

# The Buyline

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## Thoughts from the Desk of Bob Repass...

October marks my two year anniversary of joining the NoteSchool, Colonial Funding Group and Colonial Capital Management family. This year has once again been filled with many challenges and opportunities as I look for ways to continue to improve and grow across all business lines.

In our continuous effort to enhance all three companies while maintaining a focus on our business strategy of Learn, Trade, Invest I feel we have achieved key accomplishments that benefits all our clients.

Our trade desk operation is vastly improved over the past six months and while not perfect by any means, we are creating an interactive process allowing our investors to re-view, analyze and purchase one-off assets in more efficient and scalable manner.

Our NoteSchool mentor programs have been upgraded with new learning opportunities on our member site as well as creating additional benefits and take-aways for our Titanium members.

During the first quarter of the year we launched our open-ended capital fund, Colonial Impact Fund-II that has given us the ability to continue to be a major player in the discounted and distressed note space.

This takes us to our 4th Annual Appreciation Event on November 4th & 5th leading up to NoteExpo 2015 taking place November 6th & 7th here in Dallas. Our goal with this event is to bring the industry leaders together along with potential capital partners, sellers and investors while providing exclusive content, market-leading analytics and due diligence tools to help assess and monitor risk. So that we can all maximize the rewards.

I hope you will plan on joining us next month.

Bob Repass  
Managing Director



## *The Trading Corner*

### **Using Partial to Your Advantage**

*By Martha Speed*



When my Dad started buying notes back in the late 1970's most lending institutions were only originating 15-year loans. Interest rates were at an all-time high. Long forgotten are the days of 18% mortgage interest rates. Many home owners would owner finance to individuals, selling their home at a lower than market interest rate and longer terms to reduce the monthly payment to a more affordable amount or carry a note on the down payment as a second lien.

At the time Institutions didn't finance and couldn't book a loan for more than 180 months. How could a loan amortized over 30 years be booked with an institution that could only collect a 15-year loan? **The light bulb came on!** I'll never forget the day my Dad traveled to meet with one of the institutions accepting his plan to buy partials. Imagine being a pioneer in the note business and one of the first to sell part of the cash flow to an Institution, keeping the residual interest with no cost basis plus making a profit selling the front end!

The second issue buying from individuals who owner financed notes was they didn't understand Loan to Value (LTV). What do institutions look at when financing a property? Loan to Value, with limitations depending on the type of property. Institutions set limits on LTV based on the type of property, the highest LTV being on single family homes, and then reduced for commercial properties and raw land. Many times the only way to purchase a note was to back into a partial to figure how much of the loan we could sell to an institution based on their criteria for Loan to Value.

Partials also create a great way to "hide" discount. For example, if we were to quote buying the full interest in a note with a 6% note rate, the discount could be as much as 60% of the loan balance. When you decrease the number of months you're buying to a partial interest the discount could be 40% of the loan balance. The Seller doesn't have to take such a steep discount and gets to keep an interest in the back end of the loan, which is much more attractive for them. Another way to use partials!

The partial model becomes a very **Useful Tool** from a note investor's perspective; it limits the term and the exposure while allowing the seller to hold a back end interest we refer to as a residual.

Thirty Five years later and tens of thousands of partial closed, we understand all the intricacies of partials and how to use them to our advantage to structure various transactions when buying or selling. Whether your goal is short term income, long term wealth building, retirement, or leaving a legacy, you should create different investment goals for each strategy. Buying and selling partials should be part of your overall plan.

Come learn more about structuring partials and how to benefit as the Buyer and the Seller at NoteExpo 2015 during our 4th Annual Mentor Student Appreciation Event!

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**MarketPulse**



## Where is All the Inventory?

*By Eddie Speed*

The Seller Finance Coalition is proud to announce that we expect The Seller Finance Regulation Reduction Act to be introduced in Congress by Congressmen Roger Williams (R-TX) and Henry Cuellar (D-TX). The Seller Finance Regulation Reduction Act will protect our industry against the over-regulation by the federal bureaucracy. The Bill has been sent to the House Committee on Financial Services for review.

*"It is extremely important for everyone involved in the seller finance industry, from the small business owner to the potential homeowner whose only path to homeownership is through seller financing, that we all join together to make a concerted effort to achieve regulatory relief from the burdens, a lot of them as a result of unintended consequences, from Dodd-Frank and CFPB legislation. The introduction and passage of this bill will have an immediate impact on all of us working hard every day to improve homeownership opportunities in neighborhoods across our country."*

-Bob Repass, Managing Director of Colonial Funding Group

The Seller Finance Regulation Reduction Act would exempt any person, who has less than \$2,000,000,000 in assets and originates less than 2,000 residential mortgage loans a year with respect to property that is owned by the person, from the SAFE Mortgage Licensing Act of 2008.

It would also amend the Truth in Lending Act with respect to minimum standards for residential mortgage loans, to prohibit, in determining whether a residential mortgage loan is a qualified mortgage, from applying to loans originated by such a person certain guidelines and regulations relating to ratios of total monthly debt to monthly income.

The Seller Finance Coalition would like to thank Congressman Williams, Congressman Cuellar and both of their staffs for introducing the bill and continuing their advocacy on behalf of the small business community.

