

**EPISODE 1326**

[INTRODUCTION]

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**Fred Moskowitz (FM):** In our industry, in the note investing space, it's a small world, we all know each other, all of us, and at one time or another, we can be competitors with each other, we can be counter-parties on a transaction, or we can be collaborators and partners on the deal all, any of those scenarios and it changes, and so it is a very collaborative environment and having those relationships, that is key it's one of the key skills that I think is necessary for any investor, and it doesn't matter what space you're in, that's something that will always serve you well.

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**Sam Rust (SR):** This is your Daily Real Estate Syndication Show. I'm your host, Sam Rust, joining us today on the podcast is Fred Moskowitz. Fred is an educator, author and public speaker, has trained countless investors from all walks of life on how to create passive income streams, and as a fund manager, Fred manages a mortgage note investment fund and is considered an industry veteran within the note investing arena. Fred teaches the concept that individual investors are able to step into the shoes of the lender through note investing and effectively be the bank. Fred, welcome to the show, thanks for joining us.

[INTERVIEW]

**0:01:10.4**

**FM:** Thank you, Sam. A pleasure to be here.

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**SR:** We were talking a little bit off-air about your background in the industry, and you started investing in notes in 2010, which no matter what inning you think we're in right now, in the real estate growth cycle, that was the very beginning innings, and maybe one of the best times to be investing in notes, but maybe talk a little bit about your career before you got into note investing and happened across that unique asset class.

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**FM:** Yeah, absolutely, Sam. So, I'll tell you, it's been a really interesting career for me, and I had a very long, successful career, I was working as a computer engineer and often working at different technology start-up companies, but what happened was after I watched my industry get turned completely upside down, with the bursting of the dot com bubble and followed by the 911 attacks and all of that made me realize that I was way too dependent on the income from my job, it was a great job, I loved what I did, but it was a job that was full of all these circumstances that were completely out of my control. and what I realized that no matter how talented of an engineer I was or how valuable of an employee I was, if things were not going well in the economy, in the industry, or at the company, that I would quickly could lose my job for no fault of my own. And so that made me come to the realization that I needed to find other sources of income so that it wouldn't be dependent on the paycheck for my job, and with that, I started looking into real estate, I started with rental real estate and built up a portfolio.

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**FM:** And I really like the idea of owning assets that would generate income for me, and a number of years later, I had the opportunity to get involved in notes, I learned about it through my real estate education, but never really saw it close at hand, at scale. I was sitting in a real estate seminar, a weekend education seminar, being taught by Jimmy Napier, who was, I consider him granddaddy of note investing, but he came to our real estate group to teach about negotiation skills and do a workshop on that. As you would know, when you attend workshops and seminars and the instructor gets a little off-track and starts telling stories, that's exactly what happened, and he was teaching, he talked about note investing. He said, "Look, if you, real estate is a great place to build up capital by attention," and then I, later on, had the opportunity to get involved in acquiring notes, and that's how it all started.

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**SR:** Yeah, it's interesting how a lot of times the value is in the margins, it may not even be something that's the headline at a seminar or a training event, but it's just in being around somebody who has a lot of different skills, teaching on one in particular then opens up a world through a whole new way of thinking.

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**FM:** Yeah, exactly. It's so much about the environment you put yourself in and the people you surround yourself with, because you get exposed to all of these different concepts and ideas, and that's what expands your mindset and your knowledge base and learning new skills, seeing where there might be a particular opportunity in the marketplace that was not there in the past due to a market cycle shift, it's all of that, and when you can recognize that and step in and know that it is time to get involved and get aggressive, it can really benefit you.

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**SR:** So, you start investing in notes, 2010, at what point did you start considering raising a fund to go invest in notes and doing it a little bit larger scale. What was that evolution like for you?

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**FM:** Well, it took quite some time. I was doing really well as an individual investor, being active in the business, working with my own capital, my own credit, doing wonderfully with that and what was happening. And I'm sure many investors listening that are familiar with syndications, starting real estate syndications, people come, they come, they like hearing about what you're doing, and conversations start to happen like this, "Hey Fred, I love what you're doing with nodes, it's a great asset class, but it seems like it's a lot of work and I don't have time to do that. Can I put money with you to invest with you and have you do this, find notes with my capital?" And so, for many years, I didn't do it, I said no. And I realized that I knew enough to know that you can't just take money from people, you have to have a properly structured private offering and get all that set up. I never did that, I knew that I couldn't work with outside capital, that it wouldn't be the right thing to do, but eventually it just kept coming up over and over and over again, and so I realized that, hey, maybe this is telling me something I should really look into this.

