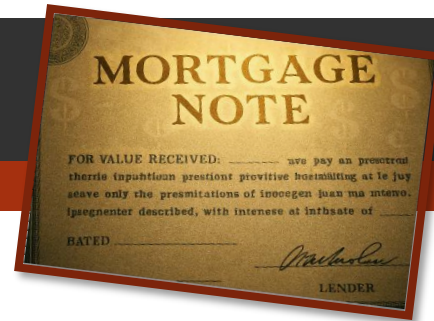




WHAT IS A MORTGAGE NOTE?

And Why It's a Valuable Asset

A Guide for Property Sellers with Owner Financing



INTRODUCTION: IT'S MORE THAN JUST "MONTHLY PAYMENTS"

If you sold a property and agreed to receive payments from the buyer over time, you didn't just create a payment plan. You created a formal financial asset called a Mortgage Note (also known as a promissory note or seller carry note). Many property sellers are unaware that this asset can be transformed into present-day capital for your goals. Let's break down what it is, why it has value, and what it means for you.

1. THE TWO PARTS OF THE DEAL: THE NOTE VS. THE MORTGAGE

- **THE NOTE (THE IOU):** This is the core legal document. It is the borrower's written promise to repay the loan, detailing the principal balance, interest rate, monthly payment, and term (e.g., 30 years). It's your proof of debt.
- **THE MORTGAGE/DEED OF TRUST (THE SECURITY):** This is a separate document recorded in public records. It secures the note by placing a lien on the property, meaning the real estate acts as collateral for the loan. If the borrower defaults, this document gives you, the note holder, the right to foreclose. In Texas, properties are typically secured by a "Deed of Trust," which facilitates a faster, non-judicial foreclosure process if needed.

2. WHY IT'S CONSIDERED A VALUABLE, TRADABLE ASSET

Your mortgage note is an income-producing asset, much like a bond. Investors are willing to purchase these future payment streams. They are attracted by the steady passive income and the fact the loan is secured by real estate collateral. The market for buying and selling these private notes is active and well-established.

3. PERFORMING VS. NON-PERFORMING: A KEY VALUE INDICATOR

The status of the loan significantly impacts its value and appeal to buyers.

- **PERFORMING NOTE:** The borrower is making all payments on time as agreed. This is the most desirable and valuable type of note, seen as a reliable income stream.
- **NON-PERFORMING NOTE:** The borrower has defaulted (typically for 90+ days), and payments have stopped. While these notes can still be sold, often at a steeper discount, buyers are purchasing based on the value of the underlying property and the potential to resolve the default.



4. COMMON REASONS SELLERS CHOOSE TO LIQUIDATE

People sell their mortgage notes for various practical reasons, often centered on accessing capital or simplifying their finances:

- **IMMEDIATE LIQUIDITY:** To fund business ventures, new investments, major life events (college, weddings), or cover emergencies.
- **ELIMINATE RISK & MANAGEMENT:** To transfer the risk of borrower default and the responsibility of collecting payments to someone else.
- **ESTATE PLANNING:** Heirs often prefer a straightforward cash inheritance rather than managing a complex note.
- **DEBT PAYDOWN:** To eliminate personal debt by using a lump sum.



5. WHAT DETERMINES YOUR NOTE'S CASH VALUE?

Buyers evaluate several factors to make an offer, which is typically a percentage (e.g., 70-95%) of the remaining balance. Key factors include:

- **INTEREST RATE:** A note with an interest rate above current market rates is more valuable.
- **EQUITY (LOAN-TO-VALUE RATIO):** The more equity in the property (lower LTV), the safer the loan and the higher the value.
- **PAYMENT HISTORY:** A long, flawless record of on-time payments is the strongest indicator of value.
- **PROPERTY TYPE & LOCATION:** The condition, market, and location of the underlying collateral are critically assessed.

A graphic illustrating the Loan-to-Value (LTV) ratio calculation. It shows a horizontal line with a house icon on the left and a magnifying glass icon on the right. Above the line is "\$400,000 Loan Balance" and below the line is "\$500,000 Property Value". To the right of the line is an equals sign followed by "80% LTV RATIO".

\$400,000 Loan Balance	=	80%
\$500,000 Property Value		LTV RATIO

CONCLUSION AND YOUR NEXT STEP

Your mortgage note is a significant, flexible financial asset—not a permanent obligation. Understanding its components and value is the first step in exploring your options. Whether you seek to fund a new opportunity, reduce risk, or simply want to understand what you own, the potential to convert future payments into present-day capital exists.

Curious about your note's current market value? To start the process, click this link <https://cashpaperbuyer.com/1stplace> to get your free quote (). This is a no-obligation evaluation based on the key factors outlined above. A reputable broker can provide clarity on this process and help you navigate the market.