

Distressedpro.com Professional Podcast Series

Cross Country Notes Case Study with Jamie Kubiak and Joe Bayarena

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Brecht Palombo: Hi, and welcome back everybody. This is Brecht Palombo with the distressedpro.com Professional Interview Series, and today I'm really happy to be talking to Jamie Kubiak and Joe Bayarena. Now, did I say that right Joe?

Joe Bayarena: Yes.

Brecht Palombo: Fantastic. And the reason I wanted to get these guys on here is they're professional real estate investors who have made a switch over to notes and while we were working on something for Realty Motor, another business that I have where they're setting up their note purchasing website, we got to talking about a deal that they recently secured with a bank, and so I wanted to just kind of talk a little bit about that. And I'm going to ask them to reveal some stuff for us here. Just to kind of give up a picture of what's available and what's happening out there.

And then maybe we'll talk a little bit about how if you have some money that you're looking to invest, and maybe you're not doing the prospecting or maybe you are, but you're not having as much luck as Joe and Jamie that where you can go and you can work with some folks like these to put your money to work. And so with that, if you guys could tell the story, we started talking, it sounds like you signed up for Bank Prospector, and the training that we have at Distressed Pro, and you got down to work. Is that right?

Joe Bayarena: That's correct. Right. My role, because I have a big mouth I guess Jamie would say, I got on the phone and started using Distressed Pro and I'd listen to some of the videos and watched everything in Distressed Pro and everything that you provided for us. And so I just started getting on the phone and calling banks and I must have done that and repeatedly calling the same banks and leaving messages. Most of the time I was talking to somebody they were interceding or a gatekeeper for the CEO or somebody a little bit higher up, like you suggested, talk to somebody higher up and then move down.

And so, that's what I did and I think I was on the phone for about four or five weeks, six weeks and leaving messages and one of the banks that I called, I had talked to his assistant and after about the fourth time I called her she started laughing and she recognized my voice. She says "I'm going to let you through so that you can leave a message for the CEO because you're very persistent, aren't you?" So, she finally let me through and I think left three or four messages for him and this guy's just as bad as the secretary.

But finally, one day Jamie and I were sitting in the conference room and this guy calls me, the phone rings and I answer the phone and it's this banker from San Antonio. He says "Joe, I've gotten your messages a couple of times and I appreciate you being patient." He said "I just haven't had the chance to call you back because we had so many meetings, but actually you've called at just the right time because we're just getting ready to get rid of some notes." I was ready because I had practiced about a million times on the right lingo and everything else to say to him and went through the whole and so he said "Well here's what we got", and initially we got like 47, is that right Jamie?

Jamie Kubiak: 40 something, yeah.

Joe Bayarena: Yeah, 40 something notes that he and he ended up some of them paid off and they fell off and he re-buys the list and we've been back and forth 20 or 30 times, I guess, on the phone. And then we finally got a list of about 33 or 30 assets that are finally going to get done and some of them are performing notes and some of them are nonperforming and Jamie is more of an expert than I am on Excel and some of the other things.

Jamie Kubiak: So it works out, but in summary Joe just did what the training instructed and he used the CRM built into Distressed Pro to make the calls and he kept notes and he followed up and we got this tape. It worked.

Brecht Palombo: Well that's fantastic. This was with the CEO? Is that who you ended up doing the...

Joe Bayarena: Actually, when I hung up the phone with him, Jamie and I are pretty much rookies at this. We kind of started backwards at making the phone calls and seeing what we could do. I said "Now we got Distressed Pro, let's get to work", so I got on the phone and when this banker called us and I hung up, Jamie and I look at each other and go "Now what do we do?"

Brecht Palombo: Yeah, well, it's the right order because if you can find the deals, even if you don't have the capital ready to go, you've got it invested in other things, whatever, if you can find the deals, the money will be there. I really think that you went about that exactly right.

How long from the time you began making calls, did you say five or six weeks from the time you began making calls to the time you finally got a call back?

Joe Bayarena: I guess I didn't talk to any CEOs or presidents of banks. I did talk to several, and one of them in particular told me "Oh Joe, I think we only got one or two properties. Our bank is in really good shape" and I was looking at Distressed Pro and I knew he had like two and a half million in distress.

So I knew he wasn't telling the truth, but I didn't want to say anything, so I just sent him an email and he said "Well I have a guy here that deals with all the notes Joe, so we'll get back to you in a few weeks and see what we can do with you." So, I still have some other people that I have been talking to and this is just one with 30 something assets that ended up dropping in our laps.

Brecht Palombo: The timing, right, really is the thing. They were ready and you were there and I think that's kind of what I try to promote is for people to understand that "no" doesn't mean "no forever". It means "I don't have anything on my desk right now", right?

Joe Bayarena: That's exactly right. He just called me at the right time.

Brecht Palombo: Yep, exactly. And so the more those folks who you're communicating with who are getting used to hearing your voice and your persistence, as the time becomes right for them, you'll be there. That's the idea that I really try to harp on is that it's not you dial the phone, they say "Oh, yep, here's the tape. Send me a wire."

It's a matter of being there when they're ready to go and that requires some systemized follow up where you're going to call them or you're going to send them an email or whatever it's going to be, so congratulations on that. Can you talk a little bit about what you're expecting for returns and what it all looks like? What the deal looks like?

Joe Bayarena: He's done more of a spreadsheet on it.

Brecht Palombo: Actually, before we get into that, let me just mention that the method that you guys are using, which in my experience in sales we call this the hunter skinner. It's a really good model, especially if you're going to be partners where somebody is going out and bringing in the business and then once something comes in, the other partner takes it on and does all the back stuff.

And that, I know a number of people who are doing that and it makes a lot of sense, so with that, I'd love to hear about the numbers and what's happening with that tape.

