

Street Smart®

HOUSE MONSTER 4.1 UPDATES

This package updates your House Monster® 4.0 to version 4.1. Enclosed are the replacement pages numbered 8, 50, 51, 52 and 200. Please remove the current pages from your guidebook and replace them with the pages in this update package.

Be sure to read them! As they contain critical current data about you becoming wealthy using the House Monster® system.

Also, to better communicate and support you, we have created a new House Monster® only support group. All House Monster® licensees will be invited to join this group. Be sure to watch your email for an invitation to this Yahoo special interest group. You will be allowed to post questions and receive support from other members as well as the Street Smart® team.

We are seeing great results and are looking forward to yours as well!!

Best, 

Certified Affordable Housing Provider



Mission: Transform Lives through Affordable Housing to Empower Families and Individuals to Enjoy the American Dream of Home Ownership.

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Special Notice: Dodd-Frank Act Compliance

By Louis “Lou” Brown

The Dodd-Frank Act (DFA) went into effect January 10th, 2014... and as we go to press the Federal Regulators are still busy writing the regulations concerning Seller Financed Loans. Much confusion and misinformation has been spread without the facts. The DFA requires that all seller financed loans to “consumers” (owner occupants) conform to the same requirements as a standardized bank loan. You (the Seller) must determine if the buyer is an investor or “consumer” as defined in the DFA. “If buyer is an investor the transaction is exempt.” If the buyer is a “consumer” you can do:

1 TRANSACTION PER 12 MONTHS if:

- a) Seller must determine if the buyer is an “investor” or “consumer” defined in the DFA *“In writing”*
- b) Seller is a natural person, “not a Corporation, LLC, partnership, trust, estate, etc.”
- c) The seller did not construct the property
- d) The financing has a fixed rate or does not adjust for the first 5 years, a balloon is allowed
- e) No negative amortization

3 TRANSACTIONS PER 12 MONTHS if:

- a) Seller must determine if the buyer is an “investor” or “consumer” defined in the DFA *“In writing”*
- b) Seller is a natural person, **or** a Corporation, LLC, partnership, trust, estate, etc.
- c) The seller did not construct the property
- d) The financing has a fixed rate or does not adjust for the first 5 years, a balloon is not allowed
- e) The borrower has a reasonable ability to repay the loan (ATR)
- f) The loan is fully amortized (no balloon)

You must determine the buyer's Ability To Repay Rule Requirements (ATR)

- 1. Current income or assets
- 2. Current employment status
- 3. Credit history
- 4. Monthly mortgage payments
- 5. Monthly taxes, insurance, HOA etc.
- 6. Other debts
- 7. Monthly debt to income ratio less than 43%
- 8. Monthly payments on other property

ALL OTHER SCENARIOS REQUIRE A MORTGAGE LOAN ORIGINATORS LICENSE AND ALL REQUIRED TILA, HOEPA, RESPA, AND HUD COMPLIANCE UNDER THE Dodd-Frank Act. The maximum interest rate you can charge is limited to 6.5% above the prime rate (currently 3.25%) at the time of loan origination and all fees are limited to a maximum of 3% of the loan amount (second mortgages are limited to 8.5% above prime). All violations are under the oversight of the Consumer Federal Protection Bureau (CFPB) and are subject to Federal and State fines, plus rescission of any sale with the return of all monies collected.

My recommendation is that you run ALL loans and borrowers through a Licensed Mortgage Loan Originator. Also seller financed loan payments must be collected by a third party mortgage servicer. See StreetSmartWiz.com/mortgagewiz and StreetSmartWiz.com/servicewiz for resources we have found to assist you.

As you are about to learn, we encourage you to assist your clients to obtain their credit report (see page 200) to determine what it will take for them to get a traditional bank loan.

21) Earn loan points (profit center) like a banker

22) Influence when/if the buyer refinances and pays you off

Wow! That's pretty compelling isn't it? Actually there are more but I'll let you discover them as we go along.