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**FM:** And so, I decided to put together my first fund and it went really well, and it was a lot of work as many of your listeners know what goes into setting up an offering, doing the project placement for the first time working with the securities attorney and doing all the compliance stuff, it's a lot of work and the first, like anything else, the first time you do it, it's hard. You make some mistakes

and missteps, things take twice as long as you planned and maybe cost twice as much. All of that comes into play. It's been a wonderful journey, and we've had a good run, and one of the most rewarding things that I found is working with investors and building those relationships, because when you take an approach like I do, this is my own personal philosophy, is I seek to build relationships, long-term relationships with investors. And when you do that, you may do a deal together or transaction together, and that's great, but then when it's done, they're gonna come back and then next question is always, hey, this was great. What's next, what's the next thing? And so that can turn into a very long-term relationship between you and other investors, and that is so powerful.

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**SR:** You know, we get this question quite a bit in our business, we're also syndicating a multi-family, it's a little bit different asset class, but real estate, the structure is the same. Essentially, we're taking investors' money. And people will ask, "How do you sleep at night?" And I'm curious for your answer to that question, there's a lot of people that don't wanna take on that level of risk, you touched on investors who often don't wanna put in the time, but there's also an element of risk to it. How do you sleep at night?

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**FM:** Serious. There's always an element of risk with any kind of investment, any kind of asset class, and a lot of it comes down to your skill set, your level of experience and expertise, and the relationships that you have, and that's what gets you through. When there's a problem when things don't go exactly as planned. Because let's face it, a lot of investors love hearing about how things are gonna go when things go as planned and profits are coming in, the real powerful question is, "What are you gonna do when things don't go well?" And when you have a strong foundation that sets you up for success to be able to work through issues because things will come up, there'll be a deal that goes bad, especially in notes, we buy rolls of notes, they're very large, and not every single note is gonna work out in a profitable way, and that's understood upfront, and so it's about managing the pool of assets, it's about the relationships that you have, because if you have a problem, you have a whole network of individuals that can support you, provide guidance, provide advice and expertise, and that is what gives you as an investor, confidence and stamina to work through problems, to show up for work on the days where it gets

hard and things are not pleasant and keep pushing forward because like anything else, investing is a long game, and if you go into it with the long-term mindset, you're gonna do really well over time.

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**SR:** Would you have a story from your history of where maybe things didn't go quite as planned, how you pivoted and overcame?

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**FM:** Sure, sure. Here's a perfect example, in the last couple of years in the note industry, it's been getting, and I'm sure you can relate to this, it's become very difficult to acquire assets to buy, buy notes, there's a lot of demand, there's a lot of larger players getting into the space as well as, as you can imagine, there's a lower level of problems of defaults in the marketplace, because of the real estate market, and so the demand for notes is very high, pricing is high, yields and returns are getting squeezed a bit, and so it's been very difficult. And one interesting thing that I saw happen in beginning of the pandemic was there was a liquidity issue, and a lot of larger, larger note funds were getting lines of credit called do and all these things, and it costs a lot of notes to get released in the secondary market, we were pretty well-positioned, but one of the best things that was a surprise that happened was there was a transaction we were not involved with, but I got a phone call at the 11th hour saying, Fred, we have a multi-party transaction that's getting ready to close and someone backed out, they backed out, they got cold feet.

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**FM:** It's the pandemic, there's a lot of liquidity issues, and are you interested to step into this deal? And that was definitely an unplanned opportunity that came up, but why did I get that phone call? It's because of the relationships I have and the reputation in the industry, all of these things, because when people know you and they'll call you because they know you can perform and perform well, that's gonna put you in front of a lot of opportunities. And I know this happens a lot in the multifamily space where you guys are active, you get this same situation comes up and it's all about building new relationships and doing that, it comes down to this, you have to do that work all the time when it's not needed. It's like digging your well, when you're not thirsty. You'll never know when there's gonna be an opportunity for you, that comes into play, or it might be the

other way around, it's an opportunity to you, for you to serve someone else and help them in the time of need, and when you can do that and build relationships, lots of opportunities come out of that, so that was one of the most unexpected and surprise that has come up recently.