We urge all members of the Seller Finance Coalition to contact their representative and support this bill. If you need help finding your representative or have any other questions, please visit our website [www.sellerfinancecoalition.org](http://www.sellerfinancecoalition.org)

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## *Employee Spotlight*

### **The Top Ten With...**

There are many people behind the scenes that drive the engine to make our companies successful. In our continuous Top Ten series, this month we turn the spotlight on one of these people so you can get to know them better. This month the spotlight is on a key member of our team our TradeDesk Coordinator and if I don't say so myself, my beautiful wife, Angie Repass.

**How long have you been with Colonial Funding Group/NoteSchool:** 9 months in my current role, but have helped out whenever needed since my husband, Bob joined the firm.

**What is your role at Colonial Funding Group/NoteSchool:** Trade Desk Coordinator: Manage the purchase process and document preparation for closing, funding and collateral delivery.

**Favorite Color:** Blue

**Favorite Food:** My mama's Chicken Pastry

**Favorite TV Show:** The Voice

**Favorite Movie of all-time:** The Notebook

**Last Book You Read:** Gray Mountain by John Grisham

**Favorite Sports Team:** TCU Horned Frogs

**The 3 people you would like to have dinner with (dead or alive):** I would have to make this 4- my family – Bob, Robbie, Kristin and Emma

**What do you like best about working at Colonial Funding Group/Note-School:** The family atmosphere in the office and meeting the NoteSchool students at our events!

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## *Capital Markets Update*

### **Legacy: Planning for Charitable and Philanthropic Giving**

*By Ryan Parsons*

It's my job to talk to high net worth investors about their individual investment strategies. In due course, I ask questions about risk tolerance and asset management, and I get a lot of different answers. Often the most important question in this conversation, however, is what I call the Big "Why." This is the question that tells me what really drives the individual investor.

## Your Big Why

Big Whys (deep motivations) are usually governed by a strong desire for security, freedom, and fulfillment. After all, our investment portfolios are ultimately another tool to enhance our lives and create the financial foundation for personal fulfillment, as defined by our unique goals and values.

Have you clearly articulated your Big Why?

## Giving Back

I'm always interested when investors share their Big Why with me, and I get especially excited about investing in order to build a plan for charitable giving. I'm always amazed at how folks at both ends of the wealth spectrum, from giving 5% in the church offering to \$10 million to their alma mater, have a mindset of giving back that propels their charitable giving strategy.

I've discovered over the years through conversations that an investor's approach to giving may range from in-the-moment giving strategies (that is—writing a check on the spot) to long-term strategies driven by a desire to leave a legacy.

## Charitable Remainder Trusts (Simplified)

I'm especially intrigued by investors who have a philanthropic plan that grows their portfolio while creating future value for their desired non-profit agency or foundation. One such strategy is the charitable remainder trust. I know that when you hear the word "trust," you worry you might need to buckle down for a 10,000 word dissertation, but I'll keep this simple. Suffice it to say, trusts can be established during the donor-investor's lifetime in order to place assets into the trust that can be utilized to produce current income while the donor's spouse is alive. There are very distinct tax advantages to doing so.

For example, where I tend to see these trusts used fairly frequently as part of a well-thought-out investment and charitable giving plan are cases when an investor and spouse have invested in a highly appreciated asset. A husband and wife may have bought an asset as far back as 25 years ago, and it might be a significant amount of stock in a company or a piece of real estate. In either case, the asset has significantly increased its value from when they purchased it.

The donors know that if they were to liquidate that asset, they would have a significant taxable gain. With the use of the charitable remainder trust, they can transfer that asset to the trust and avoid it being a taxable event. In order to avoid it being so, the trust has to have an approved charity or beneficiary that will inherit the asset once both spouses have passed away.

Additionally, did you know that while at least one spouse is living, he or she can continue to receive the income from the highly-appreciated asset that was donated to the trust?

Whether planning for leaving a legacy for your family, for a worthy foundation, or both, I encourage you to think strategically – and keep your eye on your Big Why.

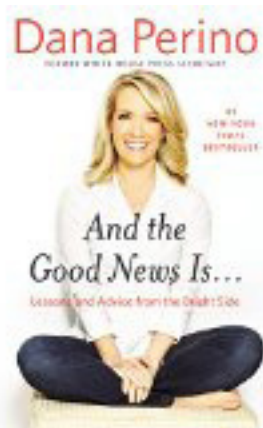
To your success in investing and life!

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### **Quote of the Month**

*“A nickel ain’t worth a dime anymore.”*  
– Yogi Berra, Yankee Legend 1925-2015

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### **Recommended Reading**

## **And the Good News Is...: Lessons and Advice from the Bright Side**

*And the Good News Is...: Lessons and Advice from the Bright Side* is a refreshing and inspiring book by Dana Perino. Dana recounts her journey from growing up in Wyoming and Colorado all the way to the White House as Press Secretary for President George W. Bush and on to a successful career n Fox News’ as co-host of The Five.



She shares her work-life lessons in a way that resonates not only with someone like me at my stage of my career but to young people such as my recent College graduate daughter so she can see ways to maneuver through the complicated business world. Definitely worth the read!

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## ***Upcoming Events***

**Big Money 3-Day Class** – October 9-11 – San Francisco, CA

**The Five Star Single Family Rental Summit** – October 11-13 – Las Vegas, NV

**SBRE Investment Summit** – October 16-18 – Dallas, TX

**Rich Rewards 3-Day Class** – October 23-25 – Houston, TX

**Rich Rewards 3-Day Class** – October 30 – November 1 – Orlando, FL

**Save the Date – NoteExpo & 4th Annual Appreciation Event** – November 4-8 – Dallas, TX