My plan is to convert you to having many ways to sell and to profit. Over the spectrum of being a landlord to being a banker there are several profit centers. For example, bankers have profit centers... one is called points! A point is 1% of the loan amount. Bankers typically get paid their points at closing... up front. The difference in our program is you'll finance the points for your clients. We charge three points. We charge four points, but we finance those points into the loan. Do people with bad credit pay points? Sure. Are they charged more than typical buyers? Yes. Due to the risk of collection issues being higher, bad credit always pays more.

Is ours a fair deal for the buyers? You bet! This is actually a good deal for someone with bad credit! It's a beautiful deal. You earn four points extra profit. How much is that for our example?

$$\$90,000 \times 3\% = \$2,700 \text{ added points profit}$$

So, now your loan amount grows to \$92,700. That creates a note for \$92,700. Next you are going to write this note at 9.75%. Is that a good number? Yes. Is it a fair deal for your client? Yes, this is a great interest rate for someone with bad credit. But there is a stronger point here. As you will see, by the time we have considered all things to be included into the loan payment – principal, interest, taxes and insurance – the payment equates to approximately what rent would be! Under the Dodd-Frank Act the highest interest rate we can charge is 6.5% above the prime rate - which is currently at 3.25%.

That's right – we can offer properties for sale – and give deserving families the chance at home ownership for approximately what rent would cost.

Let's continue looking at the math.

Your Ten Million Dollar Retirement Plan

Use your financial calculator now... check my math. Let's take a \$100,000 property, get \$10,000 cash down payment (or promissory note for part), add three points and get a loan amount of \$92,700 principal. That is some pretty good (great) money. When you buy the property way below this then you not only get the equity profit, but you convert that equity into long term income earn was from the equity at a great interest rate. Most bankers DO NOT get

this benefit! This, my friend, is huge! Now you are breaking their code, the banker's best kept secret – charging interest higher than the cost of funds. Not only do we get that, we get the equity too. \$92,700 at 9.75% allows for profit on the property plus profit on the interest, plus profit of the points, plus interest on the points. Next we are going to be generous. We are going to finance this for 40 years. How many payments is that? 480. So, 9.75%, 480 months. How much monthly principal and interest payment are you going to receive? Your payment amount is \$769.00. What is that? P&I.

Just principal and interest, P&I, \$769.00 times however many houses you own or buy. What if you did, say 30. How much is that? Your income will be \$23,070.00 per month!

Can you get by on that? Get by on that for the next 40 years? Oh yeah. Of course not every deal will be the same. I want you to get the formula. Can you see how this can work? Of course if your price point is higher – that means fewer deals. Are you loving this? Yeah, baby!

Remember, your buyer is handling all the hassles. Property taxes, insurance and maintenance. So far, so good? Alright, I'm not done. I'm not done. No, no, no, I am not done. The real money for you is yet to come. What if they never get the bank loan? What if they just keep paying YOU? \$23,070.00 times 480 payments. How much is that?

\$11,073,600... That's right – over **Eleven Million Dollars!** Did I promise you earlier I would give you a ten million dollar plan? Well this is it. Is this doable? Is this completely doable for you? This plan is not only possible, this plan is easy to implement if you will carefully follow my training. What makes this even easier is that you are an "Affordable Housing Provider". Did you just get a chill up your spine?

What if you do more than 30? Take a vacation! Will you take a vacation when you get a machine like this going? That's my plan for you! Enjoy this great ride.

Take a look at the math...

Let's recap: **10 Million Dollar Retirement Plan**

One house... Buy for \$ X (The price is relative to your target market... the formula is universal.)

Sell for	=	\$100,000	
Down Payment	=	<u>\$10,000</u>	
	=	\$90,000	
Add 3 Points	=	<u>\$2,700</u>	
Loan Amount	=	\$92,700	
Financed at 9.75% for 480 months			
Monthly P & I	=	\$769.00 X 480	= \$369,120.00

Note: Customer pays 1/12th of the property taxes and insurance to you monthly for the annual payment of these costs.

