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Guide To Buying Foreclosures

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Warning – Disclaimer

This guide is designed to provide basic information for investing in real estate. It is to the understanding that the publisher and author are not engaged in rendering legal, accounting or other professional advise via this guide. If legal or expert assistance is required, the services of a competent professional should be sought.

It is not the purpose of this guide to reprint all the information that is otherwise available to the general public, but instead complement, amplify and supplement other texts. You are urged to read all the available material, learn as much as possible about investing in real estate, and tailor the information to your individual needs.

Real estate investing is not a get-rich scheme. Anyone who decides to invest in real estate must invest time and effort in order to succeed. For many people, real estate investing is more lucrative that working a regular job, and many have built a high degree of wealth.

Every effort has been made to make this guide as complete and as accurate as possible. However, there may be mistakes, both typographical and in content. Therefore, this text should be used only as a general guide and not as the ultimate source of investing in real estate. Furthermore, this guide contains information on investing in real estate that is current only up to the printing date.

The purpose of the guide is to educate and entertain. The author and publisher shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to have been caused, directly or indirectly, by the information contained in this guide.

DEDICATION

This guide is dedicated to U's. Who are the U's? They are the;

nder educated who know they can succeed by acquiring additional knowledge.
nder-privileged who know they can succeed if given the opportunity.
nacceptables who are not willing to take set-backs as failures.
nwilling who are not willing to accept conditions as they are.
n-selfish who want to pass something on to others.
nbelivers who believe it's impossible for them to succeed.

This guide is for all those who know, no matter what one person, or a whole society may think of them, they can succeed in life.

I know, because I am a U.
Ray Williams Jr.
Author

What This Guide Will Do for U's

Have you ever wondered why the rich get richer, without really trying, while others struggle to save enough money just too barely get by? Have you heard investors talk about real estate and think, how do they do it? Do you think real estate investing is a rich man's game that only a few know how to play?

Now you can get into the real estate game and take advantage of the many opportunities available for building wealth. This comprehensive guide which is used to teach new investors the keys to success. ***U's Guide To Buying Foreclosures*** will teach you why real estate foreclosures can be your key to building wealth.

Since ***U's Guide To Buying Foreclosures*** appeared on the market, it has become an instant success resulting in making of many new investors.

In plain simple English, ***U's Guide To Buying Foreclosures*** provides a step-by-step methods for buying properties. You'll learn how to buy foreclosed or pre-foreclosed homes with little or no money of your own, how to locate properties, how to buy properties with lots of equity, and how to get others to help you buy foreclosed properties. If you are a first time investor this guide will show you how you how to get started.

U's Guide To Buying Foreclosures is a "guide" that helps you avoid costly mistakes and maximize profits.

U's Guide To Buying Foreclosures contains examples of how to find and negotiate deals.

Using this guide will help you become a part of the elite group of real estate investors – and a expert at buying foreclosures.

INTRODUCTION

BUYING & SELLING REAL ESTATE FORECLOSURESS

You don't need to spend hundreds of dollars on tapes or seminars to learn how to invest in Real Estate Foreclosures!. This is something you can easily learn with our online guide, **U's Guide To Buying Foreclosures,** at a fraction of what our competition charges. Learn what is necessary to get started making money buying and selling at Real Estate Foreclosure Auctions. You will learn various **techniques** for buying Real Estate Foreclosures with **"little to no money"**.

You will learn about;

- ☐ **Locating Foreclosures**
- ☐ **Foreclosure Auctions**
- ☐ **Government Agencies**
- ☐ **Using Public Records**
- ☐ **Researching foreclosures by contacting the owners prior to foreclosure**
- ☐ **How to Write Outstanding Offers**
- ☐ **Determining the money-making potential before buying**
- ☐ **Buying foreclosures even if you have bad credit**
- ☐ **Negotiating Lease Options on distressed properties**
- ☐ **Controlling Property Without Buying**
- ☐ **Financing Foreclosures**
- ☐ **Buying Foreclosures With No Down-payment**

Chapter 1

Why Invest In Foreclosures

Of all possible investments that are within reach of the average new investor, none offer the combination of outstanding benefits that available to investors that buy foreclosed properties. That's why thousands of investors make their money by buying and selling foreclosed properties. The purpose of this guide is show you how you can do it..

