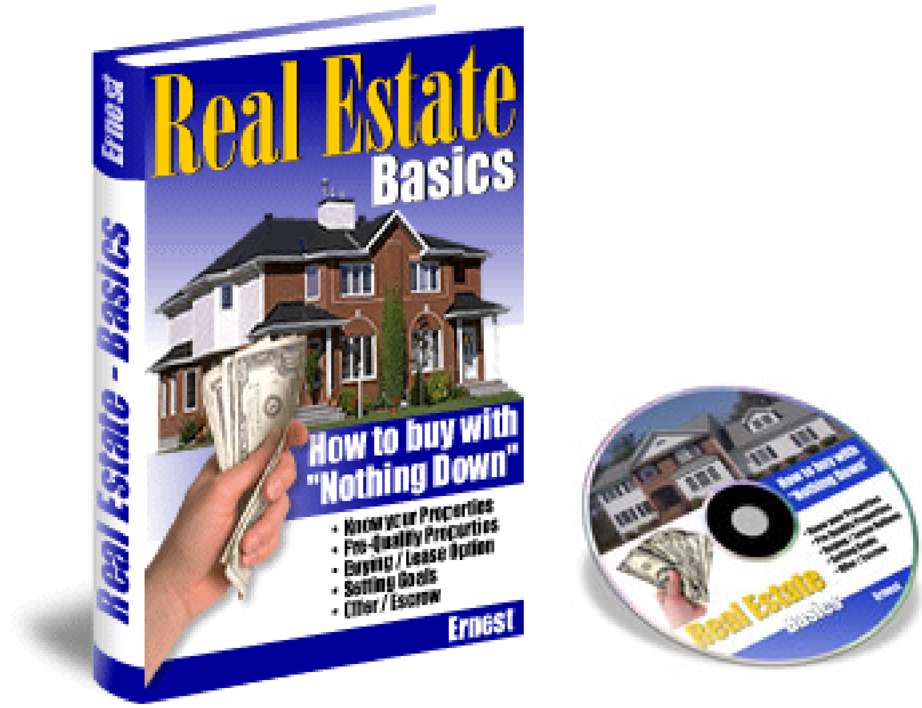
CONGRATULATIONS!



Note: Don't forget to bookmark this webpage for easy access when you return...!

This eBook will start you on your way to buying or owning your own home with NO MONEY DOWN. If you already own a home and are looking at finding new ways to acquire property, here are some tools that will help you with that quest.

Investing is more a state of the mind. "If you think you can, you can" is part of the secret, but remember, discipline is the KEY to investing. As you study this eBook, keep in mind how you can apply it to your situation. One idea can change your life and increase your income.

In the course of your studies, if you have any questions or need any help with investing in a home or property feel free to e-mail me at ejj@hwbi.net

In studying this ebook, be very, very certain you never go past a word you do not fully understand. And if the material becomes confusing or you can't seem to grasp it, don't go any further, but return to the last portion you understood easily, go forward from there, locate the misunderstood word and get it defined. And then go on.

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SECTION 1 : REAL ESTATE TERMS DEFINED

To establish an understanding of real estate investing, study the following real estate-related words and phrases. Be very careful that you do not go past any words you do not fully understand. The only reason a person gives up a study or becomes confused or unable to learn is that he or she has gone past a word that was not understood.

LEASE WITH OPTION TO BUY:

The right given to a person to lease or purchase the property over a specific period of time.

PROPERTY TAX:

Taxes assessed on the value of the property due and payable yearly.

WRAPAROUND MORTGAGE:

A mortgage held by the seller. The buyer pays the seller, the seller pays the original mortgage.

APPRECIATION:

An increase in value of real estate property.

DEPRECIATION:

A decrease in value of real estate property.

CREDITOR:

The lender, the one to whom the debt is owed.

LIEN:

The right of a creditor to take or sell a property in the event of default.

EARNEST MONEY:

A deposit of money given by a buyer or seller to bind the contract.

ESCROW:

Money or documents held with a neutral third party who is instructed to out the provisions of an agreement.

TAKE BACK A MORTGAGE:

Action by the seller of the property to provide financing for the property sold.

INTEREST-ONLY MORTGAGE:

A mortgage that requires payments of interest only.

JOINT VENTURE:

An agreement by two or more individuals to engage in a single project or undertaking.

PROMISSORY NOTE:

A written promise to pay back a specified sum of money at specified terms and at a specified time.

PRINCIPAL:

The amount paid toward reducing the original loan (not the interest).

BALLOON MORTGAGE:

A mortgage in which the payments do not result in the principal being paid back until the end of the term.

BALLOON PAYMENT:

Final payment of the principal under a balloon mortgage.

BALLOON DOWN PAYMENT:

The creative financing technique used by investors to spread the down payment over two or more periods rather than making the entire down payment at closing.

FSBO:

For Sale By Owner, an attempt by the owner to sell his or her property without the services of a real estate broker.

DON' T WANTER:

This is a home that the owner just doesn't want, thus a don't wanter.

REAL ESTATE:

Property (houses and land), that in which one owns an interest.

REAL ESTATE AGENT:

A salesperson with a broker, person who acts on behalf of a broker.

DEED OF TRUST:

A signed and sealed document that shows ownership of property.

APPRAISAL:

The estimated value of something, real estate value estimate.

ASSETS:

Any possession of value that an individual owns which may be used for payment on a debt.

MORTGAGE:

A temporary transfer of property to a creditor as collateral for a loan.

RECORDER'S OFFICE:

In each county there is an office where the mortgage transaction papers are filed and recorded.

FIRST MORTGAGE:

A deed of trust that has been recorded first.

ADJUSTABLE RATE MORTGAGE:

Mortgage in which the interest rate is changed so that it matches market conditions.

FIXED-RATE MORTGAGE:

A mortgage in which the interest rate does not change for the life of the loan.

TITLE:

A document that gives a person the ownership rights to a certain piece of property.

TITLE INSURANCE COMPANY:

A business that reports the status for the title on a specific property, and whether or not it has any money owed against it.

CLOSING COSTS:

Money that is paid to a title company for services provided.

DEFAULT:

The failure to keep agreements on a contract or obligation.

DISTRESSED PROPERTY:

Property on which the current payments are in default, and the property owner is having problems.

EQUITY:

The value of the interest a person has over and above any loans, mortgages, or liens on the property.

FORECLOSURE:

The process in which a property is sold under court order because of default on the loan.

HOME EQUITY LOAN:

Usually a second mortgage loan, given on the equity in the property.

INTEREST RATE:

An amount a borrower must repay in addition to the full amount of the loan. A premium paid to lender for the risk of loaning the money.

INVEST IN YOUR FUTURE:

If you are a student wanting to buy your first home, or an investor looking for ways of acquiring more homes, you will find this course has some very good ideas on how to accomplish this.

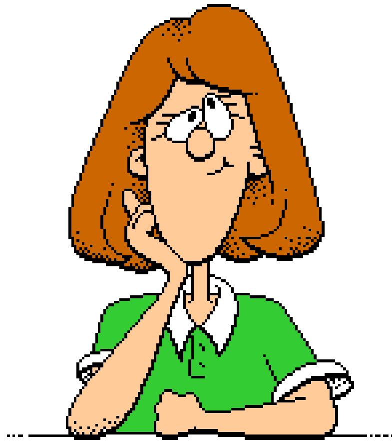
You must make a commitment to yourself. This course is only an introduction to real estate. If you wish to seek further education in investing do not stop at this course. The more knowledgeable you become, the more successful you will be.

When I first started my investment career, I was told to budget time and money for my future. I did, and since then I have taken over forty educational courses.

Once you get some experience in investing, budget your time and money. Take all the courses you can, read as many books on investing and self help as you can.

IT'S YOUR FUTURE, INVEST IN IT!

SECTION 2- SETTING GOALS / 'THINGS TO DO' LISTS



You might have learned about goals in one of our other training eBooks. This is just a reminder to get you thinking about goals, goals, and more goals.

Remember, the more times you go over the materials the better your understanding will be!

GOAL (The end one sets out to achieve, the basic purpose)

All successful people set goals. Without goals, people would wander aimlessly, with problems they may never solve. By setting goals, life will go more smoothly. It doesn't matter if your goals are big or small. The most important thing is to identify them. Write them down.

When setting a goal, it must be realistic to you. Do not set a goal so large that you may never reach it. That will be frustrating and cause failure. Do not set a goal too small either, for this may also set you up for failure.

If you are working to achieve something that has meant something to you, the odds are much better that you will make your goals come true.

You can have more than one goal in life: SHORT-TERM GOALS (1 year or less) or LONG-TERM GOALS (1 to 10 years). Set some basic short-term goals for completing this ebook and later in the ebook you can set more goals as you get more data.

Examples of goals:

Long Term goal: Buy a Single family home in 2 years.

Short Term goal: Finish this course in 2 weeks.

"THINGS TO DO" LIST:

Something one intends to accomplish within a given period of time. These are the things you need to do to get to your goal.

