off a debt.

Bene Statement

See **Beneficiary Statement**.

Beneficiary

The person entitled to the benefit of a trust. In a trust deed the beneficiary is the creditor who is secured and for whose benefit the trustee holds legal title.

Beneficiary Statement

A statement by the holder of deed of trust stating the amount of the unpaid principal on the note and other information about the debt. The holder is required to give this statement upon payment of a small fee. Also called an offset statement or a bene statement.

Blanket Mortgage or Blanket Trust Deed

A mortgage or deed of trust covering more than one piece of property. For example, it may cover an entire subdivision and provide for a partial reconveyance of individual lots as they are sold.

Call

to declare the entire debt due at once.

Certificate of Discharge

A written instrument executed by the mortgagee and given to the mortgagor when the debt secured by a mortgage is satisfied to show that the mortgage is released. Sometimes called a release of mortgage.

Certificate of Sale

A certificate issued to the buyer at an execution sale or judicial foreclosure sale. The holder of the certificate is entitled to a deed if the owner of the property does not redeem it within 1 year.

Closing Statement

A statement from an escrow agent given to the parties to an escrow when it closed, accounting for all funds received into and paid out of escrow.

Collateral

Property used as security for a debt.

Collateral Assignment

An assignment of property for security purposes rather than absolute assignment.

Community Property

Property acquired by a husband and wife while married and not separated, except property acquired by gift, will or inheritance and certain other items specified by statute. Any other property owned by a husband or wife is separate property.

Comparison Approach

See **Market Data Approach**.

Compound Interest

Interest computed not only on the principal but also on previously accumulated interest.

Conditional Sale

A contract for the sale of property stating that although delivery is to be made to the buyer, the title is to remain vested in the seller until the conditions of the contract have been fulfilled.

Conditional Sales Contract

See **Land Contract**.

Consideration

Anything of value given to induce another party to enter into a contract.

Contract

An agreement between two or more parties to do or not to do certain things for the breach of which the law will give remedy.

Contract for Deed

See **Land Contract**.

Contract of Sale

See **Land Contract**.

Conventional Loan

A loan made without government guarantee.

Conveyance

A written instrument that transfers title to or an interest in real property.

Corporation

An artificial person, created by law that has certain powers and duties of a natural person.

Cosigner

A person who signs a note as an additional maker to help another maker secure a loan.

Cost Basis

The aggregate amount an owner pays to acquire an asset plus all capital improvement, if any, less capital losses and depreciation taken.

Credit Report

A report on a credit applicant from a credit reporting service stating creditors' experience with the applicant and frequently containing information or estimates about the applicant's assets, liabilities and character.

Creditor

A person to whom a debt is owed.

Current Value

The value at the time of appraisal.

Debt Financing

The use of borrowed capital to finance the purchase of property.

Debt Service

The sum of money needed each month or year to amortize a loan.

Debtor

A person who owed a debt.

Declining Principal Loan

A loan for which interest is calculated each month, quarter, etc., on the remaining balance of the loan.

Deed

A written instrument transferring title to real property from one person to another.

Deed of Reconveyance

See **Reconveyance Deed**.

Deed Of Trust

A written instrument transferring bare legal title to real property to a trustee to be held as security for an obligation. Also called a trust deed. The accepted form is presented to the trustee for approval before the execution thereof by the trustor and beneficiary and before recordation. The trustee is therefore duty-bound to perform if he accepts. The automatic form is the most widely used form. It contains a provision whereby the trustee named will accept his duties when the trust deed is properly executed, acknowledged, and recorded and provided he has approved the promissory note and deed of trust. The trustee is not usually aware of the appointment until called on to act in case of default by the trustor.

Default

Failure to fulfill a duty or promise, or to discharge an obligation; omission or failure to perform an act. In property foreclosure, usually the failure to pay loan installment payments when they become due.

Defeasance Clause

A provision in a mortgage that allows the mortgagor to have his property released from the mortgage when the secured debt is paid.

Deficiency Judgment

A judgment for the amount left unpaid after a property has been sold at a foreclosure sale when the net proceeds are not sufficient to pay off the loan.

Demand Note

A note that is payable on demand of the holder.

Discount

(1) To sell a note for less than the unpaid balance due on it. (2) The dollar difference between the unpaid balance of a note and the price for which a note holder sells the note.

Discount Interest

Interest that is deducted from the principal amount of the loan in advance by the lender on the first day of the loan, hence increasing the lender's yield.

Discount Points

A fee, expressed a percentage of the loan amount, when making a loan. Points increase the yield.

Dragnet Clause

A clause in a deed of trust that makes it security not only for the present loan but also for any other past or future debt to the beneficiary.

Due-On-Sale Clause

A clause in a note or deed of trust giving the holder the right to declare the entire debt due and payable if the owner sells or contracts to sell the property. Also called a due-on-alienation clause.

Effective Interest Rate

The actual cost the borrower pays in interest for his loan. Also called true interest rate.

Encumbrance

In a legal or technical sense, anything that limits or affects the ownership of property, such as a lien, mortgage, easement or restriction. In the daily language of real estate people, the term usually means a lien.

Endorsement

A signature placed on the back of a note or check to transfer ownership. An endorsement in blank guarantees payment to later holders. An endorsement without recourse, or qualified endorsement, does not guarantee payment to later holders.

Entity

A form of business organization.

Equitable Title

The ownership held by a buyer after he has contracted to buy property but before legal title has been conveyed to him.

Equity in Property

The current market value of a property less the amount of all liens and charges against it.

Equity Loan

Junior (subordinate) loan based on a percentage of the equity.

Equity of Redemption

(1) The right of an owner to redeem his property after he has defaulted on a mortgage. (2) In California the term is usually applied to the right of an owner to redeem his property for 1 year after judicial foreclosure sale. Also called right of redemption.

Equity Return or Buildup

Dollars paid to principal on a loan that reduces the outstanding balance.

Escalation

The raising of some item, such as the interest rate or size of installment payments. The right to escalate the interest rate or size of payment may be given by contract to the lender under specified conditions.

Escalator Clause

A clause providing that an item will be adjusted upward or downward under certain conditions. For example, a note may provide that the interest rate goes up or down as the cost of living index rises or falls.

Escrow

The deposit of items such as money, deeds, and other instruments by contracting parties with a neutral part, called an escrow holder or escrow agent, to be held until all the terms and conditions of the escrow are fulfilled. Then there is a close of escrow, and the items are delivered to the respective parties entitled to them.

Escrow Officer

An employee of an escrow agent who has the responsibility of handling and closing escrows.

Estoppel Certificate

An instrument executed by a note payor setting forth the status of and the balance due on the promissory note as of the date of the execution of the certificate.

Extension Agreement

An agreement giving additional time in which to pay money or perform some other obligation.

Fee

The fullest estate a person may own in real property. It is the estate almost all owners hold. Also called fee simple.

Fictitious Deed of Trust

A trust deed recorded by a trustee that does not cover an actual transaction. The trustee may then in later deeds of trust refer to the fictitious trust deed and incorporate its terms without repeating them in the part of the trust deed being recorded. This saves recording fees.

Finance Charge

The total dollar amount of all charges and interest the lender will make to the borrower over the life of the loan. Includes everything except principal.

Finder's Fee

A fee agreed to be paid to one person, called a finder, who locates another person, such as a buyer or lender, desired by the party promising to pay the fee. The fee is payable when the deal is consummated. In real estate transactions the finder may introduce the parties, but he may not engage in negotiations unless he holds a real estate broker's or a salesman's license.

First Lien

The debt recorded first (earliest in time) such as a first mortgage or first deed of trust. This debt has priority as a lien over all other debts. In cases of foreclosure, the first lien will be satisfied before other liens are paid off.

Foreclosure

The procedure of enforcing a lien by the sale of the property covered by the lien.

Foreclosure Sale

The sale of property in a foreclosure. Most often, it is the sale of the property securing a debt after default in payment.

Free and Clear

Free means a freehold estate, and in this expression it means a fee title. Clear means there are no money encumbrances against the property. Generally used to refer to a property free of mortgage debt.