Why foreclosures such a good investment? Because foreclosures are easy to buy, and investors can make thousands of dollars

1. **Gross Spendable Income –** Investors refer to this as "cash flow" or how much money how much money is left after all the expenses or paid. This is considered "gross" spendable because no taxes have been paid at this point. It is important to know how much is left over after taxes, not before.
2. **Equity Income** – This is call equity buildup. Each time a payment is made a certain portion of that payment is for the interest charged by the lender and the balance goes toward reducing the balance on the loan. This equity is what is considered your gain. When you sale the property you may get all or part of your equity. Example: You purchased a property for $100,000, the value of the property is $125,000, you have $25,000 equity.
3. **Tax Shelter** – When making money, it doesn't matter how much you earn, its how much you keep after taxes that's important. Income producing real estate offers an investor the finest tax benefits available in any type of investment, with the possible exception of high risk investment of oil well drilling.
4. **Appreciation –** The best of all is *Appreciation.* Like inflation, you do not see it but its there. Each year, because of inflation, the value of most real estate increases in value. Not only does real estate increase because of inflations, properties values may increase because of population growth may case higher demands caused by a housing shortage.

Establishing Your Investment Objectives

The way you invest and the type of investments you make in foreclosures should be correlated with your short and long-term investment goals. First you need to analyze the situation. Ask yourself these questions:

1. What is the owner's situation?
2. How delinquent are the payments?
3. What is the property worth?
4. Does the owner (s) want to stay in the property?
5. How much is in the property?

Once you get clear and concise answers you can start putting together a road map that will get you to where you're trying to go.

What to Expect

It is not unreasonable to assume that you can do very well in investing in foreclosures. However, some generalizations based on experiences, observations, and experiences can serve as a guide for making investment decisions.

It is not unreasonable to expect the following,

1. Large returns on investments
2. Short-term gains on investments
3. Favorable tax benefits
4. Problems with properties etc…

The cost and availability of debt financing can changed the picture. Long-term cheap money may not be available because of inflation. Thus, highly leveraged investment becomes quite risky.

Substantial returns may still be available. Much more of the benefits may be in the form of a tax shelter. The amount of leverage typically used is less. But, you can triple or quadruple your investment in les if you select the right properties. The greater the risk you are prepared to take, the shorter period you can reasonably hope for a higher return on your investment.

Selecting Properties

Key considerations in selecting properties are to get in early, location and timing. If the market shows signs of weakening, you should change your investment strategy. You have a better bet at the end of a stagnant period than at the end of a boom. If you buy with a low "potential" at a low price, time should enhance your investment. If you buy at high prices and a high potential does not materialize, time hurts you. Your timing should place you in a position where time can help you. As for location, start with the city. The city should have a growing, employment rate and rising incomes, and populations. The rise in price will materialize because of the increasing demand for the housing by people coming into the city. Unless you live in a rapidly growing city, there is relatively little opportunity for short-term investments.

A city does not grow evenly. The relative rise of properties is greater where the affluent live than where the poor live. Thus you need to identify (relative to the price of housing that is being bought by new employees coming to town) the better sections of the city that are in the path of city growth. These should be locations that have not yet "arrived." They may be a little far out; the road's may need widening; the shopping centers may not yet have developed; the amenities that give the location value have not been provided yet, but they will be coming.

Within this location you look for neighborhoods that are attractive. The price ranges should be suitable to the kind of investments you require. Forget the unusual, you need marketability: easy to get in, easy to get out. The property itself should also have the potential to sell or rents. You need not find something you would like to live in, but it must be something you believe other people would want to live in. If it has problems, or makes you feel uncomfortable, do not buy. Stay objective,

Chapter 2

Locating Properties

Finding the right properties to work with can be the most difficult part of investing. Government and private agencies may sell REO (real estate owned) properties directly to the public through an auction or bidding process. These are properties that have been returned to the lender after the completion of a foreclosure or trustee's sale. Banks and lending institutions have in house departments that may broker out their REO's for sale on the local MLS. Getting to these properties before they are reverted back to the lender is of course an option many investors pursue. The trustee sales can be an alternative if you have enough savvy and cash to play at this level. This is not a place to go until you have a working knowledge of the risks associated with buying "as is" and have access to pertinent information on the properties such as lien position and other encumbrances. Many things can go awry. When buying these types of properties, you should do your homework to make sure you are not buying a future headache.

