

HOW FIRST-OUT PARTIALS WORK

(WITH MAKE-WHOLE MATH)

Monthly cashflows without tenants—structured for protection

Part 1 — The big picture (kid-easy)

What you buy: The next 24 or 36 monthly principal-and-interest (P&I) payments from a performing, seller-financed first-lien note.

(60 months available by request.)

Who pays you: A licensed loan servicer collects from the borrower and remits to you each month for your term. When your term ends, all future payments flip back to the original note holder automatically.

How we close: Escrow/title closing (you wire to escrow; we never hold investor funds), recorded collateral assignment, and a make-whole (UIB) schedule so early payoffs don't harm your returns.

Why investors like it

- Target net yields often 14–15% on 24–36 month strips; ~13.5% for 60 months (illustrative, not guaranteed)
- No tenants, no repairs—just payment streams and paperwork
- Your position is secured by a recorded mortgage/deed of trust; a licensed servicer handles operations

Part 2 — Anatomy of a first-out partial (what you actually get)

Core documents

- **Partial Assignment of Promissory Note:** Gives you the right to the next X monthly P&I payments.
- **Collateral Assignment of Mortgage/Deed of Trust** (recorded): Public record that secures your interest.
- **Servicing Instruction Letter:** Instructs the servicer to pay you for X months, then flip payments back to the seller automatically.
- **Make-Whole/First-Out Waterfall:** A schedule of your Unpaid Investment Balance (UIB) so that if the loan pays off early, your remaining balance is paid first.

Extra investor protections we build in

- Originals verified under a bailee letter before funds move
- Goodbye/Hello letters sent per RESPA by a licensed servicer
- Step-in rights and first-out from any workout/foreclosure proceeds up to your UIB + approved costs

The Lego analogy (easy as blocks)

Imagine a long line of Lego blocks—each block is a monthly payment.

You buy the next 24 or 36 blocks. Each month, one block clicks into your hand.

If someone buys the whole Lego set early (borrower payoff/refi), your remaining blocks are handed to you first.

Part 3 — The math (clear and simple)

Key definitions

P = monthly P&I from borrower (e.g., \$1,200)

s = servicing fee (e.g., \$20)

A = net remittance to you = $P - s$ (e.g., \$1,180)

N = number of payments you buy (e.g., 24, 36, 60)

y = target net annual yield (e.g., 14.0%); $r = y/12$ (monthly)

What you pay (present value)

Price = PV of the net remittances:

Price = $PV(r, N, -A, 0)$

In Sheets/Excel: $=PV(y/12, N, -A, 0)$

Make-whole (UIB) schedule

Remaining balance after t payments:

$UIB_t = PV(r, N - t, -A, 0)$

Amortization form (same result):

$UIB_t = Price \times (1 + r)^t - A \times ((1 + r)^t - 1)/r$

If the payoff happens in month t , the servicer pays UIB_t to you first; the rest goes to the seller.

Worked example (illustrative)

$P = \$1,200$; $s = \$20 \rightarrow A = \$1,180$

$N = 36$; $y = 14\% \rightarrow r \approx 0.011667$

Price (what you'd pay to target ~14% net):

$=PV(0.14/12, 36, -1180, 0) \approx \$34,300$

If the borrower pays off in month 18 of a 36-month strip:

$UIB_{18} \approx PV(0.14/12, 18, -1180, 0) \rightarrow$ This is paid to you first; the remainder of the payoff goes to the seller.

Quick reference (same inputs; approximate)

24 months @ ~14–15% net → Price ≈ \$24.3k–\$24.7k

36 months @ ~14–15% net → Price ≈ \$34.0k–\$34.6k

60 months @ ~13.5% net → Price ≈ \$51.0k–\$52.0k

Part 4 — Returns, scenarios, and sensitivity

Indicative returns (not guaranteed)

With A = \$1,180 (from the example above):

Price ≈ \$51.3k (60 mo) → net yield ≈ 13.5%

Price ≈ \$34.3k (36 mo) → net yield ≈ 14–15%

Price ≈ \$24.5k (24 mo) → net yield ≈ 14–15%

Early payoff effects

When structured with make-whole, earlier payoff often improves IRR (you get capital back sooner), subject to exact timing and any pro-rata interest to payoff date.