Future Advance

Money loaned to a borrower after the execution of a trust deed under a clause making the trust deed security for such later advanced. Obligator future advances are those the lender is required to make under his contract with the borrower. Non obligatory future advances are those the lender is not required to make.

Grace Period

Additional time allowed to perform an act or make a payment before default occurs.

Grant

A term used in deeds of conveyance to indicate a transfer of real property.

Grantee

The party to whom the title to real property is conveyed by deed; the buyer.

Grantor

The party who conveys real property by deed; the seller.

Gross Profit Percentage

Realized gain on the sale or exchange of real property divided by the net sales price of the property. Used to multiply by each year's principal received on a purchase money note to calculate the recognized gain for the year for tax reporting.

Hard Money

(1) Cash loaned: contrasted with soft money, which means credit extended rather than cash. These expressions are often encountered in such a term as hard-money trust deed. (2) Some people use this term to mean a high-interest loan.

Hazard Insurance

Insurance against damage to property from physical hazard, such as fire and windstorm.

Holder in Due course

A person who takes a negotiable instrument, such as a note or check in good faith for value before it is past due and without notice of any defects when it was negotiated to him. Certain defenses that the maker could have claimed against the original payee, such as payment in full or in part, or certain types of fraud cannot be claimed against a holder in due course.

Hypothecation

Giving real or personal property as security without parting with possession.

Installment Contract

See **Land Contract**.

Installment Note

A promissory note calling for periodic payments.

Installments

Parts of the same debt, payable at successive periods as agreed.

Institutional lender

An institution that makes substantial numbers of real estate loans such as a bank, a savings and loan association or an insurance company.

Instrument

A writing executed as the expression of some contract, act or proceeding; for example, a deed.

Insurable Interest

An interest in property such that damage to the property would cause the owner of the interest a financial loss; for example, the interest of a tenant or the holder of a trust deed.

Interest

(1) Legally, any charge a lender or creditor makes for the use, forbearance or detention of money, no matter how the charge is labeled by the parties. (2) In daily usage, the percentage charged by the lender.

Interest-Only Loan or Note

A loan or note for which the installment payments are 100% interest; thus the payments do not reduce the principal balance of the loan or note.

Interest Rate

The charge made for a loan of money or use of credit, expressed as a percentage of the principal.

Investment-to-value Ratio

When purchasing a note and deed of trust, the amount invested in the note plus the current unpaid balances of all senior loans divided by the current market value or appraised value of the property securing the loans. Investment-to-value ratio is usually expressed as a percentage.

Involuntary Lien

A lien imposed on property without the consent of the owner; for example, real property taxes and judgment liens.

Joint Note

A note in which there are two or more makers who share equal liability on it.

Joint Tenancy

Ownership of property by two or more persons, each of whom has an undivided interest with the right of survivorship.

Joint Venture

A business entity composed of two or more people joined together to conduct a single enterprise for profit. It is treated legally almost like a partnership, but differs from a partnership by having as its objects a single venture instead of a continuing business.

Judgment

A final determination by a court of law. Most often, a judgment is for a sum of money.

Judicial Foreclosure

Foreclosure through court.

Junior Lien

An inferior or subordinate lien. For example, a second deed of trust is a junior to a first trust deed.

Land Contract

A security device used in the sale of real property. The buyer contracts to pay the purchase price in installments. The seller contracts that when the purchase price is paid in full, he will deed the property to the buyer. Until the purchase price is paid in full, the seller keeps legal title. Also called conditional sales contract, contract for deed, contract of sale.

Late Charge

A specified charge added by a creditor under his note or contract when the debtor makes his payment late or after a certain date.

Legal Description

A description of real estate sufficient to allow a competent surveyor to locate the property on the ground.

Level Payments

Payments of equal size.

Lien

A legal right or claim upon a specific property that attaches to the property until debt is satisfied.

Lien Release

A written agreement by a lien holder releasing the debtor from further obligation.

Limited Partnership

A special type of partnership with one or more general partners who manage the business and are responsible for its debts, and one or more limited partners who take no part in its management and are not responsible for its debts.

Loan-to-Value Ratio

The sum of current unpaid loan balances for all loans against a property divided by the current market value or appraised value of the property securing the loans. Loan -to-value ratio is usually expressed as a percentage.

Lock-in-Clause

A clause in a note, mortgage or trust deed setting a period during which no prepayment is allowed on the loan.

MAI

A designation for a member of the American Institute of appraisers, a part of the National Association of Realtors. The initials stand for Member of American Institute.

Maker

The person who signs a note agreeing to pay it. Also called the payor.

Market Data Approach

An appraisal technique based on sales of comparable properties. Also called comparison approach.

Market Price

The price paid regardless of motives, pressures or intelligence.

Market Value

The highest price, estimated in terms of money, that property would bring if exposed for sale in the open market, allowing a reasonable time to find a buyer who buys with full knowledge of all the uses to which the property is adapted and all the uses for which it is capable of being used.

Mechanic’s Lien

A lien given by statute to persons supplying labor, materials or services to improve real property. To perfect the lien, certain notices and recordings are required.

Mortgage

An instrument in writing, duly executed and delivered, that creates a lien upon real estate as security for the payment of a specified debt.

Mortgage Money Market

The source of financing for real estate. It is divided into two parts: The primary mortgage money market consists of all the sources of loans made directly by lenders; the secondary mortgage money market consists of all buyers of existing real estate loans as collateral.

Mortgage Reduction Certificate

An instrument executed by the mortgagee, setting forth the status of and the balance due on the mortgage as of the date of the execution of the instrument.

Mortgagee

The party who lends money and takes a mortgage to secure payment.

Mortgagor

A person who borrows money and gives a mortgage on his or her property as security for the payment of the debt.

Negotiable Instrument

An instrument, such as a check or note, that meets certain legal requirements that allow it to be transferred free of most claims the maker had against previous holders.

Nominal Interest Rate

The rate of interest stated in a note or contract. This may not be the true or effective rate (actual cost) to the borrower.

Non institutional Lender

A lender that is not an institution, such as retirement funds, endowed universities, and private individuals.

Non-judicial Foreclosure

A foreclosure by having property sold to satisfy the debt without going through court.

Notary Public

A person empowered to administer oaths and to attest or certify documents to assure their authenticity.

Note

An instrument in which one party, the maker or payor, promises to pay a definite sum of money to another, the payee, at a fixed or determinable future time or on demand.

Notice of Default

A notice that is recorded and is given to certain people entitled to it stating that a trust deed is in default and that the trust deed holder has chosen to have the property sold. This notice starts the running of a 3-month grace period during which the property owner can cure the default by paying up the debt that is past due.

Notice of Trustee's Sale

A notice provided by law requiring the trustee to advertise the property in default, once a week for a period of 21 days, in a newspaper of general circulation.

Obligee

A person to whom a legal obligation or duty is owed; for example, the payee of a note.

Obligor

A person who has placed himself under a legal obligation; for example, the maker of a note.

Offset Statement

See Beneficiary Statement.

Open-End Clause

A clause that permits the outstanding balance of the loan to be increased by the borrower under the provisions outlined in the agreement.

Open End Deed of Trust or Mortgage

A trust deed or mortgage that secures not only that original debt but also future advances made after the date of the trust deed or mortgage.

Option

A Contract that gives one party (the optionee) the right to enter some type of contract upon specified terms with another party (the optionor). Usually, the right to buy the optionor's property or note for a particular price.

Package Deed of Trust or Mortgage

A trust deed or mortgage secured by both real property and personal property.

Partial Reconveyance

A reconveyance that releases a pall but not all of a tract from the lien of a trust deed.

Partial Release Clause

A provision in a trust deed, mortgage or land contract that permits the borrower or buyer to secure the release of part of the property by complying with certain terms, such as the payment of a certain sum of money.

Partnership

A voluntary association of two or more persons to carry on business for profit.

Payee

A person to whom a note states it is payable.

Payor

A person who signs a note agreeing to pay it. Also called a maker.