Where do good deals come from?

For any number of reasons a home owner who has fallen on hard times may simply need to unload the mortgage payment. A divorce, loss of job, medical emergency, any number of things can make a home or property become a burden to those who need to sell fast. Many hold out far too long before the reality of the dilemma hits home. In those cases time may no longer be an option. Since real estate is not the most liquid asset, fast sales are made with discounts.

Many professional *investors* or *players* make big bucks in what's referred to as *flipping* (this term has become associated with an illegal form of artificially inflating a property value by way of changing owners through quick escrows that progressively raise the homes value). The term is used here to reflect the traditional definition of a purchase of investment property that was acquired (at a discount) with the intent to market it for sale at its full potential. That usually would occur after the property was cleaned, repaired, refurbished, and so forth so as to get the most value from it. Fixer-uppers may come to mind here, however not all distressed property is in need of repairs. Other investors will prefer to hold their investments for a given time and let the market raise the homes value. Renting the property will net a yield that may beat other alternative investment vehicles. Those choices are individually made.

Finding properties can be quite easy. You can place ads in newspapers, buy foreclosure lists, put a sign on your automobile, advertise on radio or television, network with other investors, or word of mouth. But before you start getting the word out you must be prepared to handle the responses, because there will be many.

Locating properties generally is no problem. Having the skills to negotiate and get the best deal is where the work comes in, though in many cases when buying distress properties you won’t have to do very much negotiating.

Although investors may be tempted to consider market wind down as an opportunity to purchase yesterday's illusive good buy, experts advise not to get trapped in a bargain hunting blunder. Investors need to think about the fundamentals of property investments before plunging into any suburb - under valued or otherwise.

Stick to property investing fundamentals and ignore opinions as to where the market is going, whether good or bad. Buying strong investment properties is more about asset selection rather than timing. Timing is impossible to consistently get right. Don't wait for the right time to buy. **Wait for the right property to buy.**

The important thing at all times is to focus on the equity and value of the property. Current and future value and equity is what determines value of the investment, so investors should seek properties with value as well as some equity when making decisions.

Like any real estate investment, locating and purchasing the right property requires careful consideration and research. Buyers should look for properties that have strong positive attributes. For example overall appeal, good public transport, good schools, shops, close to arterials and above all, invest in areas that are consistently showing a growth in population, because population growth creates housing demand, which creates higher values.

Chapter 3
Making Money

Investors should be aware that the prime reason for investing in property is capital growth and cash-flow. When selecting a property, your main objective should be to make money. When you select a property as an investment, succumbing to the lure of quick success is a fundamental mistake for new investors. You do not attain financial independence through quick success; you gain financial independence through the ongoing capital growth of your assets and cash-flow

While most investors concentrate on some aspect of single family houses, some investors have an interest in apartment houses first, and then single family homes as a means of getting more apartment houses.
From the very beginning of my investing in real estate, I liked the idea that a group of people (renters) would get together and pool their money to pay down the mortgage on my properties, and I liked the idea that they would also pool their money together to pay for all of the maintenance on the properties.

I especially liked the idea that they would give me so much money that I could have a bunch of money left over at the end of every month that could be used to either re-invest, save, make my house or car payment, or to go out and have a good time. Essentially, I like the idea that other people were willing to help me make money by renting from me.