Things to do have been around since the beginning of time. The cave man would make his list of things to do every day; find food to feed his family, get materials to make clothing with, fashion weapons. Things to do are just as important as the goal, for without this list you could never reach the goal.

Things to do should be listed in steps, 1-2-3 or A-B-C, in the order in which they must be done, until your whole goal is achieved.

You will have many things to do to get to your goals. First, set your goal then list the things to do to reach it. If you do not take the time to set your goals or write your "things to do" list, progress will be very slow.

When your goals and "things to do" list are well organized and well planned there is very little in this world that can stop you!

THE FIRST THINGS YOU HAVE TO DO ARE TO SET YOUR GOALS AND MAKE YOUR 'THINGS TO DO' LIST.

Here are some examples of goals and "things to do " lists:

Short term Goal:

Finish this eBook in 2 weeks

"THINGS TO DO" LIST: (Can be done every day. Cross off each one as it is completed.)

1. Read Section 3 today
2. Schedule daily study
3. Study one hour per day (for instance, 5:00p.m. to 6:00 p.m.)
4. (continue adding things to do)

Long term Goal:

Buy a single family home in 1 year.

"THINGS TO DO" LIST: (Can be done every day. Cross off each item as it is completed.)

1. Finish this Basic Real Estate Course and write up a plan for buying a home.

2. Get all the data, and organize it in a folder. (At this point I would do another things to do list.)

3. (Continue adding things to do.)

There are many ways you can organize your goals and "THINGS TO DO" LISTS, but however you choose to do it…..make sure it gets done. It is one of the main points in buying real estate.

SECTION 3- UNDERSTANDING CREDIT AND FINANCING

You do not need credit to buy real estate. When I started my investment career I purchased over $1,000,000 in real estate and didn't need credit, W'2 forms, IRS tax forms, or income verifications. I borrowed on single family homes, a mobile home park, and commercial real estate. The money was borrowed from sellers of the properties.

Even if you have bad credit or no credit at all you can purchase real estate. If you do have good credit, however, that will make your real estate investing easier.

The first step is to contact a credit bureau. Get a copy of your credit report. Maybe your credit is not as bad as you think.

You can build your credit first by getting a line of credit or a credit card from a bank. Find a bank that will give you a secured credit card. You may have to put up $300.00 to get a credit line of $300.00, but it will help establish your credit with a major bank.

Check your credit out at:
http://www.freescoreonline.com
http://creditreport.com
http://www.freecreditreport.com

Another easy way of getting a credit card is to apply at department stores, for instance, Sears, Penny's, or any other department store. Once you get your first credit card, other credit card companies, banks and finance companies will all send you applications to apply. Soon, your credit will be established.

Later on, you will learn how to purchase a home or other real estate without credit or money. For now, look at what you can do to improve your credit rating. It will surely help you if you plan to make a career at investing.

You are on your way to purchasing real estate! Don't ever give up on your dreams!

SECTION 4- YOUR IMAGE

What is your image? It is how you present yourself in person, on the telephone, through e-mails, or on paper. The better you look and the better you present yourself, the better your opportunity for a higher income.

You can enhance your professional image by using image packs. Image packs consist of letterheads, business envelopes, and business cards.

Most people who are self-employed, professional business people, or those who work for a company use business cards.

It is best to have the cards professionally printed. Here is a sample of what you may wish to have printed:

Go to http://www.vistaprint.com and get business cards FREE just pay for the shipping.

Or you can use phrases such as: "I buy Real Estate", "Real Estate Investor Needs Homes", or "I Buy and Sell Homes". Try to put together the image that you want to project. I have bought several homes, cars and trucks using this promotion.

Later you can have the letterhead and envelopes printed to match, but the most important thing is to have a business card.

Pass out your business card to everyone. You will be surprised how fast our name gets out and the amount of calls you will get.

You should state on your business cards that you are not a real estate broker. Simply state that you are a private investor who needs homes or that you have homes to sell or lease. If you do not put on your cards or flyers that you are a private investor, potential customers may assume that you are a broker and they would have to pay broker’s fees.

Another way to get your name out or your business cards distributed is to place them on bulletin boards in places like colleges, supermarkets, or public laundries.

SECTION 5- KNOW YOUR PROPERTIES

SELECTING THE RIGHT PROPERTY

You must be sure to make the right choice for your situation when purchasing property. There are several different types of properties you can purchase, so investing in the right real estate for you will increase your chances of making a profit. If you have just begun investing in real estate, the best investment for you would be to buy income properties. You can generate a monthly income and you will have a wide range of properties to pick from. The following are some income properties to check out:

SINGLE FAMILY HOMES

APARTMENT BUILDINGS

OFFICE BUILDINGS

WAREHOUSES

SHOPPING CENTERS

MOBILE HOME PARKS

RESTAURANTS

HOTELS AND MOTELS

The best investment for the new investor is the single family home. Not only are they lower in price but there is one on almost every block. They can easily be rented out, and the sellers are more flexible in terms.

You as an investor should stay within your means and experience. Do not invest in a 250-unit mobile home park if you have little experience with single family homes, for instance.

If you have experience in shopping malls and you know the market, by all means invest. If you are a new investor, however, stay with single family homes; the information you need can be acquired very easily. Foreclosures, repossessions, and don't wanters are more plentiful in this category as well.

KNOW YOUR PROPERTIES—YOUR LOCAL HOUSING MARKET:

It is imperative that you know your local market. If you do not, you can waste a lot of time looking at and purchasing properties that are not good investments. You could buy the wrong property in the right area or the right property in the wrong area.

You can choose homes that are in the expensive, moderately priced, or in the inexpensive price range, but you would probably do better to invest in the less expensive homes.

Your best strategy would be to concentrate on the lower-price and less expensive medium-priced homes. These are referred to as cookie cutters, or bread and butter homes. There are many homes in this range that are in need of repair.

Look for fixer-uppers in the moderately priced range. Homes that are run down can be repaired and sold at a profit. Look for outward things such as uncut grass, and signs on the lawn such as "For Sale By Owner" or "Moving, Must Sell".

FOR SALE BY OWNER, (FSBO)

Check with real estate brokers on how quickly homes in your area sell. Title insurance companies also have an abundance of information that would be useful. If there are any areas you feel positively about, it would not hurt to look at them. Look for areas in which the prices on homes are going up faster than others. Take a walk around those areas and chat with people in the neighborhood. As you talk with the residents of the neighborhood, keep in mind the things you want to find out. You will want to ask questions such as the following:

How long have you lived here?

Are there any renters in the neighborhood?

Do you have any idea of prices in this area?

How much are these houses renting for?

The answers you receive to these types of questions will help you develop your knowledge of the area. Get creative; there are many ways to approach this.

SECTION 6- PRE-QUALIFY PROPERTIES

PRE-QUALIFY SELLERS - PHONE CONTACTING

When talking to sellers you must be professional. Treat the seller with respect.

Be positive with him or her; ask questions as if you were talking to someone you really like!..:)) In order to establish good communications with the seller, here are some questions you would want to ask:

Introduce yourself:

- I am calling you about your house for sale. My name is ______________
- May I ask your first name? ___________
- Could you tell me a little about your home?
- How many bedrooms? Laundry room?
- Are there any features you consider special?
- Is your property financed? With whom?
- How much do you owe on the loan?
- What is the interest rate? Is it assumable?
- Are you willing to help in the financing?
- Do you need cash out of your home? How much?

- Are there very many renters in your area?

- Would you consider a lease with option to purchase?

Some of these questions may not need to be asked since they might have been in the newspaper ad or on a report. Remember if you make phone calls, the more you make, the more chance of finding that seller whose home will best fit your needs. You are looking for a seller who is motivated to sell their property.

Remember not everyone is a don’t wanter, so don’t feel as if your efforts have failed when you don’t receive a positive response. Your next phone call may be the one you need to make. Be patient and persistent and it will happen.

SECTION 7- BUYING / LEASE OPTION

BUYING REAL ESTATE WITHOUT CASH OR CREDIT
CREATIVE FINANCING:

Creative financing has been around since there has been real estate. Settlers from the old west used to trade with the Indians. Real estate investors today use creative financing to avoid costs from banks and finance companies. Even the people who have money figure ways to leverage their money to get the most out of it.

Following pages will give you ways to buy real estate without cash or credit and make $5,000 - $10,000 per month.

#1. Make $5,000-$10,000 per month FLIPPING HOMES

Buy and sell for cash.

Need cash to get started in real estate investing or pay some bills?

Find a deal and sell it the same day you buy it. No cash needed, no holding costs, and no landlording. This is called flipping homes (check for any new up to date laws in your state)

There are several ways to do this. When you sell a house for cash or new loan for full value, it's called retailing.

Recently a seller called me. Sometimes I get so many leads I don't have time to call back everyone, as in this case. He called several times, which forced me to respond. This is a lazy way of prescreening leads... but it works! His house had gone to foreclosure.

I agreed to buy his interest (get the deed) and then look for a new buyer. I didn't make any guarantees. He had nothing to lose. If successful, I'd get the first $10,000 in profit, and then we'd split any profit over that. He agreed. Otherwise, he was about to get nothing.

