

Note Investing Due Diligence Checklist

1. Asset & Deal Overview

- ☐ **Confirm note type:** Performing, nonperforming, or re-performing
- ☐ **Collateral Type:** (e.g., Single Family Residence, Condo, Mobile Home w/ Land)
- ☐ **Verify lien position:** 1st or 2nd lien
- ☐ Check origination date and loan term
- ☐ Review unpaid principal balance (UPB) and **payment amount**
- ☐ **Location:** City, State, Zip (consider if it's a judicial or non-judicial state)

6. Legal & Compliance

- ☐ **Servicing compliance** (CFPB, RESPA, FDCPA guidelines)
- ☐ **Loan licensing legality** in that state (for seller or servicer)
- ☐ **Foreclosure status** (if NPN)
- ☐ **Eviction status** (if borrower vacated)
- ☐ **State-specific legal considerations** (e.g., judicial vs. non-judicial)
- ☐ **Run a title search** to verify no senior liens exist
- ☐ Check for **Dodd-Frank or CFPB applicability** (for seller-financed loans)

Ensure compliance with state-specific licensing laws.

2. Collateral File Review

- ☐ **Verify presence of the Note and Mortgage** (the Note is your IOU)
- ☐ **Confirm chain of title** is unbroken and assignments match up
- ☐ **Ensure original Allonges** are present & correct
- ☐ **If no Note:** Verify **Lost Note Affidavit** (have a local attorney review)
- ☐ **Maine-specific:** Foreclosure not possible without original Note
- ☐ Confirm HUD-1 is in the file
- ☐ Validate **recording stamps** or whether unrecorded assignments are acceptable
- ☐ Confirm **active notary stamps**
- ☐ Look for transfer stamp ("Paid to the order of __") on the Note
- ☐ **Confirm seller is the last in the chain of title**

7. Financials & ROI Analysis

- ☐ **UPB vs. property value** (LTV analysis)
- ☐ **P&I Payment Amount:** (Principal & Interest, if performing)
- ☐ **Expected exit strategy** (perform, mod, deed-in-lieu, foreclosure, resale)
- ☐ **Acquisition cost vs. ROI projection**
- ☐ **Estimated expenses** (servicing, legal, foreclosure, taxes, insurance, etc.)
- ☐ **Cash flow model** (especially for performing loans)
- ☐ **Pay quote** and reinstatement amount
- ☐ **Investment to Value (ITV):** Purchase Price ÷ Property Value
- ☐ **Equity Cushion:** (if applicable, esp. for NPNs)

8. Taxes & Insurance

- ☐ **If closing on Paperstac:** Ensure seller completed Closing Data step and draft Assignment & Allonge were generated

- ☐ Confirm **property taxes** are paid and current
- ☐ Verify active homeowner's insurance or force-placed policy
- ☐ Check for local tax liens, code violations,

3. Property Due Diligence

- ☐ **Verify property address, type, and current owner on title**
- ☐ **Check property taxes** for delinquency, liens, or risk of tax sale
- ☐ **Confirm HOA involvement**, if any
- ☐ **Determine flood zone status** (and whether flood insurance is required)
- ☐ **Assess occupancy status and property condition** via:
 - Google Street View & satellite imagery
 - Servicer notes and property reports
 - ProxyPics or similar for drive-by photos to gauge emotional equity
- ☐ **Evaluate property value using:**
 - Recent comps (sold within last 3–6 months)
 - Current listings in the area
 - Tools: Zillow, Redfin, Realtor, Trulia, PropStream, Narrpr (broker-only)
- ☐ **Focus on value range** using ARV and As-Is assessments (not fixed pricing)
- ☐ **Order a BPO or CMA** (Broker Price Opinion / Comparative Market Analysis) once indicative bid is accepted

💡 Let sellers know you're investing in due diligence. Offers remain open until the PSA is signed.

4. Payment & Servicing History

- ☐ Request 12–24 months of payment history
- ☐ Identify payment cadence: consistent, late, or skipped (number of on-time vs

9. Exit Strategy Evaluation

- ☐ Define strategy: Hold, modify, foreclose, resell, etc.
- ☐ Estimate legal, rehab, foreclosure, and holding costs
- ☐ Project ROI and investment timeline

10. Servicing & Payment Info

- ☐ Current servicer details
- ☐ Boarding and transfer requirements
- ☐ Escrow status (taxes, insurance)
- ☐ ACH/autopay setup if performing
- ☐ Loan boarding timeline

11. Seller Verification & Purchase

- ☐ Reputation of seller (check groups/forums)
- ☐ Previous transactions and reviews
- ☐ Bill of Sale and Loan Sale Agreement review
- ☐ Full chain of assignments (recorded or recordable)

12. Document Checklist

- ☐ Collateral file
- ☐ Payment history
- ☐ Servicing notes
- ☐ Property report or BPO

missed payments) ☐ Review servicing notes to understand delays or irregular payments ☐ Check for escrow account, and if taxes/insurance are being paid	☐ Title report ☐ Tax certificate ☐ Insurance verification
5. Borrower & Loan Performance	13. Final Review & Offer Price
☐ Communication attempts and responses ☐ Evaluate borrower's long-term payment trends ☐ Identify modifications, forbearance, or bankruptcy history ☐ Note legal actions, foreclosure activity, or borrower hardships ☐ Employment or income info (if available)	☐ Recalculate your offer based on updated insights ☐ Use a pricing calculator or manual calculations ☐ Submit bid with a formal Purchase and Sale Agreement (PSA)
For more education visit: https://academy.paperstac.com Paperstac Blog: https://paperstac.com/blog Paperstac Podcast: https://www.youtube.com/@Paperstac To browse notes for sale visit: https://paperstac.com	*Disclaimer: <i>This checklist is provided for educational and informational purposes only. It does not constitute legal, financial, or investment advice. Please consult with a qualified attorney, financial advisor, or other appropriate professional before making any investment decisions.</i>