The first property I purchased was a single family house. I used credit cards to fund the down payment. When I began to purchase my second property, I realized that there were a lot of good deals out there and I needed a system to come up with down payments. That's when I decided to use a different strategy. I would buy a single family house with little or no money down (through private money or partners), flip it and use a chunk of money to live today and use the other chunk for another apartment house.
As a new investor, you should learn to wholesale, retail, pre-foreclosure, rehab, subject to and lease option single family houses. Become a transaction engineer because you don't want to lose any potential deal that might be available to you. You will soon come to realize that you can wholesale, retail, pre-foreclosure, rehab, subject to and lease option apartment buildings as well, and make lots of money through diversity.

When you throw out your marketing dragnet you will attract many motivated sellers. If for some reason you're not interested in holding a property for cash flow, you can make a profit by flipping it (reselling it quickly).

Learning different ways to invest in real estate is like adding another tool to your tool box. You might not need it every day, but when you get the chance to use it, it pays for itself over and over again.

Every once in a while you will come across a great deal on some properties. A deal that is going to bring you in a great monthly cash flow of $400 a month , or more. These deals are actually more common than you think; you just need to learn to recognize them.

As you are buying and selling single family houses, you start “collecting” houses with cash flows of at least three-hundred dollars per month (if you are buying 3 plus units, you will want at least a net positive cash flow of nine-hundred dollars a month, unless you are in a first half of a rising market, and then and only then should you get less.

You will find these deals by dealing with motivated sellers. These deals do not commonly come through real estate agents. There are many ways to attract motivated sellers. Once you learn how to get sellers, you’ll have more business than you can handle.

Assume you can purchase four houses per year, one every 3 months. At the end of the first year you will have a net positive cash flow of $1,200 per month. That would equal $14,400 per year.

Now assume that you continue to flip two single family houses, making great profits for 2 properties per year of $10,000 each ($20,000) and when the opportunity arises you continue your shrewd method of investing, and you purchase four additional properties the next year. You have just increased your monthly income to $2,400 per month and your total yearly net positive cash flow from your properties is $28,800 plus $20,000 from flipping. That’s $48,000 annually. And assuming you each property have a minimum of $10,000 equity each, you’ve increased your wealth by $80,000.

Fast forward to the end of year four. You have now collected a total of **16** properties. Your monthly income from your properties is $4,800 per month, your yearly net positive cash flow from your properties is $57,600; now add-in your two flips at $20,000, that’s $77,600! That means that if you want to take all of year five off and do nothing, no flipping single family houses, no buying more properties, and do nothing, you would still get $57,600 net positive cash flow. And this is being very conservative.

Now you might be thinking, what about all those tenants! I don’t want to deal with any tenants…you don’t have to. As you’re purchasing your properties, you factor in the cost of a good management company. If the property produces cash flows properly, buy it. If it doesn’t…next!

Some people don’t have a problem managing their own properties. But you will soon realize that dealing with tenants takes time from you going out and finding more deals, so as you accumulate more properties, you may want to hire someone to manage them for you. You won’t have to deal with tenants, and yet you can happily deposit those cash flow checks in the bank every month.

If you buy properties out of your area, hire management companies in the property’s area to manage the properties for you.

The rule of thumb is to pay them 8 –10% of the gross collected rents for 20 units or less, and 5 – 8% for 21 units or more. Remember, cash flow is the real reason you should be buying rental properties.

Cash flow gives you the freedom to do what you want when you want, go where you want when you want, and buy what you want when you want. This is exactly why you want to get in the property rental game.

What if you don't decide to invest in real estate? It's now four years later, you're still struggling and you're setting yourself up to continue working from pay check to pay check.

Multiple-Profits

There's a missing component of return in real estate profits that very few investors have ever tapped – but could readily tap into if they knew about it and how to do it. Most real estate professionals calculate their return on investment by adding up their traditional four real estate components and dividing by the down payment (or equity in succeeding years).

The four traditional components are: appreciation (if the real estate goes up in value), cash flow (gross income less expenses and debt service), principal payoff (each time you pay the mortgage part is principal payoff), and tax savings (multiply your depreciation by your tax level and you get a tax savings in dollars). The down payment includes the cash down and the non-financed closing costs due at closing.