Point

1 % of the principal amount of a loan. A lender often charges points when a loan is made, renewed or assumed, to raise the yield on the loan.

Power

of-Sale Clause - A clause in trust deeds and in some mortgages giving the trustee or mortgagee the right to sell the property that is security for the loan at public sale, without court procedure, if the debtor defaults.

Preliminary Title Insurance Report

A report by a title insurance company showing the condition of title to a property including liens, restrictions, etc.

Prepayment

To pay off all or part of a debt before it is due.

Prepayment Clause

A provision in a note or deed of trust allowing the borrower to pay off all or part of the principal before it is due, with or without a prepayment penalty.

Prepayment Penalty

A charge provided in a note or deed of trust for the privilege of paying all or part of the debt before it is due.

Primary Financing

The loan which has first priority; the loan which has its security instrument recorded first.

Primary Mortgage Money Market

See Mortgage Money Market.

Principal

The capital amount of a loan, not including interest. The principal portion of an installment payment on a loan reduces the outstanding balance of the loan by the amount of the principal payment.

Principal Plus Interest Loan

A loan for which the borrower makes a fixed principal payment each period and pays, in addition, interest on the unpaid principal amount of the loan.

Promissory Note

See Note.

Purchase Money Deed of Trust or Mortgage

A trust deed or mortgage given to secure all or part of the purchase price of real estate.

Quitclaim Deed

A deed that conveys simply the grantor's rights or interest in real estate; generally considered inadequate except when interests are being passed from one spouse to the other.

Rate of Return

See **Yield Rate**.

Realized Gain

Total profit on the sale or exchange of real property. Computed as net sales price less cost basis.

Real Property

Land and things attached to the land, such as buildings and other appurtenances.

Recognized Gain

The amount of the realized gain on the sale or exchange of real property reportable in a given year on tax returns.

Reconveyance Deed

A deed from a trustee under a trust deed conveying legal title back to the property owner to release the lien of the trust deed. Also called a deed of reconveyance.

Recordation

The recording of an instrument in the county recorder's office to give constructive notice of it.

Recourse

The right to claim against a prior owner of a property or note.

Redemption

(1) The correcting of a default under a trust deed or mortgage by paying the entire indebtedness plus foreclosure costs. (2) The reacquiring (buying back) of property sold at a judicial foreclosure sale by paying the amount for which it was sold plus certain other items specified by statute. See also **Equity of Redemption**.

Refinance

To obtain new financing to pay off an existing loan.

Reinstatement

The curing of a default under a trust deed or mortgage by paying up the amount past due. Reinstatement restores the loan to the status it had before the default.

Release Clause

A provision in a blanket mortgage or trust deed allowing the owner of the properties to secure the release of properties upon certain terms, usually the payment of a certain sum of money.

Release of Liability

A letter or other form of release that relieves a debtor of any further responsibility on his debt or other obligation.

Release of Mortgage

A written instrument releasing the lien of a mortgage on real property. See also **Certificate of Discharge**.

Request for Reconveyance

An instrument executed by a trust deed holder directing the trustee to convey legal title to the property involved back to the owner. Most often, a form for this request is printed on the back of the trust deed so that the creditor may execute it when the debt is satisfied. Nevertheless, it may also be a separate instrument.

Rescind

To cancel a contract or other transaction and restore to each what he had given under it.

Rescission

(1) The act of rescinding. (2) A legal action to rescind a contract or other transaction.

Restriction

A limitation upon the use of property that is specified in the title deed.

Return

See **Yield**.

Right of Redemption

See **Equity of Redemption**.

Right of Survivorship

Right of the surviving joint owner to succeed to the interest of the deceased joint owner.

Satisfaction

Performance of the terms of a contract, usually by payment in full of an obligation.

Satisfied

Paid or performed in full.

Second Loan

A loan secured by a second deed of trust.

Secondary Mortgage Money Market

See **Mortgage Money Market**.

Secured Party

The person for whose benefit security is given.

Set-Off

A claim a debtor is entitled to make against a creditor that reduces or eliminates the amount the debtor owed the creditor.

Simple Interest

Interest computed on the unpaid principal amount of the loan without provisions for additional interest to be paid on interest.

Soft Money

Credit extended as opposed to cash (hard money). Also, see **Purchase Money Deed of Trust or Mortgage**.

Straight Note

A promissory note with the principal payable in one lump sum instead of in installments.

Stipulations

The terms within a written contract.

Subordination

The act of making an existing loan secondary or junior to another lien or loan.

Subordination Agreement

A contract by which the holder of a prior lien makes it junior or inferior to another lien.

Substitution of

An agreement in which the lender on a loan being assumed by buyer agrees to relieve the original borrower of liability.

Substitution of Trustee

An instrument that the beneficiary under a trust deed executes and records to substitute a new trustee for an earlier one.

Tenancy in Common

An ownership of real property by two or more persons, each of whom has an undivided interest, without right of survivorship.

Term

A provision of a loan or contract that specifies the length of time the contract is to run.

Title

Evidence of the ownership of real property.

Title Company

Firm examining title to real property and/or issuing title insurance.

Title Defect

Unresolved claim against the ownership of property that prevents presentation of a marketable title. Such claims may arise from failure of the owner's spouse, or former part owner, to sign a deed, current liens against the property, or an interruption in the title records of a property.

Title Insurance

Insurance that protects against loss because of faulty title.

Title Report

Document indicating the current state of the title, such as easements, covenants, liens and any other defects. The title report does not describe the chain of title. See also **Abstract of Title**.

Title Search

An examination of the public records to determine ownership and encumbrances affecting real property.

Trust Deed

See **Deed of Trust**.

Trustee

A person who holds bare legal title to real or personal property for the benefit of another person. A trustee is one of the parties in a trust deed.

Trustee's Deed

A deed issued to the successful bidder at a trustee's sale. A trustee's deed conveys title to the purchaser free and clear, but subject to all senior liens.

Trustee's Sale

A foreclosure sale conducted by a trustee under a trust deed after default.

Trustor

A person who conveys property to a trustee. In a trust deed the trustor is the borrower or debtor.

Undivided Interest

Ownership of real estate by joint tenants or tenants in common under the same title.

Unsecured

Without security.

Usury

The charging of more interest than is allowed by law. In California, the maximum rate is 10%, except for certain lenders that are exempt from the usury laws.

Valid

Having force, or binding force; legally sufficient and authorized by law.

Vendee

A buyer.

Vendee's Lien

A lien against real property under a land contract to secure a deposit paid by a purchaser.

Vendor

A seller.

Void

(1) Having no legal effect; null. (2) To have an instrument or transaction declared void.

Voidable

That which is capable of being adjudged void, but is not void unless action is taken to make it so.

Voluntary Lien

A lien intentionally put on real property by the owner.

Waiver

The renunciation, abandonment or

Yield

Interest earned by the lender on the money loaned. Also called *return*.

Valuation

Estimated worth or price. The act of valuing by appraisal.

surrender of some claim, right or privilege.

Warranty Deed

A conveyance of real property in which the grantor guarantees the title to the grantee.

Without Recourse

Words used in endorsing a note to denote that the future holder is not to look to the endorser in case of non-payment.

