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15685 SW 116th Avenue
Suite 136
Tigard, OR 97224

Phone: 1-800-992-4536
Fax: 503-549-0589
e-mail: sellerdata@comcast.net

The Professional's Secret to Direct Mail Profits

By Scott Arpan

Financial services, such as note brokering, are especially effective to promote through the mail because you can target a specific interested audience. The lenders, credit card companies and other business sending you information would not make the investment to promote or develop their brand if it did not work. Many note brokers dabble with direct mail then give up because they did not have the knowledge base. **Done correctly, you can buy or broker as many notes as you can handle using direct mail.** This article will enable you to understand the science and art of running an effective direct mail campaign.

Contrary to popular belief, most note holders receive no mailers or only one or two *effective* mailers from note brokers after the first few months they create the note. Most note holders will not remember any broker who mailed them a day after reading their mailer. Unless they need cash immediately, they will toss that broker's mail and forget all about them.

The key to mailing note holders is: 1) hit the ones with good notes you can work with, 2) mail to note holders you know the address is valid and 3) focus all of your mailing energy on repeatedly hitting 1 and 2.

Direct mail is cost effective when you know as many characteristics as possible about a prospective customer before you spend a dime marketing them. This allows you to select precisely who receives your message and your message can be tailored to appeal specifically to them.

We believe most brokers fail in their mailing campaign because they target notes from a limited number of counties when many of those notes are not profitable for them. By limiting their geographic range, they do not reach enough owners of profitable notes to come out ahead. We suggest doubling or tripling the states you cover but only mail those notes with features you or your investors can purchase. Most note sellers do not care if you are local as long as your message appeals to them. The additional costs of adding states to your database is more than offset by your savings in postage from not mailing notes you can not buy or broker. To be profitable, you need a mailing list that allows you to target notes you can purchase and note holders you can identify as motivated in selling their note.

** See our [Investability score!](#)*

Target notes you know you can purchase

With direct mail, you can specifically mail note holders who carry quality notes you can purchase or broker and eliminate poor notes. Brokers throw away money every time they mail a note holder whose note they can't buy or broker. If you can not buy or broker certain notes such

as a second liens or notes secured by raw land, large commercial properties or mobile homes on acreage, don't spend money to market them. Use the resources you saved by not marketing bad notes to further your marketing for more profitable notes.

On the other hand, if you can buy notes most brokers can not, you should focus more resources to holders of these notes telling them you specifically are looking for their type of note and will help them where others can not. Good data providers will give you the property zoning, current property use, lien position, amount of equity, maturity date of the note and other information you need so you can focus your resources on profitable notes you avoiding notes you can not purchase.

Direct marketers, like you, must use public information to discover as much about their prospects before spending money to mail them. Simplistic examples are lenders specializing in refinancing and home equity loans only mail to home owners of houses (probably further narrowed to homes within a specific range of values) while lenders targeting first time home buyers will only mail to renters.

You must hit the note holders who have the most need to sell their note. Hospitals sell lists of new parents to diaper, formula and other baby product companies to promote their products. Even though most households need baby products at a specific time, these companies could not afford to mail every household since most are not purchasing baby products right now. Luxury automobile dealers target owners of two and three year old luxury cars from DMV records to convince them it is time to upgrade or replace their automobile. Luxury auto dealers are not mailing to owners of lower cost vehicles since most of them will not purchase a luxury car. The point is, professional direct marketers do not waste resources on those they can not profit from and neither should note brokers.

Target motivated note holders

Before additional privacy laws passed a few years ago, you could obtain (within narrow ranges) the seller's credit score, income level, equity in their current house and other factors that indicate their note is the primary asset they own which they can use to get cash. Determining seller's motivation is now a more inexact science. Experience will tell you which zip codes, towns and counties tend to have sellers that do not have the ability to qualify for a loan or obtain cash by other means except by selling their note.

Note brokers can purchase the same demographic information other marketers use to find high value prospects. However, most demographic information has been limited by the latest round of privacy acts and is too diluted to be cost effective to identify motivated note holders.

There are **four indicators identifiable note holders whose motivation** to sell is more probable than the average note holder. The information to identify these groups is available from providers of seller carry-back databases.

- 1** The first group of motivated sellers are those who reside more than a two hour drive from the secured property. Most of these sellers can not monitor the property to prevent or handle potential problems. The further away the note holder is from the property, the higher the probability their fear of potential problems will motivate them to sale the note.

This information is included free in our records

- 2 Another group of commonly motivated sellers are partnerships and corporations who carry a note to quickly sell a property. Most partnerships and corporations desire a lump sum cash payment for their next investment and will only carry a note as a last resort. When they must carry a note, they are motivated to sell since periodic payments often do not meet their investment objectives. Partnerships and corporations also commonly liquidate their notes if they dissolve and the assets must be divided among the investors or partners. *These can be motivated sellers no one else can reach!*
- 3 To many broker's surprise, a third group of motivated note holders are parents who sell or finance a house to a child and spouse. The parents will sell the note for two reasons. The first scenario is when the parents feel their kid(s) have taken advantage of their generosity and are not fulfilling their responsibilities. They feel their kid will become more responsible if a new investor holds the note. The second scenario is when their child and spouse divorce leaving a former in-law paying on the note and often living in the house creating a very difficult situation for them. While the response rates for these notes is less than normal, the seller will be very motivated and willing to listen to any offer. *We can provide interfamily loans at your request*
- 4 The last group of motivated sellers are executors of estates. They find themselves responsible to the heirs to manage and service the note when they have no experience holding notes. A burden they do not want. Usually the executor is anxious to liquidate the note and the remaining heirs must be convinced it is in their best interest to discount the note.

Only good addresses work

See our Deliverability score!

No matter how well you target note holders, they will never see your message unless they have a valid address. One giant problem with seller carry-back notes is many are written by attorneys and title companies who put leave off the seller's mailing address in favor of their own. While mailing attorneys can be good, 99% of them will ignore your mailing to the seller because it was not addressed to them regarding the attorney's possible needs. They will not pass your letter on to the seller.

Make certain attorneys, title companies, escrow services and servicer addresses are eliminated before you pay for the record. *We eliminate these for you*

Use List Providers who give you what you need

- * Most list providers will not address provide you with all the tools required to effectively run a direct mail campaign and therefore many companies dabble mailing to a few note holders then abandon their marketing. By starting with a list provider giving you the tools others can not will enable brokers to target those note holders most likely to give them a profit.