Let's take a residential income property to make these components more concrete. Let's say you buy a duplex for $200,000. Assume that you bought it under appraisal, which is $240,000, and you could sell it *within a reasonable time for $240,000. Suppose you put down 20% or $40,000 and the closing costs were $10,000.*

The principal payoff is $400. Tax savings for an investor in the 15% tax level might be around $1,200 in actual dollars. Let's say the cash flow is 5% or $10,000. If the property goes up in value 2% then it would be worth 102% of $240,000 or $4,800 in added value for the coming year.

The traditional components total $16,400 (400 + 1,200 + 10,000 + 4,800). If we divide that by the total down of $50,000 then we get 32.8% rate of return (16,400 divided by 50,000).

This is great and will beat stocks all day long and any bank! But it just scratches the surface for what is really possible!!

The fifth component is usually the greatest profit component for real estate return. This is Equity Discount. Look at the example where the investor bought the property for $200,000 but it was worth $240,000 and could be sold for that price within a reasonable time, say six months. This means that the investor would realize another $40,000 in benefits for buying the property. Add this $40,000 to the traditional components of $16,400 and you get $56,400. Divide that by the down payment and non-financed closing costs of $50,000 and you get a whopping 112.8% return. Now that's exciting.

Most investors that buy foreclosures and "flip" the properties instinctively know that they must buy the property at lower than appraisal price but they don't know how to accurately compute their return. Many gurus say that you make money "when you buy a property." But you should make money in real estate "when you buy AND when you sell."

Combining all of these five components is called the single profit system. In other words, you have one property and you make five components of profit on that one property.

What if you could make multiple, simultaneous transactions, with multiple profit systems? What if you could reduce the down payment, closing costs, and need to obtain a mortgage in the first place? What if you could cut-out or reduce rehabilitation costs, loss of rents while rehabbing, and other costs?

That would truly be exciting! Not only very exciting but very profitable.

This is the essence of a multiple-profit real estate investment system. You use several properties to create multiple profits. Here's an example.

Let's say that you arrange to buy the property outlined above but you add one feature, you arrange for a trade on that property. If you found another property that you could buy for $200,000 and was worth $240,000 and you arranged for them to be exchanged simultaneously, you would make another $40,000. And you wouldn't be responsible to obtain mortgages, pay closing costs, rehabilitation, loss rent, or anything! You just show up at the closing and collect the profit!

If you did just that, you'd make another $40,000 added to the $40,000 (a whopping $80,000) from the other property (you wouldn't get the tax benefits, cash flow, principal payoff, or appreciation – just the double Equity Discounts). Your down payment would be zero or perhaps $100 in closing costs. The owners would pay the title insurance, etc. Thus, in this case, for a double-profit scenario, your return would be just about infinite. In reality, you wouldn't need to qualify for a mortgage and you'd be anxious to do as many of these as you could.

Now, what would happen if you could find three properties and do a simultaneous three-way exchange? If they were all discounted $40,000, then you'd make $120,000!

Reality says that very few investors can do this because they don't know how to structure the transaction, find the properties, write it up a contract, and actually go through the problems s/he will have to close it. It can be done, though. Each transaction is difficult, but doable. Even if the investor had to try on multiple transactions until one went down, he would be far ahead and be able to do this regardless of his credit or down payment ability. Suppose further that the investor couldn't buy the properties simultaneous but could buy the first property.

Let's say then that he took the first property, with the $40,000 discount, and then traded it for another property, with an additional discount, in a month or so. S/he'd have $80,000 in profits in the new property. Let's further complicate it - say that the investor wanted to do this but couldn't qualify for the mortgage and didn't have the down payment. There are several solutions to those problems. First, the investor can typically buy the property for 100% hard money financing if s/he can find the right property. Second, the investor can most assuredly find a co-investor that will put up the down payment and qualify for the loan – if the right property can be found.

So, assuming that can be covered, all the investor has to do is find the right property. Most people will look in foreclosures, rehab properties, and the like. They may be missing many bargains that are theirs for the asking if they just asked. They should check pre-foreclosures, people that want to trade, or owners that just hate their property.