I placed a sign in the yard, ran a classified ad, and added the house to our web site. I said "owner can finance" since I'd take my profit in a note. Bottom line: a neighbor bought the house with a new loan, did not ask me to carry a note, so we got cashed out.

I made $18,000 and the seller got $8,000. My only risk was the cost of marketing and a little time. I also created the equity by getting the second lien holder to take a huge discount. The bank was happy to get $4,000 for their $40,000 mortgage because they were about to be wiped out after the redemption period. I forgot to ask the first mortgage holder to discount!

Close only when you find your buyer

If you've noticed a slowing in your housing market or found it's taking longer to get your houses occupied, then be more cautious and buy better. In fact, you can buy without risk when you find the right type of house and motivated seller...

EXAMPLE:
"I appreciate the fact that you'll sell me your house for what's owed plus $1,000 in moving money, but with the way things have been going, I cannot commit to taking over your loan until I line up my occupant. Your house has too much owed against it.

Now, I do have a program to help home buyers get into a house when they need some time before getting a bank loan. And 60% of the general public is in that position. This gives me a strong marketing advantage when I buy houses. I can offer to finance my buyer myself or rent the home until they close later.

Therefore, I'll agree to buy your house if you can give me some time to find a buyer. Once I do, I'll give you your $1,000 and start making the loan payments, getting that debt off your back."

When they agree, I advertise the house with "owner financing," "no bank qualifying," or "rent-to-own." We get at least 3% to 5% from a tenant/buyer as a non-refundable purchase deposit. This works the same as option consideration on a lease option.

If I'm selling for $179,500, then I'll get at least $5,000, plus the first month's rent. Then I can complete my deal with the seller and enjoy the difference ($4,000) immediately. Be careful to use this only if the seller d doesn't care what you sell it for or when they have already vacated the home. Sometimes I'll have the seller show the house for me!

You can also use this strategy if the seller's payments are in default, and use the buyer's funds to cure the default.

NOTE: Some examples are of low end home pricing, prices could be at 100K, 200K, 300K or higher (they figure the same)

#2. WRAP AROUND MORTGAGE

The first-no-money down type of purchase is as follows:

1. Assume that the seller has a home for sell for $175,000.

2. He owes $120,000 on a fully assumable first mortgage with payments of $740 per month.

3. You would assume the payments (on the first mortgage) of $740 per month. (This is done by calling his mortgage company and getting the forms they have for assuming the loan. Sometimes there is a small fee for taking over payments)

4. The seller would give the buyer a second mortgage of $55,000 at 7% interest, (you would write up contract between you and the buyer. See offer in this ebook)

5. The payments on the second are approximately $350 per month.

6. Your total payments would be $1090.00 per month ($740 + $350).

2. OBTAIN A NEW MORTGAGE TO PAY OFF THE EXISTING LOANS AND PROVIDE FUNDS FOR THE DOWN PAYMENT

This technique works well when the seller does not owe any money on the property, or the seller owes less than 40% of the appraised value.

1. Let's say the home is worth $165,000.

2. The seller owes $120,000 on the first mortgage and wants $10,000 down.

3. Take out a first mortgage using the seller's credit for the total amount of $130,000. Pay off the first mortgage of $120,000.

4. Give the seller $10,000 down and the seller will carry back a second mortgage for $35,000.

3. BUY LOW, REFINANCE HIGH

If you have access to large amounts of cash or you have partners that do, this technique is good.

1. You pay cash and purchase the property at 70 to 75% of the appraised market value.

2. Do a little repair on the property; you could get a new loan from a finance company for 100% of the value. This would be in the area of a 20 to 25% profit margin. If you have questions about any of these three techniques, e-mail me at ejj@hwbi.net

LEASE WITH OPTION TO PURCHASE:

This is the main way I purchased over $2,000,000 in Real Estate. It is my favorite way of Purchasing, Low down and I can use a credit card or I have, at times, borrowed the down payment from a friend.

An option is nothing more than the legal right given by the seller to the buyer for purchasing property at a predetermined price. An option must be in writing and consideration must be present to make it legal. Consideration refers to something of value (usually money).

SELLER’S BENEFITS:

During the option period, the seller retains ownership, and receives all the tax benefits from the property.

All the Option money received is tax deferred.
The tenant has "pride of ownership" and an incentive to take better care of the property.

The rent, including option payments, is usually set at or above the fair market rent.

BUYER'S BENEFITS:

Usually the option consideration (money) is relatively small compared to the value of the property, and this makes the risk involved a minimal one to control a large property. This type of financing is a great way to leverage your money with little risk.

When the option is up, if the property has gone up in value you can c choose to sell it and keep the profit or refinance. If the property goes down in value, you can walk away and not be liable for the loss.

EXAMPLE:

You find a home you like, the seller was asking $190,000.00 for this single family home and was desperate to sell. You want to move out of your apartment and would like to start building up some equity toward a home but you do not have the full 3-5% or $5,500 down payment. You might offer the seller the following:

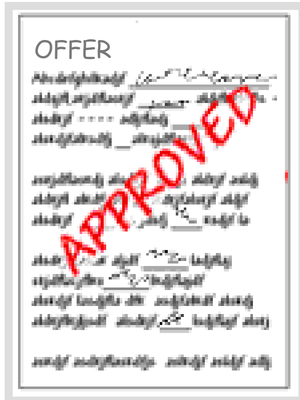
1. Three year lease with option to purchase.
2. $1000 Down Payment, and Monthly Payments of $900 to $950 per month.
3. Negotiate a credit of $100 to $200 minimum towards the purchase price. (Write up an offer using the offer form in this ebook.)

This will give you control of the $190,000.00 home with as little down as $1000 down. Get creative, remember offer low, you can always raise it.

IN THREE YEARS:

If the property goes up in price you could sell it for a profit. If the property goes down in price you can walk away from it and if you want to stay in it, you have three years to secure the financing to buy it.

SECTION 8- MAKING AN OFFER



OFFER FORM:

An offer is put together when you purchase a piece of real estate. It must outline the agreement between both parties, buyer and seller. When a seller agrees to an offer, take the offer to the title company and open an escrow account. The escrow officer will handle the rest.

The following is an overview of how to make an offer on the purchase of real estate. You can use a broker or an attorney, but you can write the offer yourself and have the title company write the final contracts that will be recorded.

NEXT IS AN EXAMPLE OF THE OFFER FORM THAT IS FILLED OUT:

RESIDENTIAL REAL ESTATE OFFER SHEET AND RECEIPT FOR DEPOSIT

This is more than a receipt for money, It is intended to be a legally binding contract.
Read it carefully.

City Sacramento State CA. Date May 31. 2017

Received from John Doe herein called Buyer, the sum of Five Hundred Dollars $ 500.00 evidenced by Cash ☐ Check ☒ Payable to:

Mrs. Robinson To be held uncashed until acceptance of this offer, a Deposit on account.

Purchase Price One Hundred Sixty Five Thousand Dollars $ 165,000.00

For the purchase of property situated in Sacramento County of Sacramento

California, Described as follows: 16 Now Lane, Parcel No. 623-0124-000-0010

Terms of the offer are as follows:

Buyer will assume 1st mortgage at $120,000.00 payments of $645.00 per month.
Seller will carry a 2nd mortgage on the property for $45,000.00 at 6% interest, amortized for 30 years. Payments of $250.00 per month.
Down payment will be $500.00
Seller will pay all the closing costs.
60 days to close escrow.
Offer is contingent upon approval by my partner.

Set forth above any terms and conditions of a factual nature applicable to this sale, such as financing, prior sale of other property, the matter of structural pest control inspection, repairs and personal property to be included in the sale.

X______________________________	X ____________________________
Buyer	Buyer
X______________________________	X ____________________________
Seller	Seller

You can find similar forms at any stationery store that carries real estate contracts. Once the contract is made and the offer is accepted neither party can legally withdraw.

STEP BY STEP DEFINITIONS OF EACH LINE ON THE OFFER FORM:

LINE 1: Fill in the city, state, and the current date.

LINE 2: Fill in your name as buyer, or buyers.

LINE 3: Fill in the amount of money you put down as earnest money deposit SPELLED OUT!

LINE 4: Fill in the dollar amount in NUMBERS, and check the box to indicate whether the payment is by cash, check, or another form of payment.

LINE 5: Write in the seller's name.

LINE 6: Spell out the full purchase price and then the full amount in numbers.

LINE 7: Fill in the city and county where the property is located.

LINE 8: Fill in the full street address and parcel number if you have it.

LINE 9: These are the terms of the offer. Always add a "weasel clause" in the terms. It gives you a way out if you decide not to go through with the offer. (See the heading "Weasel Clause")

LINE 10 & 11: Make sure the buyer (you) sign the offer, hopefully the seller will sign it too, and the offer gets approved.

"WEASEL CLAUSE": One of the terms in the offer that gives you a way out of the offer.

Below is a Blank form for you to print out and use for your offers, you can also find similar forms at any stationery store.