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**SR:** Yeah, I appreciate you sharing that. Definitely important to always be networking and always be performing whether you're dealing with brokers or intermediaries on the buy side, on the sell side with your investors, you need, consistency is the key. People need to know that they can count on you, that they can, there is a trust factor that's built, it's hard to create a good reputation, but it's very easy to lose it.

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**FM:** That's so true, Sam. It's very easy to lose it, and in our industry, in the note investing space, it's a small world, we all know each other, all of us, and at one time or another, we can be competitors with each other, we can be counter-parties on a transaction, or we can be collaborators and partners on the deal all, any of those scenarios, and it changes, and so it is a very collaborative environment and having those relationships that is key is one of the key skills that I think is necessary for any investor, and it doesn't matter what space you're in. That's something that will always serve you well.

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**SR:** You're in the note industry adjacent to multifamily, you're essentially functioning as a syndicator, that's our way that you've improved your business or tweaked your business a little bit that's provided dividends over the last 12 months or so?

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**FM:** A lot of it is looking for operational efficiencies with our vendors, our vendor partners. We've certainly looked for opportunities to consolidate down our vendor relationships because it's super important, they are critical to doing well in this business, to being able to scale. Just as an example, loan servicers, loan servicer, if you want an analogy for real state, the same way a property manager is gonna manage a rental property for you, the loan servicer does a lot of the hands-on managing of note for the investors, and so they're really set up to work at scale and

handle a lot of the compliance that comes into play and take care of all of that, and so we seek to place, we place our loans with multiple loan services, a lot of it depends on the type of note that it is, some loan services are better at one, no type of note than another, and so we look at that and really seek to set up some operational efficiencies and then building relationships with those vendors. That has gone a long way for us. The same thing on the legal side, in the note industry, we need legal counsel and attorneys in every state where the notes are located, where the properties securing those notes are located, so we end up building out a national network of legal counsel and firms, and so it's working with them looking for ways to consolidate and be more efficient, that has really helped us keep operational costs down and be more efficient and more nimble, so that when an unexpected opportunity comes up, we're ready to move on it, and we can do so very quickly. Engage the right vendor support that we need for a particular transaction, and then go ahead and hit the ground running.

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**SR:** I was noticing on your LinkedIn profile, you tend to be somewhat active there, you're posting a variety of resources, tools for folks as well as some motivational quotes. I wanted to wrap up the interview by turning one of the questions around on you, you quoted Ralph Waldo Emerson says, "The world makes way for the man who knows where he is going." Where is Fred Moskowitz going over the next year or so?

**0:15:39.1**

**FM:** I love that question. I think that's so important for everyone. Know what your purpose is, right? It's been said before, the two most important days in anyone's life, one is the day they're born, and then the second day is the day you discover your purpose. I know what that is, my purpose is to impact people in a very positive way and I seek to do that through numerous means, it might be investors that we're working with and they benefit financially and benefit from the relationship, but also could be educationally. I speak and teach a lot on numerous topics on investing in general, and note investing, of course, as well as to be inspirational for younger folks, to get them involved in investing, to get them interested in entrepreneurship, maybe starting their own business. It's so rewarding. One of the most rewarding things that I found is to have someone come to me and tell me that they were impacted by something I said or something they learned from me, and it might have been sometimes many years ago, but I just love that. That's

what motivates me more than anything else, is being able to touch lives of others and have a positive impact that way.

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**SR:** Well, that's fantastic. Well, Fred, I really appreciate you joining us on the show today, where can folks get in touch with you if they wanna learn more about investing in notes and what you're doing?

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**FM:** Great. So, a couple of ways to connect with me certainly can visit my website [FredMoskowitz.com](http://FredMoskowitz.com), if anyone's interested to learn about note investing, you can also visit [giftfromFred.com](http://giftfromFred.com), and I'll be happy to send a special report about note investing another way, if you prefer using your mobile phone, you can text the word MONEY to the phone number 215-461-4433 and just follow the prompts, and someone from my team will get back to you. I always love speaking with other investors and networking and building relationships, so I really look forward to connecting with you.

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**SR:** Fantastic, well, thank you, Fred. Thank you to our listeners for joining us, this is your host, Sam Rust, signing off.

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**Whitney Sewell:** Thank you for being a loyal listener of the Real Estate Syndication Show, please subscribe and like the show, share it with your friends so we can help them as well. Don't forget, go to [LifeBridgeCapital.com](http://LifeBridgeCapital.com), where you can sign up and start investing in real estate today. Have a blessed day.

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