Foe example, lets say John did a double-profit. He'd found a nice unit in Dallas, Texas, that could be discounted for cash. He also found a nice unit that he wants to trade up.
John paid $100 to a nationally recognized exchange expert to help write up the deal. He has used that same formula for tens and hundreds of millions of deals. It was well worth it...
Basically, he wrote an agreement to purchase the 15 units, and then had the owner of the 4-units trade for his interest, simultaneously. The result was that John walked away with the 4-units, with no down, and no closing costs. John actually got cash at the closing to buy the property for no down!

A few weeks later John refinanced the 4-units and put some additional tax-free cash in his pocket. That's a sweet deal! John has done many similar transactions, and some with three-profit deals. One was some land for a 4-unit, the 4-units took an 8-unit apartment, and the 8-unit apartment took the land. John walked away with cash profits on all three at the closing. No closing costs, no mortgages, no rehab, no lost rent, and no risk!
In some of these three-profit transactions, investors can put transactions together and walk away with a property free and clear. This cannot be done in any other way! You cannot buy foreclosures for nothing and even tax sales require some cash. When you walk away with a free and clear property, with cash to boot, you know you are doing the ultimate transactions.
In addition, an investor can add trust deeds, cars and boats, barter credits, or anything else of value to these transactions. Everything else is just your creativity after you learn the basic formula and how to write up the agreements. Doing single-profit deals with no down, no closing costs, and not even paying the earnest money are quite common in real estate investing.

Chapter 8

Finding Money and Making Deals

As an investor, there are many situations that will require you to take out various types of loans. Finding the right lenders will allow you to get loans that are best suited to your particular need

For example, hard money lenders are a resource to turn to when you have bad or no credit and cannot find anyone to loan out money to you. They are private lenders who lend out money on homes and property, or to finance the cost of buying or repairing the property. The advantage of hard money lenders is that they have little qualification requirements and will lend to you even if you have bad credit. Hard money lenders, however, often charge higher interest rates on their loans.

As mentioned earlier, finding money for real estate investments is fairly easy, if you know how and where to look. There are thousands of lenders and investors wanting to loan money for real estate deals. These institutions and individuals are the key to any investor's success.

Real estate for the most part is a safe and secure investment, that's why so many people put there money in real estate.

Finding Investors and Hard Money Lenders

If you are in the process of starting a flip and rehab business. Here is a secret: Find some houses that have been rehabbed in the past. You can do this by simply searching the public records at the county recorder's office.

Find houses that were recently sold to real estate investors by banks, HUD, VA, FNMA, etc. If the buyer is not an individual (i.e. a corporation or partnership), then you just hit your bulls eye. More than likely this company bought the property to flip it or rehab it as a real estate investment.

The deeds should give the mailing address of the new buyer. You could send them out a letter and tell them about your flipping/bird dogging business. Or give them a phone call if they are in the book. Unfortunately, most of these companies won't have a listing in your phone book, so could do the following.

You could do a little more research, and check with the secretary of state and find out who the officers of these companies are and look them up in the phone guide and call them at home. This is a lot of research, but luckily you only have to do it one time to get a list of names, addresses, and phone numbers.

Most County's records and the secretary of state's records are online on the Internet so you can do the research at home on your computer.
Also another idea. Check in the recorder's office again. If you find an individual who holds a mortgage on a property, and that individual 1) is not the previous seller and 2) is not related to the owner (not the same last name), then there is a good chance that you have found a private hard money lender. Also check the classified ads under Money to Loan for Real Estate.

When looking for money for your investments, the first thing to do before you find a property is to line-up your potential investors.

What Are Private Investors?
These are individuals that act as a bridge for borrowers and sellers bringing them together for loan orientation. In a sense these investors are like mortgage companies, except they loan their own money.

Finding the right mortgage solution and the right mortgage vendor in this jungle of competition is a bit difficult for an individual who is relatively new to the mortgage loan scenario. Here's where the investors with all their expertise and experience comes into play. Private investors for a minimal cost will help you locate the right mortgage service and in many cases will give you valuable tips regarding the type of loan you should go for. Some investors may have access to other investors, and can also help you put your deal together and get more money.