This Publication/Form on next page is designed to provide accurate and authoritative information in regard to the subject matter covered. It is with the understanding that the Publisher is not engaged in rendering legal, accounting or other professional service. If legal or expert assistance is required in your state or country, the services of a competent professional person should be sought.

BLANK OFFER FORM (on next page)

RESIDENTIAL REAL ESTATE OFFER SHEET AND RECEIPT FOR DEPOSIT

This is more than a receipt for money, It is intended to be a legally binding contract.
Read it carefully.

City __________________________State _________________ Date _____________

Received from _________________herein called Buyer, the sum of __________

_________ $__________ evidenced by Cash ☐ Check ☐ Payable to:

__________________________________To be held uncashed until acceptance of this offer, a Deposit on account.

Purchase Price __________________________________ Dollars _______________

For the purchase of property situated in ________________________County of __________________________

California, Described as follows: ____

Terms of the offer are as follows:

____

____

____

____

____

____

Set forth above any terms and conditions of a factual nature applicable to this sale, such as financing, prior sale of other property, the matter of structrual pest control inspection, repairs and personal property to be included in the sale.

X_________________________________ X ______________________________
Buyer Buyer

X_________________________________ X ______________________________
Seller Seller

SECTION 9- ESCROW AND CLOSING

ESCROW:

Escrow is handled by title insurance companies. Get to know one of these agents; they can make your investing a lot easier. You can do the title search yourself to make sure the property is free from liens, but until you get more experience, do not attempt this. You could end up having to pay more money for the property.

You can call title insurance companies and ask for a property profile; this is service they provide for customers. It will give you purchase prices, selling prices, square footage of homes, sellers name, address, a whole profile of the property.

You can also get property data if you call your county recorder's office for their online web address.

CLOSING:

When you are closing the deal with the seller make sure you do not criticize the property. If you criticize the property too much, the seller may not be willing to be too flexible. The best thing you can do is praise the property honestly, and gain trust and credibility with the seller. If you can find the needs and wants of the seller by asking questions, you can get a very good idea of what he or she wants. Listen, do not speak when the other person is speaking, then listen more.

There is something to be said for someone who listens.
Remember, deal only with flexible sellers whose properties have good existing financing.

Watch the way the seller is acting. This can signal you when it is time to change the subject to something more friendly.

SECTION 10- GETTING STARTED

GO BACK OVER YOUR GOALS

How many properties do you want to buy, and how long is it going to take you to accomplish that? Look at your goals every day, and every day picture yourself achieving them.

FIRST -

Write up a plan of action, plan a little every day and don't forget to keep getting more knowledge about real estate.

List all things to do, get your day planner out, and schedule things to do this week.

SECOND -

Contact some title companies and get to know the people who work there. Get a map of the city and map out the areas you want to look at. Prepare a list of questions you want to ask sellers you call. Go over them until you feel comfortable with each question.

THIRD -

Get the daily newspaper and start looking in the real estate section for homes for sale by owners. Here are what some ads might look like.

SELLER WILL FINANCE
1bdr. 1bth CONDO Take over pmts 635-8661

ASSUMABLE LOAN
2bdr. 1bth , garage
RETIRED,966-5633

MUST SELL
3bdr. 2bth, good location
Moving,922-3654

Here is list of different people to contact:

Neighbors,

Banks,

Real Estate agents,

Local investment clubs.

Taking a drive through the neighborhoods can be very good. Get creative at it and it will pay off for you.

Make as many phone calls as you can. You will find some people who want to sell to you. Make at least five offers per week; you will be buying your property within thirty days.

You are now on your way to purchasing that first home, or investing into properties and making a profit.

Many people have started working on major goals, but not many have achieved them. You have a chance to do things in life for yourself that most people do not

get a chance to do. Use this knowledge to help you gain the things in life you hope for. Then share the knowledge with as many people as you can.

You will be rewarded with things in life you will not believe, but you must first have the determination to make things go the way you plan. Never settle for a piece of the pie when you can have the whole pie. The world is there for you to go after; take that chance, and see what you get.

SECTION 11- HOW TO SELL YOUR HOME FAST

INTRODUCTION

Congratulations on your participation in this revolutionary program. This course will teach you the proven, and probably the most powerful strategy for selling your home fast. Plus, you can sell it your own using no agent. The strategy will give you the tools you need to produce an all cash sale. Or, you can use it to get a gigantic lump sum of cash at closing. If you're a real estate agent you can apply all of the methods in selling your current listings quickly.

We hope you're excited as you begin to discover this phenomenal way of selling your home, that gets sales action in record time. You're about to be introduced to a real estate sales technique that is over-looked far to often by a home seller. This technique will dramatically increase the number of eager buyers for your home. Even in generally soft economies and slow housing markets. Its responsible for getting more homes sold fast than any method used today.

Your phone will be ringing with lots of interested buyers. The process is simple. You pick the best buyer from all the calls received, close the sale, and collect your cash. All you do is apply the proven methods you learn from this course.

What do you feel is the best way to sell your home? Perhaps have an open house. Improve the looks inside and out. Advertise the special features of the home. Number of bedrooms, bathrooms, big back yard with a deck, a pool, double garage and so forth. Maybe the best way to sell your home is the sales price. It compares to others that have sold in your neighborhood. Or, your price might be a little less than other homes. How about cinnamon rolls baking in the oven when you show the home. That aroma certainly gives the home a nice touch. We could go on with more sales suggestions. However, we think you get the idea.

These sales methods have their good points. But most home sellers over look the most powerful method for selling a home quickly. We're going to give you the method right now. We call it the "Secret Sales Weapon". It produces a buyers instantly. The strategy consists of three magic words. This is the strategy.

OWNER WILL FINANCE

Imagine going through the classified section of the paper. You see several ads of homes for sale. Most of the ads stress the unique features of each home. All of a sudden you come across an ad that says the following.

"OWNER WILL FINANCE - FOUR BEDROOM TWO BATH COLONIAL. JEFFERSON PARK".

We can promise that will be the first ad you call. In fact, that ad will be called by more buyers than any other ad. The reason is very simple. The words "Will Finance" sends a motivating sales message to every home buyer. The buyer says, "this house can be bought fairly easily. There won't be lots of red tape".

Think about it. Home sellers wanting all cash eliminate a huge percentage of buyers. Cash buyers are hard to come by. All cash requires most buyers to qualify for a loan. Bank loans are time consuming. They require home buyers to meet lots of rigid guidelines.

All cash actually blocks people from buying your house. Those stiff bank qualifications create a sales barrier. We feel that most buyers may have reasonable credit and decent incomes. But the stiff bank requirements stop a lot of buyers. However, when you eliminate some of the stiff requirements, the financial obligation of paying for the home is really no problem for a large number of these buyers.

You and I ought to be selling to these people. Yet the banks are the barrier standing in the way. Owner financing blasts away this barrier.

REVIEW: Lets review what we have told you so far.

The fastest way to sell your home is to offer owner financing. This means you sell your home on contract. Your buyer puts down 10 to 20 percent in cash. They sign a contract that obligates them to pay you the remaining balance over a period of years. Five, ten or maybe fifteen years.

We know what you're thinking at this point. Your saying to yourself, “you told me you have a method for selling my home fast. I can get all cash. If I offer owner financing how will I get all cash?"

We'll answer that question by describing the following example. Let's say someone has a home they want to sell. The house is put up for sale with an all cash price. There is some response from buyers. But most of them are having trouble securing financing. Weeks and months go by without a sale. The home seller starts to feel depressed.

One day the home seller receives a phone call. The person introduces themselves as a contract buyer. The contract buyer purchases real estate contracts and mortgages for cash. The contract buyer says, "your home will sell fast if you offer owner financing." The contract buyer tells the home seller, "if you will structure the contract with the right terms, I will buy the contract from you for <u>CASH</u> a few days after the sale."

This is how simple it can be to sell your home quickly and get all cash. You offer to sell your home on contract. Pick the best home buyer and close your sale. A few days later you simply take your contract and sell it for <u>CASH</u> to a contract buyer.

Owner financing will instantly multiply the number of eager buyers for your home. It gives you the ability to sell fast, because you're offering terms rather than cash.

If you're in a financial position where you don't need all cash, a contract can be a great investment. Home sellers usually want to invest the money they get from their home sale. Our reply is, "why not invest in something you already know about?" In this case your own home. You can defer paying taxes on the gain. Plus, you'll get a better interest rate than banks pay. You get a nice income secured by your home. You understand it. You know the value. If you need to raise cash in the future you can always sell the contract.

The home buyer benefits by getting terms that are favorable. They have cut out the hassles of bank red tape. They have also saved the cost of paying points and loan origination fees.

There are so many ways people can benefit from owner financing. Home sellers can sell a house quickly on their own. Real estate agents can sell listings faster. Owner financing solves problems with homes that don't qualify for bank loans. The zoning may not be right. Or, there's an easement or access problem.

We recently visited with a home seller who had a house located on a street not paved. The bank wouldn't loan on that house because of the unpaved street. The sellers offered owner financing, and the house sold immediately. When the sale closed they instantly sold their contract for cash.