Wrap-Around Contract of Sale, Mortgage or Trust Deed

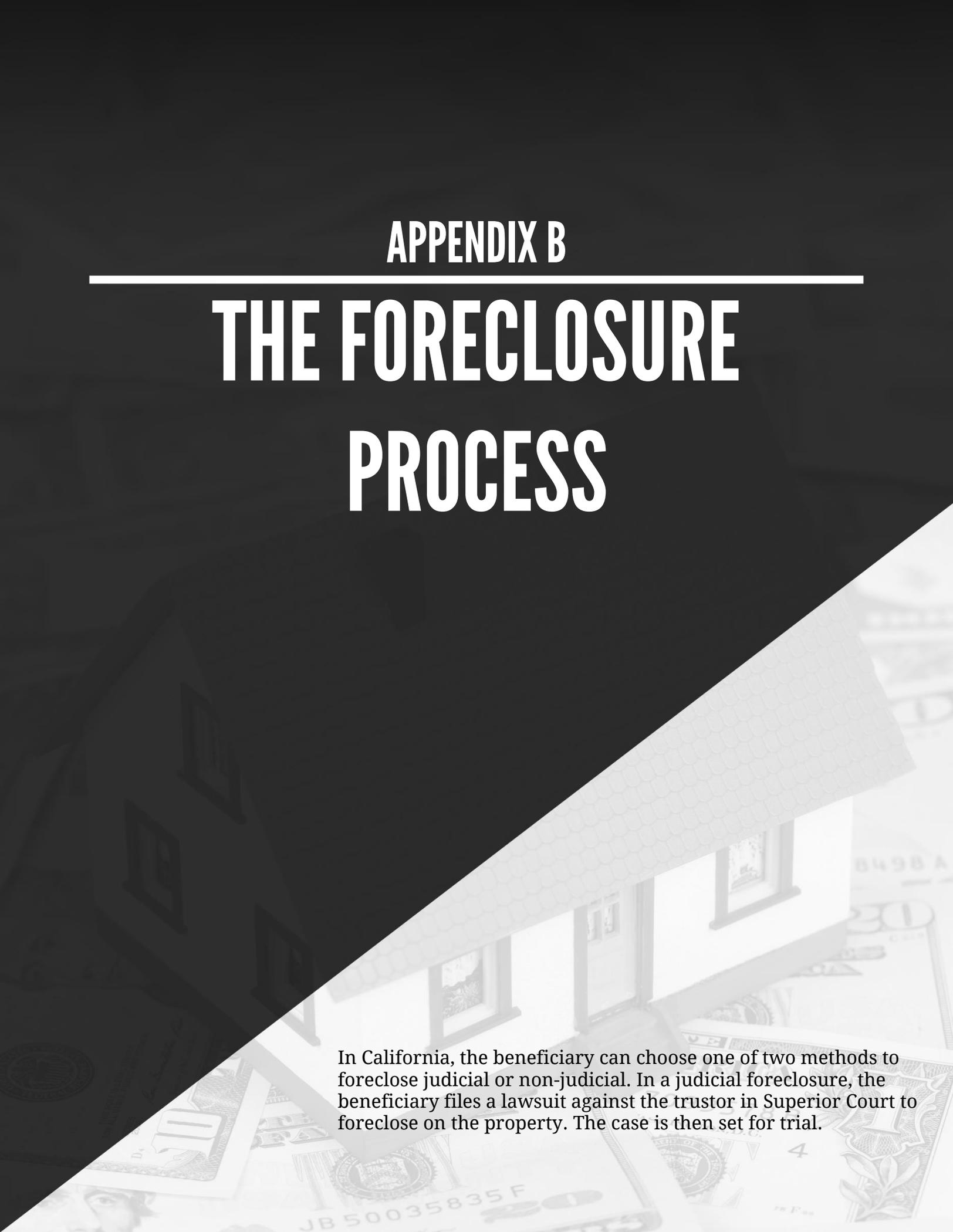
A land contract, mortgage or trust deed that works like this: The debtor owns or buys property with a first deed of trust on it. A seller or second lender takes a second deed of trust or second mortgage or a land contract for an amount that includes not only the amount owed to this second party but also the amount of the first trust deed. The owner makes one monthly payment to this second party out of it the second party makes the payment on the first trust deed and keeps the rest as his payment. Also called all-inclusive contract of sale, mortgage or trust deed.

Yield Rate

Yield expressed as a percentage of the total investment. Also called *rate of return*.

APPENDIX B

THE FORECLOSURE PROCESS

The background of the page is a dark, textured surface. A diagonal white line runs from the bottom left towards the top right. Below this line, there is a faint, grayscale image of a house with a gabled roof and several windows. In the foreground, there are several US dollar bills, including a \$20 bill and a \$100 bill, which are slightly out of focus. The text is overlaid on the dark background.

In California, the beneficiary can choose one of two methods to foreclose judicial or non-judicial. In a judicial foreclosure, the beneficiary files a lawsuit against the trustor in Superior Court to foreclose on the property. The case is then set for trial.

If the court rules in favor of the beneficiary, the property will be ordered sold at a public sale. In most instances, however, it is a non-judicial foreclosure. In a non-judicial foreclosure, the court system is not involved. To foreclose non-judicially, the deed of trust or mortgage must contain a power of sale clause. The power of sale clause gives the trustee the right to begin foreclosure without going to court. To include a power of sale clause does not require a specific form or language.

If, on the other hand, the security instrument does not contain a power of sale provision, judicial foreclosure is the beneficiary's only way to obtain the property. Most conventional deeds of trust say "with the power of sale".

Judicial and non-judicial foreclosures differ in many ways. The foreclosure method selected by the beneficiary has significant consequences for the trustor.

Non judicial foreclosure is relatively fast, as this method does not involve the court system. In most instances, non-judicial foreclosure takes, at minimum, about four months after the trustor has failed to meet the obligation or defaulted on the loan. Judicial foreclosure, on the other hand, may take up to several years.

Non judicial foreclosure is generally less costly than judicial foreclosure. In a non-judicial foreclosure, the trustee's and attorney's fees are largely specified by law. In a judicial foreclosure, however, there are generally no legal limits for attorney's fees. As a result, the trustor may be liable for significant legal expenses.

Another major difference between the two foreclosure methods is the beneficiary's right to a deficiency judgment. A deficiency judgment is a court order stating that the trustor still owes money to the beneficiary if the proceeds from the foreclosure sale are not sufficient to pay the balance of the debt.

California law does not allow a deficiency judgment in a non-judicial foreclosure on residential purchase money loans. A residential purchase money loan is one in which loan proceeds are used to purchase the property. Furthermore, California law does not allow deficiency judgments against the residential trustor where the loan was made by the seller of the property or by a third party lender (often a financial institution) on a four-unit or less residential property that is the principal residence of the trustor. If the beneficiary judicially forecloses on a non-purchase money residential loan, a deficiency judgment may be obtained against the trustor.

Non-judicial and judicial foreclosures also differ with regard to the trustor's right of redemption after the foreclosure sale. This is the trustor's right to reclaim the foreclosure property. In a non-judicial foreclosure, the sale of the property at the trustee's sale is an irrevocable final sale, and the trustor does not have the right to redeem or reclaim the property after the sale. Judicial sales, however, are subject to redemption by the trustor.

This summary of the major differences between non-judicial and judicial foreclosure shows the advantages of non-judicial foreclosure for the beneficiary. The non-judicial foreclosure is timely, economical, non subject to redemption, and may command a higher sales price. In addition, it is unlikely that the beneficiary would recover any losses through a deficiency judgment, as the trustor could not make the loan payments in the first place. Because of these advantages, beneficiaries typically prefer to foreclose non-judicially. Beneficiaries might foreclose judicially when they see an opportunity to recover any losses through a deficiency judgment.

The following two sections give detailed information on each of the foreclosure methods.

Non-Judicial Foreclosure

This section describes the major procedural requirements of non-judicial foreclosure, discusses the trustor's reinstatement and redemption rights, reviews legal provisions for trustee's fees and summarizes special legal provisions affecting foreclosures in California.

California law allows the beneficiary of a deed of trust containing the power of sale provision to foreclose non-judicially after the trustor has defaulted on one or more contractual obligations. In case of default, the beneficiary may order the trustee to initiate foreclosure.

Notice of Default

Foreclosure begins when the beneficiary notifies the trustee that the trustor has defaulted on any obligations stated in the promissory note and deed of trust. The beneficiary gives the trustee information concerning the condition of the debt such as the amount of the unpaid balance and due dates. Upon receipt of this information, the trustee prepares the Notice of Default.

The Notice of Default must be recorded in the office of the recorder of the county where the property is located. If the deed of trust encumbers property located in more than one county, the Notice of Default should be recorded in the other counties as well.