Where to find Investors?
Finding investors is much easier than people think it is. There are many private investors in your local area, just look in the phone guide under real estate, and you'll see the ads that say, "We buy houses". After you've located an investor, the next step is to determine which investor can offer the best deal, based on the interest rate, points, fees, and other cost, etc. This is where some experience will be required. At this point you will need to known how much you want to profit from the deal. Remember, all the cost involved in getting the loan must be taken into consideration.

Selecting the perfect mortgage deal
Now that you see there are lots of options open to you with the only problem being which deal to go for. There are the mortgage investors who are sure to provide you with the maximum information required to get you the money you need. It's not as difficult as it appears to be; a little research with some hard advice could well take you to the best deals.
The perfect deal is the one that works best based on your situation at the time. If you need money and have low credit scores, no or very little money, and can get a loan at 10.25% with 4 points, and you're buying a

property that have a potential to make you a $25,000 profit in less than one year, this may be the best deal. As an investor, your main objective is to make a profit, or generate a positive cash flow.

The perfect deal is the deal that will get you the property, and make you some money. You should always calculate the cost of getting a loan into expected or desired profit. So in reality you never actually pay the high interest rates and fees (the buyer or tenant pays).

Example: You purchased a property and a private hard money lender agreed to loan you the money to purchase and rehab the property. In return the investor wanted 3 points, 12% interest, and 35% of the net profits. Some people would run from such an offer, but for you it wasn't a bad deal, considering you had no money going into the deal and would be able to pocket $18,000 in less than 8 months. So, remember, the “Perfect Mortgage Loan” is the one that make sense at the time.

Chapter 9

Structuring Deals

Now that you know how to find lenders and properties, the next step is to know how to structure a deal. Real estate deals are structured based on the overall situation with the seller and the property. If you have a distress and motivated seller, you are more likely to get a better deal, than you would with someone who is in no hurry to sell.

Sellers, just like lenders, come in a wide variety. When structuring a deal do your homework, get as much information as possible from the seller. Ask why they're selling, how long the property has been for sale, are they willing to finance all or a portion of the loan. Ask if there are any problems with the property. The more information you have, the easier it is to make an informed decision.

The way you structure a deal will be based on how much money you can, or is willing to put into the transaction, your credit history, what you plan to do with the property and where the money is coming from. Below are a few examples of how to structure real estate deals based on different factors. These factors can range from owner selling because he/she just want to buy another home, to selling because of possible foreclosure. The more distress the seller is the better the deal. Remember, you only want to purchase properties that have equity or positive cash-flow. There are many ways to structure deals, some or more complex than others. But as a new investor you should start with basic structuring. This can consist of making an offer to buy, then getting the funds from a lender, or getting funds from a lender and getting the seller to carry a second note, know as owner financing. You can also try and get the seller to finance the complete sale, or you can do a lease purchase. It is suggested that you find books on these topics in order to gain knowledge on buying properties and using these techniques. Below are some methods that can be used.

Assume the note

This methods works best if the loan is a non-qualifying assumable. Though you can use this method in other ways that may not be in the best interest of the seller.

Lease with an option to sub-lease. This method will allow you to lease the property to someone else without ever owning it. You won't have the right to sale the property, but you may be able to generate cash-flow.

Simultaneous Close

With this method you make an offer to buy the property for a certain price. Then you find another buyer that's willing to buy the property from you at a higher price. You never take possession of the property and still make a few thousand dollars.

Find a property and let an investor buy it and make a finder's fee (usually $500 per property). Make sure you have a contract with the investor before you provide any information about the property. Two of these per week will make you an extra $4,000 per month and all you do is find the property and tell your investor about it.

So, as you can see there are various ways you can make a good living as an investor by knowing how to structure deals.

It is suggested that you understand as much as possible about real estate contracts, but you don't have to be a legal expert, but at least understand contracts. It is highly recommended that you hire an attorney that understands real estate contracts to draw up your contracts. Once you learn the real estate business you'll be able to have contracts structured in your favor.

Learn to be creative when putting your deals together and you will find unlimited opportunities to make money.

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