

Find the Need - Fill the Need - Finance the Need

How could I create or "make" notes that would provide high yield with low risk, and with a small investment? That was a question I had been asking myself for some time. After many years in the rental business, I had become a burned-out landlord. I woke up one morning and discovered that I had enjoyed all the tenants I could stand. And I thought how nice it would be, if I could somehow create monthly checks, with no tenants, no management and no maintenance?

So, I started learning about the note business, and began buying discounted notes and mortgages. But finding the kind of notes that met my requirements was not easy. Then I thought "If I can't find notes to buy, there must be a way to create, or "make" my own." But how, and what vehicle could I use to create notes?"

The answer was right under my nose in the "Mobile Homes For Sale" column of my local paper. After seeing this column for several weeks, it finally hit me that no one was offering to finance the sale of the used mobile homes, only the new homes. Bingo—the light bulb came on and I found the answer...used mobile homes. I decided to run a test ad and see what happened. The response to that ad was unbelievable. Without realizing it, I had opened the door to an untapped gold mine--buying, selling and financing used mobile homes. I had discovered how to create a "mobile home money machine".

There are many ways to make money with mobile homes, but in my opinion, and based on the many years in this business, the best money makers are the older used homes. The one's I deal in are usually 10-20 years old, single-wide and on someone else's lot. My favorite deal is one that can I buy for \$2,000-\$3,000 and sell for \$4,000-\$6,000. My minimum guideline is to sell for at least double what my cost is. I get a reasonable down payment from my buyer, usually at least 10%, and take a note for the balance. And, the term of my notes are usually not more than 36 months. This is my typical deal and what many people now refer to as a "Lonnie deal." As you will see in my example below, these type of notes provide extremely high yields, with very low risk, and with a small amount of cash invested. Let me share one of my actual deals with you.

The owners of this mobile home were moving out of town and needed to sell. They had been trying for some time to get \$5,500 (which was a good fair market price) for the home, but with no luck. Several people wanted to buy the home, but didn't have \$5,500 and couldn't get a loan (So, what else is new)? With just a few days left before this couple had to move, they had now become "motivated sellers."

I negotiated to buy their home for \$2,500 cash and solve their problem. The reason I was able to buy for that price, is because that was the best cash offer they were able to get, and they had to sell. I paid \$250 lot rent that was due, and \$72 in advertising cost. My total cost in the home was \$2,822. It was sold 10 days later for \$5,950, \$750 down and a note for \$5,200, payable 12.75% interest, \$203.33 per month for 30 months. I now had \$2,072 in a \$5,200 note, so what's my yield? According to my calculator, that's 109%! No, that's not a misprint--109%.

After 30 months I will have received \$6,099, plus \$750 down payment for a total of \$6,849. Subtract my total cost of \$2,822 leaves a profit of \$4,027. And it only took a few hours of my time, plus the knowledge, to obligate someone to send me a check each month for 30 months.

As you can see from this actual example, I was able to create, or "make" a high yield note in a short time, that provided me with a monthly check for 30 months. Once the deal was done, what more did I have to do to get paid? Nothing but wait for the mail carrier and cash the check. I could stay home or go fishing, but the checks were still due every month. This is an excellent example of making your money work for you, instead of you working for your money.

Now, I'll bet you're asking, or at least thinking, "What if they don't pay"? Well, let's see what might happen. Once my buyer makes 10-11 payments, I have all my money back. If they had stopped paying and moved out, wouldn't I have had a free mobile home to resell? Could I find a new buyer, get another down payment and create another note? In all probability, I would be in a better position with a new buyer, than I would had the first buyer continued paying? If my first buyer's make all the payments, I make a good profit. If they don't pay me and I get the home back, I sell it again and make a better profit. So I'm in a good position regardless of what happens.

Also, by selling instead of renting, I don't get trouble calls like I did when I was renting houses and apartments. If the roof leaks, the water lines freeze, or the furnace dies, the buyer's get to fix the problem. I'm just the lien holder, and lien holders don't fix problems. Lien holders just collect monthly payments. The note business is a great business. It sure beats working a "job". Try it...I bet you'll like it, too.

Happy Investing,
Lonnie Scruggs