The trustee must mail a copy of the Notice of Default to the trustor and to each person requesting notice within ten days of recording the notice. The law specifies additional notification requirements under certain circumstances. The Notice of Default must be published weekly for four weeks in a newspaper or personally be served on the Trustor, if the trustor has not requested to be notified of its recordation of the notice.

Trustor's should always notify the beneficiary and the trustee of any address changes to ensure prompt receipt of any correspondence from the beneficiary or trustee.

Before January 1, 1986, the trustor and beneficiaries under subordinate deeds of trust were given three months from the recordation of the Notice of Default to cure the

default. An amendment to the law extended the expiration of the reinstatement period to five business days before the scheduled trustee's sale. If the trustee's sale is postponed, the reinstatement period is extended to five business days before the new date of the sale.

At any time during the reinstatement period, the trustor may stop the default by paying the beneficiary all sums of money due on the loan up to that point including additional costs incurred by the beneficiary, and attorney's or trustee's fees as specified by law. It is not necessary to repay the entire loan balance.

After reinstatement of the loan, the foreclosure proceeding is discontinued and the trustor resumes making the regular periodic payments.

Notice of Trustee's Sale

If three months have passed since recording the Notice of Default, and the trustor has not begun to reinstate the loan; the trustee may proceed with the foreclosure by preparing a Notice of Trustee's Sale.

The Notice of Trustee's Sale must be recorded in the office of the recorder of the county in which the property is located at least 14 days before the date of the sale. As with the Notice of Default, the Notice of Trustee's Sale must be mailed to the trustor's last address actually known to the trustee.

The Notice of Trustee's Sale also must be published in a newspaper of general circulation in the city, judicial district or county where the property is located. The notice must be published once a week over a 20-day period before the sale.

In addition to mailing and publication, the Notice of Trustee's Sale must be posted for at least 20 days before the sale at the following locations:

- In at least one public place in the city, judicial district, or county in which the property is to be sold; and
- In a conspicuous place on the property to be sold

Improperly broadcasting the Notice of Trustee's Sale typically will result in the cancellation and re-notice of the sale.

As mentioned before, the trustor can cure the default during the reinstatement period that runs up to five days before the scheduled sale. After the reinstatement period expires, the trustor must pay the entire indebtedness plus foreclosure costs to avoid foreclosure. This is called redemption and only can be done during the five days before the sale. The trustor's right of redemption ends once bidding at the foreclosure sale starts.

Trustee's Sale

The trustee or the trustee's agent must conduct the foreclosure sale at a public auction in the county where the property is located. The sale is to the highest bidder who must pay in cash, cashier's check or cash equivalent as specified in the notice and acceptable to the trustee.

The trustee may postpone the sale at any time before it is completed. The sale may be postponed at the trustee's discretion, upon instruction by the beneficiary, or upon a written request by the trustor who has the right to request a one-day delay to obtain sufficient cash to pay the debt or bid at the sale. The trustor's request for postponement must include a statement identifying the source of the funds. The law allows for three postponements. After three postponements, a new notice of sale must be given, except for postponements requested by the trustor or ordered by a court.

After the sale to the highest bidder, the trustee executes and delivers a trustee's deed to the purchaser. The trustee's deed conveys title to the purchase free and clear. The issuance of the trustee's deed terminates the previous trustor's legal and equitable rights in the property. It should be noted, however, that title to the property is conveyed subject to all senior liens, including liens for property taxes and assessments. The purchaser of the foreclosed property is entitled to take immediate possession. A trustor who refuses to vacate the property may be legally forced to do so.

Rent and Rental Income

Generally, the trustor occupying the property does not have to pay rent to the beneficiary while in default. If a deed of trust should indicate a rent liability, enforcement of it would be unlikely.

The beneficiary may have a right, however, to any rental income generated by the property during the period of default. In the absence of such a provision in the deed of trust, the beneficiary is generally not entitled to any rental income.

Deficiency Judgment

In General, the law prohibits a deficiency judgment in a non-judicial foreclosure with a power of sale provision. Even if the proceeds from the foreclosure are inadequate to repay the loan, the beneficiary has no other possibility to recover.

Trustee's Fees

The fees a trustee is entitled to charge the beneficiary or deduct from the proceeds of the sale are prescribed by law. The trustee may charge for costs incurred in recording, mailing, publishing, and posting of Notice of Default and Notice of Trustee's Sale; the cost of postponing the sale by request of the trustor (not to exceed \$50 per postponement) and the cost of a trustee's sale guarantee. In addition to charging for these actual costs, the law provides for a fee schedule based on the amounts of the unpaid debt.

The legal limitations for trustee's and attorney's fees do not apply to attorney's fees the beneficiary is entitled to recover under special provisions of the deed of trust.

Special Legal Provisions

Special federal and state laws may affect the manner in which the foreclosure is conducted. If the loan is insured or guaranteed by the U. S. Department of Housing and urban Development (HUD! EHA) or the Veterans Administration (VA), certain procedures must be followed. In the case of a VA-guaranteed loan, the trustor may be liable for any deficiency, unless the veteran obtains a release of liability from the VA. California law does not necessarily protect the trustor from liability for a deficiency on a VA guaranteed loan. Federal laws governing the VA loan program take precedence over any conflicting California law. Trustors should contact the VA for details concerning their rights and to learn about specific requirements.

Judicial Foreclosure

Judicial Foreclosure is tried in the California Superior Court. The beneficiary, upon default of obligation by the trustor, brings a foreclosure lawsuit against the trustor. If successful, the court will issue an order to sell the property at a public sale. The beneficiary must use judicial foreclosure if the security instrument does not contain a power of sale provision. A mortgage or deed of trust containing the power of sale provision may be foreclosed judicially if the beneficiary chooses to do so.

The decision to foreclose judicially or non-judicially is not necessarily final. The beneficiary may discontinue judicial foreclosure at any time and commence non-judicial foreclosure.

Conversely, the beneficiary may abandon non-judicial foreclosure and initiate judicial foreclosure. Beneficiaries sometimes initiate both types of foreclosure simultaneously.

Foreclosure Sale

A court-appointed commissioner or sheriff in the public place must give notice of the sale of the property for 20 days preceding in the date of the sale. This same notice must be published in a newspaper of general circulation weekly for 20 days. The notice also must be sent by certified mail to all defendants at their last known addresses.

At the foreclosure sale, the property must be sold by the auctioneer to the highest bidder who is financially qualified.

Redemption of Property

In a judicial sale, the trustor has the right to redeem or reclaim the property after the foreclosure sale. For a trustor, the right of redemption makes a judicial sale attractive. It should be remembered, however, that a judicial sale might also lead to a deficiency judgment. This possibility does not exist in a non-judicial foreclosure.

Deficiency Judgment

In a judicial foreclosure, the beneficiary has, under certain circumstances, a right to a deficiency judgment. The deficiency judgment is limited to an amount equal to either the difference between the indebtedness and the fair market value of the property, or the indebtedness and the sales price at the foreclosure sale, whichever is less.

Rent and Rental Income

The trustor occupying the disputed property does not have to pay the beneficiary rent while in default. The beneficiary may be entitled, however, to any rental income generated by the property.

After the sale, the trustor retains possession of the property and does not have to pay the beneficiary rent while in default. The beneficiary may be entitled, however, to any rental income generated by the property.

APPENDIX C

AMORTIZATION SCHEDULE

\$90,000 NOTE

In California, the beneficiary can choose one of two methods to foreclose judicial or non-judicial. In a judicial foreclosure, the beneficiary files a lawsuit against the trustor in Superior Court to foreclose on the property. The case is then set for trial.