Developers and contractors can use owner financing to sell property fast. Raising cash is no problem. Just sell the contracts.
Owner financing can solve problems with couples involved in divorce who need to sell a home. When the home sells the contract can be sold for cash. The proceeds can then be divided between the couple. This is something that can be useful to attorneys who handle divorces. It can also work for people dissolving partnerships.

The bottom line is owner financing solves more problems, and gets homes sold faster than any technique we know of. We'll cover more strategies for selling fast in section two of this manual.

We've explained the benefits and told you how it works. Let's talk about making contact with a contract buyer, with the idea of selling a newly created contract from the sale of your home.

The contract buyer will want several pieces of information from you. They will suggest the terms you should put in your contract, that gives it the highest cash value when selling it. They can suggest the amount of down payment you should try to get from your buyer. How many years the contract should be written for. Plus, the right interest rate you should charge.

The contract buyer will also ask you about your cash needs from the sale. This is something you shouldn't be afraid of. They're not trying to pry into your personal affairs. The contract buyers goal is to construct an offer to fulfill your cash needs. Depending on your cash needs, there may be times when it is best to sell a part of your contract, rather than the whole thing. This method could give you a gigantic lump sum of cash when the sale closes. We'll explain how selling a part of the contract works in a few moments.

So, disclose all the information you can with the contract buyer. Explore all your options with them. They will assist you in constructing a plan that lets you win from your home sale.

Your goal is to create a contract that has high cash value, that you can easily sell.

Lets show you what a high cash value contract should look like. We will call this:

Example one: The Quality Contract.

Lets pretend you have a home you're going to sell for market value of $100,000.00. Lets say you find a good buyer who can put down $20,000.00. The buyer is going to have a 20% equity position at the very beginning. A contract buyer likes to see that. The more equity your buyer has at the start, the better for you when you sell the contract. Lets assume the interest rate you charge on this contract is 10%. Now, market rates could be lower or higher, at the time you're reading this manual. The 10% rate is only an example. The remaining balance of $80,000.00 is amortized over 15 years. This means the buyer will be making monthly payments for 15 years of $859.68.

Here's what the contract looks like.

Sales price of the house...............$100,000.00
Downpayment................................$20,000.00
Remaining balance amortized
over 15 years.................................$80,000.00
Interestrate...10%
Monthly payment...............................$859.68

This represents a good quality contract. The home is selling for market value. The buyer made a good down payment, giving them decent equity at the start. The contract has a reasonable pay back term of 15 years.

Lets show you a contract that would be low in quality. We'll call this example two.

Lets say we're going to sell the house again for $100.000.00. This time the buyers are only putting down $5,000.00. The contract will be amortized for 30 years with an interest rate of 10%. Monthly payment $833.69.

Here is what it looks like.

Sales price of house.....................$100,000.00
Down payment................................$5,000.00
Remaining balance amortized
over 30 years................................$95,000.00
Interest rate...10%
Monthly payment..............................$833.69

This contract is low in quality because the buyer is not putting much cash down. The pay back term of 30 years is very long.

When comparing these two examples, you want to remember that contracts with shorter pay back terms, and good down payments always gives you the highest cash values.

Another way to measure the cash value of a contract is to calculate the loan-to-value on the home. You do this by adding up the total loans on the home. Then you compare that figure to the price or cash value of the home. In our first example of the quality contract, the loan amount is $80,000.00. The sales price is $100,000.00. That gives the home an 80% loan-to-value ratio. A contract buyer would be comfortable with that ratio.

The low quality contract has a 95% loan-to-value ratio. Much too high. However, there is a way to make the low quality contract into a workable deal. We'll show you how that works in a few moments.

Loan-to-value is very important to you. Do your best to create a contract that has the right ratio.

If you're selling other property like apartments or commercial real estate, a contract buyer would want the following ratios: Multi-family units, and apartments need to keep loan-to-value at about 65% maximum. It can go lower but 65% is acceptable to a contract buyer. If you're selling commercial property, your loan-to-value should be around 60%. For vacant land, or lots, loan-to-value should be no more than 50%.
O.K., you've seen what a quality contract looks like. You now have a working knowledge of loan-to-value. Its time to answer the major question you have at this point. How much money would the home seller receive if they sold these two contracts?

Let's review the first example of the quality contract. The home is selling for $100,000.00. The buyer is putting down $20,000.00. The balance of $80,000.00 is paid over 15 years at 10%. Monthly payment will be $859.68. How much will the contract buyer pay the home seller for this contract? As far as this deal goes, we would say around $72,000.00. When you add up the down payment of $20,000.00, plus $72,000.00 from the contract buyer, the home seller ends up with $92,000.00 cash. That's $92,000.00 they won't have to wait 15 years to get.

Lets show you how the home seller could do better in our example. The seller is coming out with $92,000.00 cash. They won't be waiting 15 years to collect.

Lets make some changes that could make things better for the home seller. Lets pretend the seller doesn't need all cash when they sell. What they really want is a big down payment. The next page is a second offer could be made.

OFFER TWO

The contract buyer suggests the home seller could sell part of their contract, rather than the whole thing. The contract buyer offers $39,000.00 for the right to receive the first 60 payments of the contract. When the 60 payments have gone by, the contract will be returned to the home seller with a balance remaining of $65,053.30. The home seller will then start to receive the monthly payments. This method gives the home seller a gigantic lump sum of cash. Lets review offer two.

OFFER TWO

Home sells for..............................$100,000.00
Down payment...............................$20,000.00
Contract buyer purchases first 60
payments for.................................$39,000.00
Total cash to home seller
at closing.......................................$59,000.00
After 60 payments go by, contract is returned to seller with a balance of..............$65,053.30

Home seller begins to collect monthly payments.

Think about this. When you add up the $59,000.00 the seller received at closing, plus, the $65,053.30 remaining after the 60 payments go by. The seller ends up with over $124,000.00--plus interest on the balance remaining. Remember the home sold for $100,000.00. Not bad. The home seller comes out better when you sell a part of the contract, versus the whole thing.

Lets assume the home buyer needs a lower monthly payment. This is simple to solve. Write the contract with a 30 year pay back term. The monthly payment is lowered to $702.06. We've accommodated the buyer by lowering the monthly payment.

Now, in exchange, we can require that a balloon payment be placed in the tenth year. This makes the contract pay off in ten years instead of thirty. Now, our contract buyer can make a third offer.

OFFER THREE

The contract buyer will purchase the ten years worth of payments from the home seller, for $49,000.00 cash. After the ten years go by the balloon payment comes due. This goes directly to the home seller. In ten years, the value of the balloon payment would be $72,750.42. Lets see how this offer looks.

OFFER THREE

Home sells for.............................$100,000.00
Down payment...............................$20,000.00
Contract buyer purchases the first ten years
worth of payments........................$49,000.00
Total cash to home seller at
closing...$69,000.00

Balloon payment comes due in ten years and
goes directly to the home seller.....$72,750.42

So, the home seller does well with this offer. They get $69,000.00 when the sale closes. Plus, the balloon payment of $72,750.42.

Total $141,750.42.

Contract buyers can come up with other offers and combinations. The next two sections in your manual will give you more ideas.

Contract buyers don't offer a set price for a contract. They're all different. The values have to be measured on the individual merits of each contract. Remember to completely discuss your needs with the contract buyer. They'll do their best to come up with the right plan that works for you.

Now, lets review example two. The low quality contract. We'll show you how an offer could be made for this one.

This contract was set up on a long pay back term of 30 years. The down payment was low at $5,000.00. The contract buyer would probably offer around $71,000.00 cash for the whole contract. The home seller only gets around $76,000.00 when everything settles. The seller would c ertainly want to do better. Lets make an alternative offer.

The contract buyer could purchase the first ten years of payments from the home seller, for $53,000.00 cash. After ten years, the contract would be returned to the home seller. The balance owed would be $86,391.12. The home seller will start to collect the payments from then on.

Lets see how this looks.

Home sells for..............................$100,000.00 Down
payment.................................$5,000.00
Remaining balance.........................$95,000.00
Contract written for 30 years at 10%.
Monthly payment...............................$833.69
Contract buyer purchases first 10 years
of payments.................................$53,000.00
Total cash to home seller
at closing.....................................$58,000.00
After ten years, contract is returned to home
seller with remaining balance of.....$86,391.12

We have turned a low quality contract into a deal that can work for the home seller. They get $58,000.00 cash at the start. Plus the $86,391.12 remaining after ten years, including interest. Not bad for a house that only sold for $100,000.00.

If a new contract is set up on a long term pay back with a low down payment, your best strategy is to sell a part of the contract versus the whole thing. The contract buyer might suggest placing a balloon payment in the tenth, or possibly the fifteenth year. You could use the same strategy we used before. Sell the payments only and keep the balloon for yourself.

Contracts that are low in quality can be made into deals that work for the home seller. There are other offers and combinations that can be made. Every situation is different. Remember, discuss everything in detail with the contract buyer.

