



YOUNG ESTATE
GROUP

HOW TO

Maximize Distressed Asset Profits



Maurice Young
Young Estate Group
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MAXIMIZE YOUR PROFITABILITY BUYING DISTRESSED ASSETS

You have put a lot of due diligence into acquiring a great asset for your portfolio and have calculated that it will reap great rewards. But what is the best strategy to reap those fantastic returns? Which method is the most cost effective? Which Exit Strategy is the best (whether Selling or Buying-to-Hold?) Well here are a few examples to answer your questions.



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NOTE EVALUATION

PROPERTY IDENTIFICATION

Address: _____
City: Atlanta County: _____ State: GA Zip: _____

Type of Property: Industrial Multi-Family Retail Restaurant Farmland
Shopping Center Specialty Office Sports & Entertainment Hospitality
Health Care Land

Owner Occupied: Yes No

Property Amenities: 15 Acre Lot (5-Miles from Metro Area), Asphalt Streets, Utility Connections, Water & Sewer

Broker's Valuation: \$2,650,000.00	Price/ Unit: N/A
Cape Rate: N/A	Lot Size: 15 Acre
Building Class: N/A	Building Size:
Number of Stories: N/A	Average Occupancy: N/A
Number of Units: 21 Divided Lots	Year Built: N/A

A-1 The opportunity.

Let us look at this 15-acre property just 5-miles outside of a major American city. A young ambitious builder started with a plan to construct 21 houses within the price range of \$450,000.00 - \$600,000.00 but ran into some financial issues within his company early into the build. He had the subdivision streets completed, water & sewer laid, and concrete poured for five of the model homes. Unfortunately, he became well beyond 145 days late with loan payments which placed his loan on the distressed assets tape of the bank.

Formatting the Deal

Now let us hypothetically say, you discovered this property as a potential purchase from Young Estate Group's distressed bank assets list. What are the possibilities going through your mind as you glance over the pictures and data from the analysis worksheets during your due diligence phase? What ideas come to mind that you would implement into the continuation of this unfinished project?

1. Do you purchase the loan and maybe advise the guy on how to run a successful operation?
2. Or, do you let him continue with his life elsewhere and totally take on the project yourself?

Well, you decide on that as we go over the numbers to see how great of a deal you could make it.

MORTGAGE INFORMATION

ORIGINAL LOAN			
Loan Amount: \$ 2,385,000.00			
Unpaid Balance: \$ 2,291,184.83			
Interest Rate: 5.8 %	Amortized Over: 30 Years	Balloon Payment In: 10 years	
You Offer: \$ 1,237,239.81		Discount of: 54 %	

A-2 Working a deal with the Young Estate Group & the bank.

In figure A-2 you see the original **Loan Amount** is \$2,385,000.00 with an **Unpaid Balance** of \$2,291,184.83. The **Interest Rate** is at 5.8%, **Amortized Over 30** years with a **Balloon Payment** arriving **10** years within the loan's term.

What options are available to you that would be very lucrative over time?

Let us say after a few counteroffers with the bank, **Your Offer** of \$1,237,239.81 is accepted based on further due diligence into running the numbers of the completion of the homes. That gives you a **Discount** of 54% on the purchase of the note, itself. Now let us see how you can transform this deal into outstanding profitability. Let us look at some Exit Strategies.



EXIT STRATEGIES

The Resolution to Every Successful Deal

THE LOAN MODIFICATION

LOAN MODIFICATION			
New Loan/ Modification: \$ 2,000,000.00			
Interest Rate: 5.8 %	Amortized Over: 30 Years	Balloon Payment: 15 years	
Interest Earned: \$ 143,927.97		Note Increase Profit: \$ 762,760.19	
Total Earned: \$ 906,688.16			ROI: 73 %

A-3 Working a deal with the borrower.

Suppose that you have decided to work with this guy by offering him a **Loan Modification** plan, and a little guidance into making this project work based on what you have learned about the guy's true financial situation. You structure the **Loan Modification** at **\$2,000,000.00**, keeping the **Interest Rate** at **5.8%**, again **Amortizing Over 30 years** but extending the **Balloon Payment** to a **15-year** period from the original 10 years without a prepayment penalty.

Let us say all goes well and 15 years later along with twelve more successful deals, the guy pays off the debt bringing you **Earned Interest** of **\$143,927.97** along with the **New Modification** workout which brought you an additional **\$762,760.19**; gaining you a total profit of **\$906,688.16** which is an **ROI** of **73%**.

THE SHORT SALE

SHORT SALE		
BPO/ Evaluation: \$ 2,650,000.00		
UPB: \$ 2,291,184.83		
Purchase Price: \$ 1,237,239.81	A Discount	of 54 %

A-4 Working a deal with the borrower & bank.

In this scenario we will say that you have worked an arrangement with the borrower and the bank to purchase the property, terminating the mortgage and the borrower walks away leaving you with a great asset. Your real estate broker values the property (**BPO**) **Broker's Price Opinion** at **\$2,650,000.00**. The

Unpaid Balance is again, remember **\$2,291,184.83**. **You Offer \$1,237,239.81**, a **54% Discount** to buy the property (Pre-Foreclosure); plus, whatever is earned from your new project's completion.

A DEED IN LIEU (FRIENDLY FORECLOSURE)

DEED IN LIEU	
BPO/ Evaluation: \$	2,650,000.00
Purchase Price: \$	1,237,239.81
Cash for Keys: \$	15,000.00
Total Investment: \$	1,252,239.81
Options: Sell or Hold	

A-5 Working a deal with the bank & borrower.

This option is along the line of the previous, getting the borrower out of the scene. This time you purchase the **NOTE** at a sum of **\$1,237,239.81**. You bargain with the borrower to transfer the **Deed** to you. An optional scenario is to offer the borrower what they call **Cash for Keys**; I will not go too much into this arrangement, but for example I have entered **\$15,000.00** for the guy to leave the property intact.

Meanwhile your broker has estimated the property to be at a value of **\$2,650,000.00** market value. Meaning the total investment on this deal is **\$1,252,239.81** giving you a potential value in gains of **\$1,247,760.19** if the property sells at the stated (BPO.) Sweet huh? You can also hold and complete the building of the homes.



FORECLOSURE



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A LAST RESORT EFFORT

FORECLOSURE	
Property Evaluation: \$	
Note Evaluation: \$	
Attorney Fees: \$	Court Costs: \$
Restoration Fees: \$	Administrative Fees: \$
Property Taxes: \$	
Additional Liens: \$	
Marketing Fees: \$	
	Profit:

A-6 Forcing an arrangement within the court system.

This is a last resort, after you have purchased the note from the bank. A last resort, only if the borrower in-turn refuses to uphold his end of the agreement.

There are several properties as this off-market at various institutions around the country. If you are in the market for a great investment - **Schedule an Online Zoom Meeting with Us! To Get Your List of Available Commercial Mortgage Notes.**

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Maurice R. Young, General Partner
c/o Young Estate Group, LLLP

6543 N. Academy Blvd., Suite #2201, Colorado Springs, CO 80903

Phone: **(833) 526-3568**, Email: acquisitions@youngestategroup.com