Amortization Schedule
 Compound Period: Monthly
 Nominal Annual Rate: 10.000 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	12/01/2002	90,000.00	1		
2 Payment	01/01/2003	868.52	240	Monthl y	12/01/2022

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	12/01/2002				90,000.00
2002 Totals		0.00	0.00	0.00	
1	01/01/2003	868.52	750.00	118.52	89,881.48
2	02/01/2003	868.52	749.01	119.51	89,761.97
3	03/01/2003	868.52	748.02	120.50	89,641.47
4	04/01/2003	868.52	747.01	121.51	89,519.96
5	05/01/2003	868.52	746.00	122.52	89,397.44
6	06/01/2003	868.52	744.98	123.54	89,273.90
7	07/01/2003	868.52	743.95	124.57	89,149.33
8	08/01/2003	868.52	742.91	125.61	89,023.72
9	09/01/2003	868.52	741.86	126.66	88,897.06
10	10/01/2003	868.52	740.81	127.71	88,769.35
11	11/01/2003	868.52	739.74	128.78	88,640.57
12	12/01/2003	868.52	738.67	129.85	88,510.72
2003 Totals		10,422.24	8,932.96	1,489.28	
13	01/01/2004	868.52	737.59	130.93	88,379.79
14	02/01/2004	868.52	736.50	132.02	88,247.77
15	03/01/2004	868.52	735.40	133.12	88,114.65
16	04/01/2004	868.52	734.29	134.23	87,980.42
17	05/01/2004	868.52	733.17	135.35	87,845.07
18	06/01/2004	868.52	732.04	136.48	87,708.59
19	07/01/2004	868.52	730.90	137.62	87,570.97
20	08/01/2004	868.52	729.76	138.76	87,432.21
21	09/01/2004	868.52	728.60	139.92	87,292.29
22	10/01/2004	868.52	727.44	141.08	87,151.21

23	11/01/2004	868.52	726.26	142.26	87,008.95
24	12/01/2004	868.52	725.07	143.45	86,865.50
2004 Totals		10,422.24	8,777.02	1,645.22	
25	01/01/2005	868.52	723.88	144.64	86,720.86
26	02/01/2005	868.52	722.67	145.85	86,575.01
27	03/01/2005	868.52	721.46	147.06	86,427.95
28	04/01/2005	868.52	720.23	148.29	86,279.66
29	05/01/2005	868.52	719.00	149.52	86,130.14
30	06/01/2005	868.52	717.75	150.77	85,979.37
31	07/01/2005	868.52	716.49	152.03	85,827.34
32	08/01/2005	868.52	715.23	153.29	85,674.05
33	09/01/2005	868.52	713.95	154.57	85,519.48
34	10/01/2005	868.52	712.66	155.86	85,363.62
35	11/01/2005	868.52	711.36	157.16	85,206.46
36	12/01/2005	868.52	710.05	158.47	85,047.99
2005 Totals		10,422.24	8,604.73	1,817.51	
37	01/01/2006	868.52	708.73	159.79	84,888.20
38	02/01/2006	868.52	707.40	161.12	84,727.08
39	03/01/2006	868.52	706.06	162.46	84,564.62
40	04/01/2006	868.52	704.71	163.81	84,400.81
41	05/01/2006	868.52	703.34	165.18	84,235.63
42	06/01/2006	868.52	701.96	166.56	84,069.07
43	07/01/2006	868.52	700.58	167.94	83,901.13
44	08/01/2006	868.52	699.18	169.34	83,731.79
45	09/01/2006	868.52	697.76	170.76	83,561.03
46	10/01/2006	868.52	696.34	172.18	83,388.85
47	11/01/2006	868.52	694.91	173.61	83,215.24
48	12/01/2006	868.52	693.46	175.06	83,040.18
2006 Totals		10,422.24	8,414.43	2,007.81	
49	01/01/2007	868.52	692.00	176.52	82,863.66
50	02/01/2007	868.52	690.53	177.99	82,685.67
51	03/01/2007	868.52	689.05	179.47	82,506.20
52	04/01/2007	868.52	687.55	180.97	82,325.23
53	05/01/2007	868.52	686.04	182.48	82,142.75
54	06/01/2007	868.52	684.52	184.00	81,958.75
55	07/01/2007	868.52	682.99	185.53	81,773.22
56	08/01/2007	868.52	681.44	187.08	81,586.14
57	09/01/2007	868.52	679.88	188.64	81,397.50
58	10/01/2007	868.52	678.31	190.21	81,207.29
59	11/01/2007	868.52	676.73	191.79	81,015.50
60	12/01/2007	868.52	675.13	193.39	80,822.11
2007 Totals		10,422.24	8,204.17	2,218.07	

61	01/01/2008	868.52	673.52	195.00	80,627.11
62	02/01/2008	868.52	671.89	196.63	80,430.48
63	03/01/2008	868.52	670.25	198.27	80,232.21
64	04/01/2008	868.52	668.60	199.92	80,032.29
65	05/01/2008	868.52	666.94	201.58	79,830.71
66	06/01/2008	868.52	665.26	203.26	79,627.45
67	07/01/2008	868.52	663.56	204.96	79,422.49
68	08/01/2008	868.52	661.85	206.67	79,215.82
69	09/01/2008	868.52	660.13	208.39	79,007.43
70	10/01/2008	868.52	658.40	210.12	78,797.31
71	11/01/2008	868.52	656.64	211.88	78,585.43
72	12/01/2008	868.52	654.88	213.64	78,371.79
2008 Totals		10,422.24	7,971.92	2,450.32	
73	01/01/2009	868.52	653.10	215.42	78,156.37
74	02/01/2009	868.52	651.30	217.22	77,939.15
75	03/01/2009	868.52	649.49	219.03	77,720.12
76	04/01/2009	868.52	647.67	220.85	77,499.27
77	05/01/2009	868.52	645.83	222.69	77,276.58
78	06/01/2009	868.52	643.97	224.55	77,052.03
79	07/01/2009	868.52	642.10	226.42	76,825.61
80	08/01/2009	868.52	640.21	228.31	76,597.30
81	09/01/2009	868.52	638.31	230.21	76,367.09
82	10/01/2009	868.52	636.39	232.13	76,134.96
83	11/01/2009	868.52	634.46	234.06	75,900.90
84	12/01/2009	868.52	632.51	236.01	75,664.89
2009 Totals		10,422.24	7,715.34	2,706.90	
85	01/01/2010	868.52	630.54	237.98	75,426.91
86	02/01/2010	868.52	628.56	239.96	75,186.95
87	03/01/2010	868.52	626.56	241.96	74,944.99
88	04/01/2010	868.52	624.54	243.98	74,701.01
89	05/01/2010	868.52	622.51	246.01	74,455.00
90	06/01/2010	868.52	620.46	248.06	74,206.94
91	07/01/2010	868.52	618.39	250.13	73,956.81
92	08/01/2010	868.52	616.31	252.21	73,704.60
93	09/01/2010	868.52	614.21	254.31	73,450.29
94	10/01/2010	868.52	612.09	256.43	73,193.86
95	11/01/2010	868.52	609.95	258.57	72,935.29
96	12/01/2010	868.52	607.79	260.73	72,674.56
2010 Totals		10,422.24	7,431.91	2,990.33	
97	01/01/2011	868.52	605.62	262.90	72,411.66
98	02/01/2011	868.52	603.43	265.09	72,146.57
99	03/01/2011	868.52	601.22	267.30	71,879.27
100	04/01/2011	868.52	598.99	269.53	71,609.74

101	05/01/2011	868.52	596.75	271.77	71,337.97
102	06/01/2011	868.52	594.48	274.04	71,063.93
103	07/01/2011	868.52	592.20	276.32	70,787.61
104	08/01/2011	868.52	589.90	278.62	70,508.99
105	09/01/2011	868.52	587.57	280.95	70,228.04
106	10/01/2011	868.52	585.23	283.29	69,944.75
107	11/01/2011	868.52	582.87	285.65	69,659.10
108	12/01/2011	868.52	580.49	288.03	69,371.07
2011 Totals		10,422.24	7,118.75	3,303.49	