Sensitivity drivers

- **Payment size (P):** A Bigger P means bigger A, which increases your check size for the same yield.
- **Servicing fee (s):** Higher s lowers A; to keep yield, price must fall.
- **Strip length (N):** Longer N increases duration risk; price per \$ of face must drop to keep yield.
- **Quality:** Strong seasoning, low LTV, clean docs, “easy” states → tighter yields (higher prices). The reverse also applies.

Part 5 — Risk and protection framework

Key risks

- Payment interruption/default
- Documentation defects (missing endorsements/assignments)
- Title/tax/HOA issues (surprise liens, tax certificates, HOA balances)
- Wrap risk (underlying senior loan in a wrap/CfD)
- Liquidity (no public exchange; plan to hold)

Your protections (non-negotiable in our deals)

- Licensed servicer remits (we do not contact borrowers)
- Collateral assignment recorded before/at funding
- Escrow/title closing; original note verified under a bailee letter
- Make-whole (UIB) schedule and first-out waterfall in the agreement
- **Step-in rights:** If a resolution is needed (mod/DIL/FC), proceeds pay you first up to your UIB + approved costs

- **Exceptions/holdbacks:** If a doc is trailing or taxes need curing, funds are held back until fixed

Part 6 — Process, documents, and timeline

Process (clean files typically 10–15 business days)

Day 0–2:

- Indicative offer
- NDA + proof of funds (range ok)
- Open escrow; data room access

Day 2–7:

- O&E/title check (FL adds municipal lien search)
- Doc chain verification (note, allonges, assignments)
- UIB schedule finalized
- Servicer “hello/goodbye” prepped

Day 7–10:

- Originals delivered to escrow under bailee letter
- Allonge/collateral assignment signed
- Wire instructions verified by phone (no email-only changes)

Day 10–15:

- Record collateral assignment
- You fund escrow; escrow disburses
- Servicer begins monthly remits

Core documents you’ll see

- Partial Assignment of Promissory Note (next X P&I payments)
- Collateral Assignment of Mortgage/Deed of Trust (recorded)
- Servicing Instruction Letter (split/flip; early payoff waterfall)
- UIB schedule (attached)
- Escrow/bailee letter; closing statement (your wire); IRS form (W-9/W-8)

Suitability

- Best for investors who want monthly USD cashflows secured by real estate without being landlords
- Comfortable with 2–3 year holds (24/36 months) and documented processes (escrow + servicing)
- US and international investors (W-8BEN/E supported; OFAC/KYC required)

Part 7 — What we send, onboarding, and next steps

What we send per deal

Summary:

State, lien, property type, P&I, seasoning, LTV/ITV, strip length, target net yield

Docs:

Copy of note/mortgage, assignment chain, pay history, O&E/title snapshot (FL adds municipal), proof of insurance

Drafts:

Partial assignment, collateral assignment, servicing instruction letter, UIB schedule

Timeline:

Due diligence checklist, target close date, servicer transfer date

Onboarding (10 minutes)

- **Buy-box form:** states, check size, target net yield, 24/36 preference, close speed
- **Proof of funds range**
- **10-minute fit call** to align on cadence and servicing preferences
- Then: **box-of-one curation**—1–2 live files that fit you this week

Why work with Obsidian Prive (so you never wonder)

- We price from your target net yield backwards—no surprises
- We close via escrow/title; collateral is recorded and originals verified before funds move
- Licensed servicers who understand partials and make-whole accounting
- Box-of-one deals: You see only what fits your buy-box; we move fast

CTA

Join the private list to see 1–2 live first-out partials this week. If you're a fit, we'll put your deal in escrow within 10–15 days.

Optional appendix — Quick-reference formulas

Net remittance: $A = P - s$

Price at target net y : $=PV(y/12, N, -A, 0)$

Implied net yield at price X : $=RATE(N, -A, X, 0)*12$

Make-whole balance at month t : $=PV(y/12, N - t, -A, 0)$

Compliance footnote (add to page/PDF)

We sell whole loans/partial payment streams to a single investor per deal. This is not an offer to sell securities. Returns are not guaranteed and principal loss is possible. Funds move via licensed escrow/title; a licensed loan servicer handles payments. This material is educational, not legal or tax advice.