Lets talk about selling a house that you don't own free and clear. You have a first mortgage that money is still owed on. Contract buyers can help you if you've got enough equity in the home.

If your home is selling for $100,000.00 and you still owe $40,000.00 on a first mortgage, you have a 60% equity position. This is very good.

Lets say you still owed $80,000.00 on the first mortgage. Your equity is only 20%. This would not be good. The contract buyer would have a hard time working with something that small.

Lets show you two examples on how this works. What we're talking about, is the creation of a second mortgage, that you would sell to the contract buyer.

EXAMPLE OF A QUALITY SECOND MORTGAGE

Selling price of home....................$100,000,00
Down payment...............................$20,000.00
Home seller still owes on a first mortgage
with a remaining balance of only....$40,000.00
(60% equity)
Home seller creates a second mortgage
with a five year pay back at 10%....$40,000.00
Monthly payment..............................$849.88

Contract buyer purchases second mortgage
from the home seller for................$35,000.00

Cash to home seller at closing.......$55,000.00

If you owe on a first mortgage that cannot be assumed by your buyer, a contract buyer can solve that problem for you. When you close the sale on the house, draw up a new mortgage for the entire cash amount owed on the house subtracting the down payment. In the case of our example, this new mortgage would be for $80,000.00. When the contract buyer purchases the deal from you, they'll use part of the cash proceeds they pay for contract, to pay off the $40,000.00 balance owed on the first mortgage. The cash that's left goes to the home seller. So, loans that aren't assumable are no problem for contract buyers. They simply pay off any senior mortgages from the cash proceeds when the deal closes.

Next, we'll show you a second mortgage that would not be as good.

EXAMPLE OF A LOW QUALITY SECOND MORTGAGE

House sells for.............................$100,000.00
Down payment................................$5,000.00
Seller still owes on a first mortgage with
a remaining balance of..................$85,000.00
(equity only 15%)
Home seller creates a second mortgage with eight year pay back term at 10%....$10,000.00

It would be very hard to get a fair price from a contract buyer for this second mortgage. The first mortgage still owed on the house has a huge balance of $85,000.00. Lets say a contract buyer bought this second mortgage. Six months later it goes into default. The contract buyer would either have to make the payments on the first mortgage, or pay it off to protect their investment.

This would not make financial sense for the contract buyer. There is too little money invested to take on the financial responsibility of the first mortgage.

Remember its hard to do well selling second mortgages when the equity in your home is low. Each case varies. Talk the situation over with the contract buyer.

If the equity is low in your home at this time consider waiting awhile before selling. Your equity will get better as your home goes up in value. Plus, you'll owe less on your first mortgage. The information in this course will work just as well in the future as it does today. Keep the course handy. Review this manual from time to time.
We've covered a lot of information. We hope you're convinced that owner financing dramatically increases your ability to sell your home quickly.

There's one question you always want to ask yourself. Does the buyer see a way they can buy your home? You could have the finest home on the block. But if the for sale sign says "all cash", you've just put up a road block to a lot of eager buyers. When you say "will finance", the buyer sees a way to purchase the home. There will be plenty of people rarin'-to-go and anxious to buy.

Lets address those of you who may be in professions involving the sale of real estate. Contract buyers can be of help to you in a number of ways.

If you're a real estate agent, you've just learned a way of getting listings sold quickly. There will be plenty of cash from the sale to take care of your commissions.

Real estate agents also have files of past home sales. The files may include sales where the seller offered owner financing. These would be seasoned contracts. Contract buyers like seasoned contracts for two reasons.

1) The contract has a payment history. This gives an indication how timely the payments have been made by the home buyer.

2) The home seller comes out with more money when selling a seasoned contract. You may want to hold a newly created contract, and receive some payments before selling. Contracts make good investments. They're secured by something you know about. Your own home.

Real estate agents should contact home sellers they've helped in the past, who took back contracts. See if they would like to convert it to cash.

Let them know you have a cash buyer. If a deal closes, contract buyers are happy to pay commissions for referring the deal. That's of course if its legal and ethical in your area. You never know. That cash your client collects from the sale of the note, might be used to purchase another one of your listings.

Accountants deal with clients who are collecting payments on contracts. If that client needs cash get a hold of a contract buyer. They can make an appraisal of the situation and a cash offer.

Attorneys deal with clients who sold homes on contract. If these people need cash get in touch with a contract buyer. For example, if an attorney is handling a contract dispute or litigation where there's not enough money to pay legal fees, perhaps as part of the settlement, the attorney could have the client get a contract secured by a home. The contract buyer can convert it to cash. Presto. You've got your legal fees.

If the attorney is working on a divorce, and as part of the settlement, one of the parties ends up with a contract secured by a house, the contract buyer can convert it to cash. If you're settling estates that have contracts for assets, the contract buyer can appraise and convert them to cash.

Bankers and financial planners have clients who hold contracts. Contract buyers can purchase them and your client has cash for other investments.

Just about anybody in a profession involving real estate can benefit from a contract buyer. Title and escrow officers, mortgage and loan brokers. You name it. Where there's a need for cash a contract buyer might be able to help.

Your purchase of this course entitles you to back up support with someone who knows real estate and owner finance. You can call and discuss anything in relation to this course.

If you're getting ready to sell your home, this back up support gives you the option of calling and discuss selling your home using owner financing. This conversation will give you guidance on how to proceed. Plus, a ball park figure of how much cash you can expect from selling your contract, when your home sells. There's no charge for this service, except for your long distance fees. It comes with your purchase of this course.

Also, the person you talk with is trained to look to your best interest at all times. They will never give suggestions that would be harmful to your best interest. Some of the things you can get help with are:

1) Suggestions on the best financial terms to put in your contract, giving you the best cash value.

2) Solutions for getting a large downpayment.

3) Where to start and how to organize the sale.

4) Finding a buyer for your contract.

5) Guidance in picking the strongest home buyer.

One thing we do want to point out. The person you talk to is trained in owner finance. They're not real estate agents. They don't sell homes. This course teaches you how to sell your home on-your-own. They're not licensed to practice law or give accounting advice.

Please understand that neither they, the company, or the producer of this material cannot engage ourselves in giving legal, accounting, tax and investment advice or services in relation to this course.

Anyone who takes this course and participates in any part of the material and support program, will need to seek out the services of a competent professional for legal, accounting, tax and investment advice on the sale of their home.

Do not try to close the sale of your home on your own. If you do something wrong it will dramatically effect the cash value of your contract. We recommend that you call our number to discuss the future sale of your home. Carefully explain your cash needs. Together we can work up a plan of action.

After you've arrived at your sales price, and the amount of down payment you need to shoot for, begin to run your ad that states owner-will-finance.

Home buyers will begin to call and ask questions about your home. Win the buyers trust at the very beginning. Don't hide any defects the home may have. Be honest and straight forward with all questions.

Follow through with everything you tell the buyer you're willing to do.

Of course the big question you want answered, is the buyer financially responsible? We determine the buyers financial soundness by saying, "if you plan on putting down around 20%, your monthly payment will be around__________." That usually weeds buyers out that aren't responsible.

Make sure you deal with people who have the funds before signing a purchase agreement. It makes no sense to take the home off the market and discover they aren't financially sound. Financial soundness needs to be determined before the purchase agreement is signed. We'll cover more on this in section two.

Let us suggest something effective when you schedule appointments to show your home. Schedule appointments about ten minutes apart. Let's say you arranged to show your home at 2:00PM. Schedule the next home buyer at 2:10. People are going to run into each other. Maybe the next buyer comes in five minutes later. See what is happening? These buyers will realize there's lots of interest in your home. Somebody had better act fast or they're going to lose out.

We personally feel there is nothing wrong with creating competition with home buyers. Competition creates sales action. The home gets sold quickly. These are strategies you need to know about, and effective marketing techniques that make a quick-sale possible.

When you find a buyer who has the proper down payment, decent credit, and is ready to sign a purchase agreement give us a call we can help.

If you want to sell your contract that's created from the sale of your home, call us we can find you the best contract buyer willing to pay top dollar. You're not obligated to use this service. It's available to you if you want it.

When your buyer is ready to sign a purchase agreement take the whole thing and open an escrow account. Explain everything you've worked out with your buyer. They'll prepare all the documents needed and close the deal. A few days after settlement the contract buyer will purchase the contract from you.

EXERCISE:

Give examples of:

a. What are the best type of Contracts to locate or Write?

b. What are the best type of Buyers to locate?

This concludes this section of the course. If you need any additional questions answered please call and talk it over. We want to make sure everything is clear to you. We wish you good fortune in selling your home quickly.

SECTION 12- PROVEN WAYS TO GET A FAST HOME SALE

Do you remember the first time you saw your home? What were the features that made you want to buy it? Chances are those same features will be appealing to your buyer. Perhaps there was something special about the patio. Or maybe it was the flower garden in the back yard. How about those special features in the kitchen that impressed you. You liked that large party room. That little pantry off the kitchen that's been so handy. Do you recall how these features looked when you first saw them? Restore them. Bring them back. They are going to help sell your home.