109	01/01/2012	868.52	578.09	290.43	69,080.64
110	02/01/2012	868.52	575.67	292.85	68,787.79
111	03/01/2012	868.52	573.23	295.29	68,492.50
112	04/01/2012	868.52	570.77	297.75	68,194.75
113	05/01/2012	868.52	568.29	300.23	67,894.52
114	06/01/2012	868.52	565.79	302.73	67,591.79
115	07/01/2012	868.52	563.26	305.26	67,286.53
116	08/01/2012	868.52	560.72	307.80	66,978.73
117	09/01/2012	868.52	558.16	310.36	66,668.37
118	10/01/2012	868.52	555.57	312.95	66,355.42
119	11/01/2012	868.52	552.96	315.56	66,039.86
120	12/01/2012	868.52	550.33	318.19	65,721.67
2012 Totals		10,422.24	6,772.84	3,649.40	

121	01/01/2013	868.52	547.68	320.84	65,400.83
122	02/01/2013	868.52	545.01	323.51	65,077.32
123	03/01/2013	868.52	542.31	326.21	64,751.11
124	04/01/2013	868.52	539.59	328.93	64,422.18
125	05/01/2013	868.52	536.85	331.67	64,090.51
126	06/01/2013	868.52	534.09	334.43	63,756.08
127	07/01/2013	868.52	531.30	337.22	63,418.86
128	08/01/2013	868.52	528.49	340.03	63,078.83
129	09/01/2013	868.52	525.66	342.86	62,735.97
130	10/01/2013	868.52	522.80	345.72	62,390.25
131	11/01/2013	868.52	519.92	348.60	62,041.65
132	12/01/2013	868.52	517.01	351.51	61,690.14
2013 Totals		10,422.24	6,390.71	4,031.53	

133	01/01/2014	868.52	514.08	354.44	61,335.70
134	02/01/2014	868.52	511.13	357.39	60,978.31
135	03/01/2014	868.52	508.15	360.37	60,617.94
136	04/01/2014	868.52	505.15	363.37	60,254.57
137	05/01/2014	868.52	502.12	366.40	59,888.17
138	06/01/2014	868.52	499.07	369.45	59,518.72
139	07/01/2014	868.52	495.99	372.53	59,146.19
140	08/01/2014	868.52	492.88	375.64	58,770.55

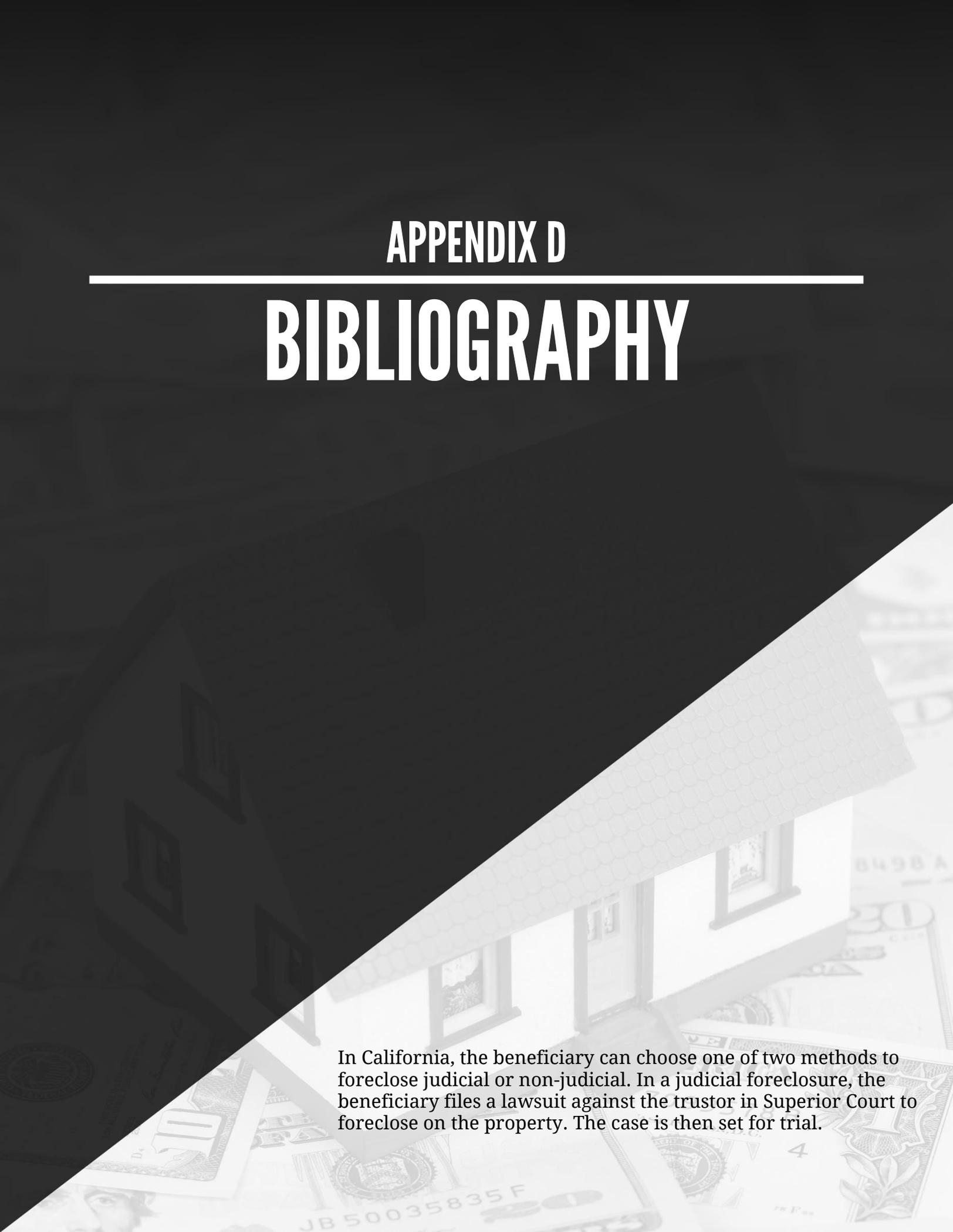
141	09/01/2014	868.52	489.75	378.77	58,391.78
142	10/01/2014	868.52	486.60	381.92	58,009.86
143	11/01/2014	868.52	483.42	385.10	57,624.76
144	12/01/2014	868.52	480.21	388.31	57,236.45
2014 Totals		10,422.24	5,968.55	4,453.69	
145	01/01/2015	868.52	476.97	391.55	56,844.90
146	02/01/2015	868.52	473.71	394.81	56,450.09
147	03/01/2015	868.52	470.42	398.10	56,051.99
148	04/01/2015	868.52	467.10	401.42	55,650.57
149	05/01/2015	868.52	463.75	404.77	55,245.80
150	06/01/2015	868.52	460.38	408.14	54,837.66
151	07/01/2015	868.52	456.98	411.54	54,426.12
152	08/01/2015	868.52	453.55	414.97	54,011.15
153	09/01/2015	868.52	450.09	418.43	53,592.72
154	10/01/2015	868.52	446.61	421.91	53,170.81
155	11/01/2015	868.52	443.09	425.43	52,745.38
156	12/01/2015	868.52	439.54	428.98	52,316.40
2015 Totals		10,422.24	5,502.19	4,920.05	
157	01/01/2016	868.52	435.97	432.55	51,883.85
158	02/01/2016	868.52	432.37	436.15	51,447.70
159	03/01/2016	868.52	428.73	439.79	51,007.91
160	04/01/2016	868.52	425.07	443.45	50,564.46
161	05/01/2016	868.52	421.37	447.15	50,117.31
162	06/01/2016	868.52	417.64	450.88	49,666.43
163	07/01/2016	868.52	413.89	454.63	49,211.80
164	08/01/2016	868.52	410.10	458.42	48,753.38
165	09/01/2016	868.52	406.28	462.24	48,291.14
166	10/01/2016	868.52	402.43	466.09	47,825.05
167	11/01/2016	868.52	398.54	469.98	47,355.07
168	12/01/2016	868.52	394.63	473.89	46,881.18
2016 Totals		10,422.24	4,987.02	5,435.22	
169	01/01/2017	868.52	390.68	477.84	46,403.34
170	02/01/2017	868.52	386.69	481.83	45,921.51
171	03/01/2017	868.52	382.68	485.84	45,435.67
172	04/01/2017	868.52	378.63	489.89	44,945.78
173	05/01/2017	868.52	374.55	493.97	44,451.81
174	06/01/2017	868.52	370.43	498.09	43,953.72
175	07/01/2017	868.52	366.28	502.24	43,451.48
176	08/01/2017	868.52	362.10	506.42	42,945.06
177	09/01/2017	868.52	357.88	510.64	42,434.42
178	10/01/2017	868.52	353.62	514.90	41,919.52
179	11/01/2017	868.52	349.33	519.19	41,400.33
180	12/01/2017	868.52	345.00	523.52	40,876.81