Jamie Kubiak: Okay, yeah. This is Jamie. So there's 33 assets in this tape and the numbers are different for each one. This tape is unique in that all of the assets are underperforming. Some are more delinquent than others, but the history is they all catch up once a year after tax returns. They also all have 15 year balloons. They're amortized over 30 years, but have 15 year balloons, which is an interesting thing that works in our favor.

Joe Bayarena: Kind of unique, yeah.

Jamie Kubiak: And thirdly, all of these assets have a tremendous amount of equity. So, on average, each of these has 80% equity on all loans. So even if they're nonperforming, because of all the equity they're very likely to become re-performing because somebody wouldn't want to lose their property for a very small loan. So the numbers are, because they have equity and the monthly PI payment is so much lower than what a market rent is, the re-performing exit strategy or outcome is the most likely and the returns on those on average for the 33 assets is about upwards of 25%. If you take that back and it just starts re-performing again, we season it for a period of time and then sell it at 85%, our return would be 25% or better on the aggregate.

Brecht Palombo: Wow.

Jamie Kubiak: Should we foreclose on any of these, should that happen, not terribly likely, but if it did then our return would be triple digits.

Brecht Palombo: Wow. So it sounds like you're working with local banks, with local product, right? Is that correct?

Joe Bayarena: Exactly.

Brecht Palombo: Yep. It sounds like, with the type of loan you're talking about, sounds like maybe this is some portfolio product that they had because it's a little different.

Joe Bayarena: Right, what happened was that this bank decided to help people in the area in his city and they decided to go out and do something special for people and help them out, so interest rates were anywhere from six and three quarters to seven and a half percent and that's why, like Jamie said, they're all 15 year balloons.

They're 30 year loans, 15 year balloons. It was a unique thing and now they want to get out of some of them. I think they had a, I forget exactly what the total package was, but some of them were in good shape and they didn't want to get rid of those at this time, but he said "We might do it in the future."

Brecht Palombo: And so, I don't want to spend too much just praising Distressed Pro and Bank Prospector, but what would you say to folks who are looking to do this type of work and looking to get deals from banks in terms of your experience with dealing with our materials and our software and all that?

Joe Bayarena: I'm going to tell you that you should use Distressed Pro if you're going to call banks because all the banks are in there. Every single bank and credit union, anybody that you want to talk to that's a financial institution is going to be in Distressed Pro. And all you got to do is, just like Brecht suggested, you're not going to get anything from the big banks, but you start off with the smaller banks and that's what I did.

I just went to the smaller banks, the community banks, banks in the area and started calling every single one of them. And for the most part, it's just going to take persistence and smile and dial and make notes of what the name of the gatekeeper is. If you're going to talk to the secretary of the CEO, then you're going to write her name down and when you call back you're going to say "Hi Irma, or Linda or whatever his name is. How are you today? This is Joe" and after you reach them a couple of times you'll develop a relationship and eventually they're going to let you through.

But you have to make notes and the software, when you do get Distressed Pro, Brecht has developed a, when you get the person you want to talk to, and you're usually going to go to a president or CEO so that you can move down the line and get to the person you want with the referral, you're going to get a referral from the president to talk to

somebody that's going to handle the notes.

They're going to listen probably more attently if you say "Well, the president asked me to give you a call and talk to you about the distressed assets you have in your books", which is something that you're going to find in some of the videos that Brecht provided, so if you go through all the material that's in Distressed Pro, that's very, very well put together, and if you're persistent in your phone calls, you're going to find that you will eventually get to a bank, if you're going to stay on the phone and do what it takes.

Brecht Palombo: Nice. So I really appreciate that. What I'd love to talk a little bit about is I know a lot of folks who are doing these kinds of deal are looking for investors and JV funding and that kind of thing. Are you guys open to working with investors if you're returning these kinds of rates, if somebody's qualified, will you take their money?

Jamie Kubiak: Yeah, actually, we would. That's what we're working on right now. All these assets are close. We're in Austin, Texas. All these assets are an hour, an hour and a half away from us and so we're well positioned to have boots on the ground in that city, so we're seeking joint venture partners that want to partake in the profits with us on these deals.

Brecht Palombo: Awesome. So, one of the things that I know that happens in this business is after you do a deal or two, with a bank you usually do two or three, or three or four and it goes on like that and it's not a thing where you get a tape every month, but it's a thing where it might be a couple times a year, it might be once a quarter, might be every other quarter, whatever it is.

But the beauty is once you've established a relationship, they keep making loans, right, so they're not running out of product anytime. And what's interesting about this particular case where you're saying that some are performing or re-performing and all that, it's not always that you have to have these deep, deep discounted really rough type of situations. Sometimes it's pretty clean, like what you're talking about.

Joe Bayarena: We were surprised at the assets we were looking at as well.

Brecht Palombo: So how would somebody get in touch with you? What's the best way for them to find you if they're looking to invest or looking to JV on notes like this with you?

Jamie Kubiak: Yeah, I would say the best since Joe and I both have hard to spell last names, our website is crosscountrynotes.com and that'll be probably the easiest way to find us.

Brecht Palombo: So, there you have it folks. You pick up the phone, you do what other people have already done to be successful. You do the same thing and then you do a bunch of it and then out the other end you'll find some deals. So, if you've got some money to invest and you're looking for some guys who are out there turning over real deals direct from banks, I suggest you look up crosscountrynotes.com. Jamie and Joe, I really appreciate you coming on and telling you're story. It helps us a lot just to get it out there. It's wonderful and refreshing to hear people who are just doing it exactly as it's meant to be done and having the kind of success that you're having in really not too long a time period, so congratulations on that and thanks for coming on.

Joe Bayarena: Thank you Brecht.

Jamie Kubiak: Thank you.