Before you start to promote your home give it a thorough cleaning. Wash the windows. Shine the floors. Polish the furniture. Scour and scrub the kitchen and bathrooms. Give the landscape a good manicure. Clean out the garage, attic, basement and all closets. Hold a yard sale to get rid of unwanted items. You can donate anything that doesn't sell to charity (Salvation Army or Good Will etc.)

Make sure the house has a clean fresh smell in every room. Even the closets. Open the windows and air things out. Carpets and curtains can collect bad smells like tobacco and cooking odors. Check bathrooms and basement for mildew odors.

Make minor repairs. Fix squeaky door hinges, old peeling paint, cracked or stuck windows, loose door knobs, crumbling grout between bathroom and kitchen tile, rusty gutters, and sinks that leak and don't drain properly.

The front of your home is where the first impression is made. Make sure the drive- way is clean and free from oil spots. Eliminate moss or mildew build-up on the front steps. The hardware on your front door should sparkle. Take care of paint that's peeling. Add a little color to the porch with a basket of flowers. A nice door mat also makes the front door look appealing.

The entry area will also create first impressions. Repair scratches in wood floors or worn spots in carpets. A well placed mirror can make an entry area look larger, especially with flowers in front of it. Be sure to have the entry closet clean and free of clutter.

Put high wattage light bulbs in all fixtures and turn them on when you show the home. Keep the drapes open so that everything is well lit. Dark areas can send out a bad message. People may think you're trying to hide something. If you have rooms painted in dark colors change them to light colors, such as an off white. Lighter colors create an open look.

Have as much open space as you can. Personal family heirlooms can make the home look like a museum. Put away all the personal possessions and let the buyer see how much room there really is. The buyer needs to have a clear picture how their belongings are going to fit in the house. Remove unnecessary furniture. The more furniture in the room the smaller it looks. Sometimes family pictures can make walls look cluttered. A mirror that is placed in the right spot can make a room feel larger.

GETTING THE WORD OUT

The first thing to do is put a sign up in the front yard that says "FOR SALE, OWNER WILL FINANCE". The words "WILL FINANCE" will stop a lot of people. Next, tell all your neighbors the house is for sale, and you'll finance the deal for the right buyer. The neighbors will really help get the word out. Especially if they have a family member looking to buy a house. Let the people where you work know about it. Your church group or club. If you want to go further put notices up on bulletin boards. You can find these in business areas where there's lots of foot traffic. You might even try factories and apartments. And of course, last but not least, run a classified ad in the paper.

SHOWING YOUR HOME

When you have an appointment to show your home, open the windows and air it out before the potential buyer arrives. This will get rid of any last minute unpleasant odors that may be lingering in the house. On the other hand, its a good idea to have the smell of pleasant odors in the house. Things like fresh baked bread, the smell of cinnamon or specialized air fragrances.

Make sure everything looks clean and orderly. Turn all lights on. The temperature setting should be comfortable. Its always nice to have some easy listening music playing (no rock). As a courtesy, have hot or cold beverages on hand. And make sure younger children or pets are out of the way. You don't want any negative distractions.

OPEN HOUSES

An open house can be very effective in promoting your home.

For two reasons:

1) You can schedule the open house at a specific time that is convient for you.

2) You'll be attracting a lot of people at the same time. This creates a spirit of competition. Competition produces action that ends up with a sale.

Place a welcome sign in your front yard, or front door, when opening the house to the public. Your sign could say "Welcome To Our Open House". We recommend you have visitors sign in for security reasons before they go through the home. Have an information circular or flyer on your home for visitors to take. The information flyer is good for people who call on your newspaper ad. You can take their address and mail one to them.

The information on the flyer should include: Your name, address and phone number. Sales price and down payment. Mention you'll consider all offers in writing, with the understanding you won't take the home off the market until a legally binding sales contract has been signed, and earnest money deposited with your attorney. Respond to all offers. If they're too low counter the offer.

Your flyer should list the expenses for the year: Property taxes, insurance and utilities etc. Your flyer should also list the features of the house.

Square footage
Type of roof
Walls
Basement
Kind of heat
Air conditioning
Schools
Kind of water heater
The lot size
Describe the structure
Electrical system
Bathrooms and kitchen
How many rooms and measurements
Public transportation

Tell a little about the outdoor features, and anything you feel is unique about the home. List any recent maintenance or repair. When was it last painted, or a new roof etc. List who performed the work if the buyer would like to check.

Have pictures on display showing your home during different seasons of the year. If you're selling during the fall, have a picture that shows it during spring and summer. The picture will show the flowers and plants that will be in bloom.

Schedule your open house during convenient times or peak hours. If you live near a large factory or business and the traffic goes by your house, schedule the time when all the employees get off work. People will see your sign as they drive by. Lots of people will stop when they see your sign that says "owner will finance".

A friend of ours who was selling his home lived close to a ball park. The traffic had to go by his place to get to the stadium. He scheduled his open house during games. He got a lot of visitors. Do the same thing if you're located near a business center, a church or any type of location where the public gathers. Schedule your open house during peak hours when the public is driving by.

If you want to advertise your open house, place an ad that says something like:

"OWNER WILL FINANCE 4 BEDROOM 2 BATH COLONIAL. OPEN HOUSE SATURDAY FROM 11AM TO 4PM".

An open house should be set up so people can walk through unsupervised. Let them feel like they're in a department store. They have the freedom to look around anywhere without being bothered by a salesman. If you're worried about your valuables being stolen, store them away during your open house. Remember, we are trying to create a competitive buying environment. If people feel free to look where they want it attracts more people. The more people the better.

SECTION 13- VALUABLE TIPS FOR SELLING A HOME USING OWNER FINANCING

The rest of this section will be devoted to special information involving owner financing. If you're already receiving payments on a home you've already sold, you'll discover some basic facts, pitfalls to avoid, and opportunities to explore.

To our knowledge owner financing is the fastest way to sell a home. Its not easy for home buyers to get bank financing. There are many costs involved. It takes a lot of time. Loan approval is very complex. These problems block good home buyers from purchasing your home. Owner financing blows away these barriers. Your home sells itself quickly. Here are some things you should know about owner financing:

A mortgage, trust deed or land contract is a written contract between a person who has sold property, and the person who bought the property.

Everyone wants a cash sale when they sell their home. Taking back financing provides a quick way to sell your home without the rigid guidelines, hassles and delays of bank financing. This also can provide you with some monthly income at a good interest rate. If you need to raise cash you can always sell the contract.

The terms used to describe this type of financing vary by state. It can range from trust deeds, contracts for deed and land contracts, to deeds of trust, notes and privately held mortgages. But they all represent the same thing, a way of selling a home where the purchaser "borrows" from the seller rather than paying cash up front or borrowing from a bank. All these vehicles are referred to as owner financing. Let's explore some of the important ingredients in a mortgage, trust deed or land contract.

When a home is sold and an owner financed mortgage is used, the seller, who is now also the lender, is called the mortgagee. The buyer, who is now the borrower, is called the mortgagor.

When the home is sold using an owner financed trust deed, the seller is the beneficiary, the buyer is the grantor. There is a third party who acts as the title holder, called the trustee. When a land contract is being used, the terms purchaser and seller are used.

Legal Description Of Your Home

In the contract, the legal description is the detailed description of the parcel of land the seller agrees to sell to the purchaser. The city, village or township of the property is noted, together with the county and state.

Along with the actual "soil" sold, the seller also conveys such things as the house, any buildings, easements, improvements etc. In short, the seller conveys everything that is permanently affixed to the property sold.

Price And Terms Of Payment

Purchase Price:

The purchase price (sometimes referred to as "consideration") is negotiated between the seller and the buyer. Homes sold with owner financing often sell for more than homes that are sold for cash, because the seller provides the all important financing.

Down Payment:

The down payment is usually 10% to 20% of the purchase price. From your stand point as the seller, the bigger the down payment the better. It represents money that does not have to be collected in the uncertain future. It also represents the purchaser's commitment to the home.

Therefore, a home sold with no down payment is quite risky. Because initially, the buyer is no more financially committed to the home than a renter would be.

Similarly, non-cash down payments consisting of (barter items, such as used personal property, cars, applied rent, etc.) also, down payments to be paid over time, or borrowed from friends or parents, are also riskier than those paid in cash, out of the buyer's own pocket.

Balance Remaining:

Initially, this amount is the purchase price minus the down payment. The balance remaining should go down with each monthly payment made by the borrower (home buyer). An amortization schedule shows how the balance will be reduced if each monthly payment is made on time. Amortization schedules can be obtained from banks, real estate offices and title companies for a small fee.

Monthly Payment:

The amount of the monthly payment is determined by the amount of the loan, the interest rate and term of years (5, 10, 15 etc.). The higher the amount of the loan and interest, the higher the payment.

Contracts can also be structured:

Interest only with balloon features, or for long term, such as 30 years with a balloon. This keeps the buyers payments manageable, and ensures the seller will be paid off in the desired time. If you need any assistance in structuring this type of payment plan, please call.