2017 Totals		10,422.24	4,417.87	6,004.37	
181	01/01/2018	868.52	340.64	527.88	40,348.93
182	02/01/2018	868.52	336.24	532.28	39,816.65
183	03/01/2018	868.52	331.81	536.71	39,279.94
184	04/01/2018	868.52	327.33	541.19	38,738.75
185	05/01/2018	868.52	322.82	545.70	38,193.05
186	06/01/2018	868.52	318.28	550.24	37,642.81
187	07/01/2018	868.52	313.69	554.83	37,087.98
188	08/01/2018	868.52	309.07	559.45	36,528.53
189	09/01/2018	868.52	304.40	564.12	35,964.41
190	10/01/2018	868.52	299.70	568.82	35,395.59
191	11/01/2018	868.52	294.96	573.56	34,822.03
192	12/01/2018	868.52	290.18	578.34	34,243.69
2018 Totals		10,422.24	3,789.12	6,633.12	
193	01/01/2019	868.52	285.36	583.16	33,660.53
194	02/01/2019	868.52	280.50	588.02	33,072.51
195	03/01/2019	868.52	275.60	592.92	32,479.59
196	04/01/2019	868.52	270.66	597.86	31,881.73
197	05/01/2019	868.52	265.68	602.84	31,278.89
198	06/01/2019	868.52	260.66	607.86	30,671.03
199	07/01/2019	868.52	255.59	612.93	30,058.10
200	08/01/2019	868.52	250.48	618.04	29,440.06
201	09/01/2019	868.52	245.33	623.19	28,816.87
202	10/01/2019	868.52	240.14	628.38	28,188.49
203	11/01/2019	868.52	234.90	633.62	27,554.87
204	12/01/2019	868.52	229.62	638.90	26,915.97
2019 Totals		10,422.24	3,094.52	7,327.72	
205	01/01/2020	868.52	224.30	644.22	26,271.75
206	02/01/2020	868.52	218.93	649.59	25,622.16
207	03/01/2020	868.52	213.52	655.00	24,967.16
208	04/01/2020	868.52	208.06	660.46	24,306.70
209	05/01/2020	868.52	202.56	665.96	23,640.74
210	06/01/2020	868.52	197.01	671.51	22,969.23
211	07/01/2020	868.52	191.41	677.11	22,292.12
212	08/01/2020	868.52	185.77	682.75	21,609.37
213	09/01/2020	868.52	180.08	688.44	20,920.93
214	10/01/2020	868.52	174.34	694.18	20,226.75
215	11/01/2020	868.52	168.56	699.96	19,526.79
216	12/01/2020	868.52	162.72	705.80	18,820.99
2020 Totals		10,422.24	2,327.26	8,094.98	
217	01/01/2021	868.52	156.84	711.68	18,109.31
218	02/01/2021	868.52	150.91	717.61	17,391.70

219	03/01/2021	868.52	144.93	723.59	16,668.11
220	04/01/2021	868.52	138.90	729.62	15,938.49
221	05/01/2021	868.52	132.82	735.70	15,202.79
222	06/01/2021	868.52	126.69	741.83	14,460.96
223	07/01/2021	868.52	120.51	748.01	13,712.95
224	08/01/2021	868.52	114.27	754.25	12,958.70
225	09/01/2021	868.52	107.99	760.53	12,198.17
226	10/01/2021	868.52	101.65	766.87	11,431.30
227	11/01/2021	868.52	95.26	773.26	10,658.04
228	12/01/2021	868.52	88.82	779.70	9,878.34
2021 Totals		10,422.24	1,479.59	8,942.65	
229	01/01/2022	868.52	82.32	786.20	9,092.14
230	02/01/2022	868.52	75.77	792.75	8,299.39
231	03/01/2022	868.52	69.16	799.36	7,500.03
232	04/01/2022	868.52	62.50	806.02	6,694.01
233	05/01/2022	868.52	55.78	812.74	5,881.27
234	06/01/2022	868.52	49.01	819.51	5,061.76
235	07/01/2022	868.52	42.18	826.34	4,235.42
236	08/01/2022	868.52	35.30	833.22	3,402.20
237	09/01/2022	868.52	28.35	840.17	2,562.03
238	10/01/2022	868.52	21.35	847.17	1,714.86
239	11/01/2022	868.52	14.29	854.23	860.63
240	12/01/2022	868.52	7.89	860.63	0.00
2022 Totals		10,422.24	543.90	9,878.34	
Grand Totals		208,444.8	118,444.8	90,000.0	
		0	0	0	

APPENDIX D

BIBLIOGRAPHY



In California, the beneficiary can choose one of two methods to foreclose judicial or non-judicial. In a judicial foreclosure, the beneficiary files a lawsuit against the trustor in Superior Court to foreclose on the property. The case is then set for trial.

A Home Owner's Guide to Foreclosure in California, California Department of Real Estate.

Adams, B. Alan, *Researching the Title of Real Property*, L & A Real Estate Publications, Inc.

Coats, George, *Smart Trust Deed Investments In California*, First Trust Deeds, Inc.

Davey, Homer C., *Financing Real Estate in California*, Canfield Press

Realtors Institute Reference and Practice Book, National Association of Realtors

Trust Deed Investments—What You Should Know, California Department of Real Estate

Waldman, Harvey, *A Complete Text of the Mortgage Loan Business*, U. S. Financial Education Systems.

APPENDIX E

LOW COST AMORTIZATION SCHEDULE FOR NOTE HOLDERS



An amortization schedule is vital for tax reporting as explained on pages 15, 16 and 17 of this report. If you do not have an amortization schedule for your note, you can get one, like that shown in Appendix C for \$9.95 + \$3.00 for shipping and handling. Simply fill out the following information for your note and send this form or a photocopy to:

Amerinote Xchange, LLC
201 Spear Street, Suite 1100,
San Francisco, CA 94105
(800) 698-3650

Original Face Amount of Note: _____

Annual Interest Rate: _____

Original Number Of Payments Due: _____

Frequency of Payments: _____

Payment Amount: _____

Date Of First Payment: _____

Amount and Date Of Balloon Payment, if any: _____

Please rush me an amortization schedule for my note. I have filled out the above information.

_____ Enclosed is my check for \$9.95 + \$3.00 for shipping and handling

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: (_____) _____ (In case we have questions)

APPENDIX F

FREE PURCHASE QUOTATION FOR NOTE HOLDERS



If you are interested in the possibility of selling all or part of your note for cash, and would like to know how much your note is worth, please fill out the following information and send this form or a photo copy to: **Email:** info@AmerinoteXchange.com or **Fax:** (415) 449-6060

Original face amount of note: _____
Annual interest rate: _____
Original number of payments due: _____
Frequency of payments (monthly, quarterly, etc.): _____
Payment amount: _____
Date of first payment: _____
Number of remaining payments: _____
Are payments current? _____
Amount and date of balloon payment, if any: _____
Current balance, if known: _____
Balance(s) of underlying loans, if any: _____
Priority of your note (1st, 2nd, etc.): _____
Type of property securing note: _____
Address of property: _____
Date of sale of property: _____
Sales price of property: _____
Cash down payment you received: _____
Your estimate of the market value of the property: _____

Instead of filling out the above information you can send us copies of the note, deed of trust and closing statement you received when you sold your property and we will gather the needed information. *Please rush me a quotation on the purchase of my note. Include several full and partial purchase options.*

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ (In case we have questions)