Now when you do say 30 houses... Buy for \$ X

Sell for	\$100,000	X	30	=	\$3,000,000	
Down Payment	\$10,000	X	30	=	minus \$300,000	cash to you
Add 3 Points	\$2,700	X	30	=	<u>plus \$81,000</u>	added to loans
Loan Amount	\$92,700	X	30	=	\$2,781,000	
Finance at 9.75% for 480 months						
Monthly Payment Income	\$769	X	30	=	\$23,070	per month to you
Total Payments	\$23,070	X	480	=	\$11,073,600	if they just keep paying for the term of the loan

Again this is a formula... plug your own numbers into the loan calculator included on your House Monster[™] Forms Disk.

Now, enough numbers – let's get back to the House Monster[™] concept. Do you think you can find people who want to own their own home in your area? Are you motivated yet? Can you see the money? Are you ready to come out and play? Your buyers are in every walk of life... everywhere you go. They work in restaurants, convenience stores, department stores, they are delivery people, meter readers, construction workers, and they are literally all over the place. I have given you the tools. Now get serious. This is real!

Your Finding the Buyer Script

Since I figured out that a) everyone is a potential customer, or b) they are someone who can refer one to us, I have made it a practice to talk to everyone who serves me... I ask them, "Do you have a home of your own? If I could show you a way that you could enjoy the American Dream of home ownership, right now, would you be interested in knowing more?" That is not



House Monster - Explanation of Client Referral Process

As soon as you turn on your House Monster™ you'll start getting leads. After receiving their preliminary information then you'll want to next determine what their current credit status is.

You or your client will need to obtain a tri-merge credit report (all three credit bureaus).

- 1) There are two ways to do this for free at:
 - ScoreSense.com (7 day free trial - credit card is needed... then cancel before end of free trial), or
 - AnnualCreditReport.com (no credit card needed, however no FICO score is provided)
- 2) Or our MortgageWiz™ lender can supply it (approximately a \$20 charge).
 - Have your client (or you) go to StreetSmartWiz.com/MortgageWiz and follow the procedures to complete the short online application.

You or your client will email or fax the credit report per instructions on our MortgageWiz™ web site. Be sure that both your and your clients contact information is on the report.

Our MortgageWiz™ lender will review the application and credit report then get back to you and your client within 24 hours with details about your client's current status and a strategy to go forward.

- A) Some will be good enough for a new bank loan now. (Yeah! 😊)
- B) Some will be good enough for a structured Seller Finance note which you can choose to sell to a third party (our MortgageWiz™ lender can arrange this). Of course you always have the option of keeping this note and receiving income then selling it later - or never - you choose.
- C) Some who do not have sufficient credit or down payment for seller financing could qualify for our Rent-To-Own (Lease Option) program.
- D) Finally, anyone, regardless of background, credit or amount down can qualify for our VIP (House on Layaway) program.

So, to recap the options could be:

- 1) New bank loan, or
- 2) Seller (Owner) Financing, or
- 3) Rent-To-Own (Lease With Option to Buy), or
- 4) Rent while building up down payment, or
- 5) VIP (not enough down payment yet, but commitment to building up their down payment)

Our MortgageWiz™ lender specializes in developing a strategy for each person - they are not all the same. It is up to you to determine which program you want to place your client into. They will suggest options and offer alternatives but you will be the one to make the final decision in consultation with your client.

When they report the status of your client to you and it shows a less than great credit you have an opportunity to earn money instantly by referring them to a 12 year old A+ rated by BBB, non-profit credit restoration company we have resourced. When they join for just \$499 you'll receive a commission of \$75. Go to PathToOwnership.com/fixmycredit to start the process. If you would like to earn \$150 per referral instead please let us know and we will explain how to do it.

So there you have it. A plan with a flow to get your clients served quickly and get some immediate income back to you.

We look forward to seeing you at our upcoming Certification Training event, webinars and being of service to you.