Some people have the monthly payments on their contract serviced by a bank. Be advised, however, that banks do not assist you in the collection of your payments. They merely provide a bookkeeping function. If the borrower (home buyer) gets behind or defaults, this is your problem. If this worries you it may be best to sell the contract and be relieved of the concern.

Payment Due Date:

This is the date when the first payment is due. A "grace period" in some contracts permits the purchaser a few days each month, during which they may fail to make payments and not be considered in default. Also, some contracts provide for a late fee if the payment is not received on time or within the grace period.

Don't let the borrower develop a habit of making payments later than the due date or grace period. Be polite but insist on promptness.

Balloon payment:

A "balloon payment" is the term used for a large, final payment on the contract. Balloon clauses usually call for the final payment to be made in 5, 10, 15 years etc. from the original date. Its a good idea not to set balloon payments one or two years out. Its unrealistic. It creates needless difficulties.

If you intend to keep your contract, and it has a balloon clause, its a good idea to remind the buyer the balloon will be coming due, about twelve months before the due date of the balloon. This gives them time to secure a new loan. If the borrower (home buyer) fails to make a balloon payment, this constitutes a default in the contract.

For suggestions on what to do if the borrower can't make a balloon payment, read section 3 of this manual. We face these situations and there is options for solving the problem.

SECTION 14- Tips For Pricing Your Home:

There are some effective ways to arrive at a fair price. Here are four tips for determining home value and getting top dollar.

Tip one:

Have two or three real estate agents analyze the value of your home. Have the agents compare this with similar homes that have sold recently in your area. The average selling price can determine the value of your home. Most agents offer this service for free because they want listings. Be honest when you approach an agent. Explain that you're thinking about selling your home. You're trying to get a feel for what the market is like at this time. Of course the agent will want to list your home. Advise them you're not ready to do that at the moment. You're just trying to check the value for future plans.

Tip two:

Have an independent appraiser calculate the value of your home. There is a cost involved with this method. Between $175 to over $600 depending on who you use. An appraisal by an independent can be more accurate because they're not competing for a listing.

Tip Three:

Simply go down your street and check out the homes that have sold recently in your neighborhood. Explain to the owners that you're going to sell your house and you're trying to determine the market value. Would they mind telling you the purchase price of their home? Most people will tell you. From time to time you may run into someone who doesn't want to say. If that happens, go to your county court house with the address of homes that sold in your area. Check out what they sold for with the clerks in the land records dept. or tax assessors office. Its all public record. Also, check websites like zillow.com and others for pricing.

Let's say three homes on your street have sold for around $190,000.00. All three homes have three bedrooms, one and half baths, plus a double garage. Let's assume your home has the same features. Its safe to say that your home should sell for $190,000.00.

The truth is you can probably charge four or five thousand more, because you have something that gives your home a big plus. The convenience of owner financing.

If the home needs some repairs like a new roof or carpeting etc., you may have to adjust your price to account for the repairs. However, owner financing will usually bring you top dollar.

Tip Four:

Another way to establish a top dollar price is to advertise for the best reasonable offer. We love this method because it really produces a spirit of competition among home buyers. Here's how it works.

When you start to promote your home don't put a sales price in your ad. What you would say in your ad is something like this:

Owner Will Finance: for best reasonable offer. 4 bedroom 2 bath colonial. Deadline for offers July 8th.

You eager buyers will call on that ad. Notice the ad deadline. The deadline does two things:

1) You get fast sales action.

2) It tells the home buyer they had better move or they'll lose the deal.

Let's say you want to have a committed buyer in two weeks. Simply set your offer deadline in 14 days.

Now, when people ask you how much you want for the house, simply tell them what homes have been selling for in your area. Then remind them what you have stated in the ad. "We will finance for the best reasonable offer."

This is a powerful technique for getting the highest price for your home. Plus, create major competition among buyers. Remember competition produces sales action.

Get as big a down payment as you can from your buyer. The more equity your buyer has in the house, the better the cash value of your contract when you sell it. Avoid all no-money-down buyers. A no down payment sale will wreck the cash value of the contract.

When you have a buyer who is serious and is ready to sign a purchase agreement, its a good idea to get around 5% of the purchase price as earnest money. Your attorney can hold these funds in an escrow account until the sale closes. This 5% commitment on the part of your buyer proves they're really serious. Someone who is not willing to put a substantial cash deposit down is not the type of buyer you want. It makes no sense to take the home off the market if the buyer won't commit financially. Owner financing is hard to come by. Any serious buyer who wants the house will do anything to get it taken off the market.

Interest Rate:

The interest rate on your contract should be close to current market interest rates. There are legal maximums in most states. See your attorney for details.

Monthly Payment:

Its a good idea to develop a payment plan that fits your buyer's monthly budget. Let's say they're paying $1000.00 per month in rent. You're probably safe in assuming they can afford around $1000.00 to $1300.00 a month.

Insurance:

Your buyer must cover the house for fire naming you as the lien holder. Verify this before you turn the house over to them. When you sell the contract, the contract buyer will want to see this policy.

Title Insurance:

When you sell your home and create a contract, you need to receive a title insurance policy covering you as the lien holder. We call this the lender's title policy. If your contract is a first mortgage the lender's title policy covers it as a first mortgage. Again, when selling the contract, the contract buyer will want a lender's title policy covering the contract.

Money Owed On Your Home:

If you still owe on your home, you need to determine if your mortgage needs to be paid off when you sell. Most mortgages have "Due On Sale" clauses. This means it must be paid off when you sell. “Due on Sale” is no problem. Contract buyers will want to pay off any senior mortgages from the proceeds they're paying for your contract. After the senior mortgage is paid off, the remain balance of the money will go to you.

Buyers Credit:

You want to know if the buyer has the ability and the income to pay the debt. Have them disclose where they work and annual income. Get a credit report showing how current they are in paying debts. If the potential buyers credit is not good find another buyer. Remember, you're offering owner financing. There will be plenty of eager buyers waiting in line. A contract buyer can do a credit check. Work out the details with before you sign a purchase agreement with a buyer.

In order to check the buyer's credit, you need to get their social security number. If you're selling to a husband and wife get the S.S. numbers for both individuals. The buyer also needs to give you a written statement that gives you permission to check their credit. You can find credit reporting agencies in the phone book.

If your buyer doesn't want you to check their credit they are probably hiding something. Go on to the next buyer.

Subordination Clause:

If your buyer requests that a subordination clause be put in the contract---DON'T DO IT. A subordination clause gives the buyer the ability to put a new loan on the house. The new loan would take senior position. Your contract would be moved into second. A subordination clause will damage the cash value of your contract. Never agree to one.

Contract Sale Contingency Clause:

You may be wondering what happens if you can't sell the contract. Placing a contingency clause in your purchase agreement or earnest money receipt will protect you. If something comes up that you didn't anticipate, you won't be obligated to close the sale.

You're offering owner financing because you intend to sell the contract for cash. The contingency clause gives you the option of canceling the deal if you can't sell the contract. Its unlikely this will happen if the contract is structured with the right terms, and the home buyers have good credit. But, its a good idea to have the protection this clause can provide. Here is an example on how you might word this clause:

ITS UNDERSTOOD BETWEEN THE BUYER AND THE SELLER, THAT THE SELLER INTENDS TO SELL THE NOTE AND MORTGAGE THAT IS BEING CREATED TO A SECOND PARTY. IN THE EVENT THAT THE SELLER IS UNSUCCESSFUL IN SECURING THE SALE OF THE MORTGAGE AND NOTE, THE SELLER HAS THE RIGHT TO CANCEL THE DEAL BETWEEN THE BUYER AND SELLER, AND THE BUYER'S EARNEST MONEY DEPOSIT WILL BE RETURNED.

This is only an example how you might word this contingency clause.

Remember, you must seek the advice of your attorney for the proper wording.

Here's some guidelines for sellers who decide they want to keep their contract.

You may decide to keep your contract and receive payments for a few months. This can be beneficial to you. The monthly income can be handy. Also, your contract starts to become seasoned. Remember, contract buyers love seasoned contracts. They show a payment history. The home seller comes out with more money when selling a seasoned contract. Section 3 of this manual will teach you more about that.

Here are some things to be aware of when you keep your contract:

Property taxes and insurance:

The home buyer is responsible for paying the property taxes and insurance. Here are three ways to handle the way they're paid:

1. The home buyer pays the property taxes and insurance on their own.
2. The home seller pays property taxes and insurance and adds the amount to the balance of the contract.
3. The home seller has the buyer make monthly contributions to an escrow account. The money is paid to the county tax office and private insurance carrier.

Insurance:

Verify that the home is insured for the full amount owed on the contract. Be sure you're listed as the lien holder on the policy. This way you'll be paid off before anyone else who has claim to the policy. You should also insist on renewal notices to the policy. Always verify the policy is in force. Inform the insurance carrier to notify you if there is a cancellation.

If you discover a cancellation, instantly contact the home buyer. Failure to carry insurance is a violation of the contract.

Property Taxes:

Call the county each year and check to see if the buyer is current with property taxes. Not paying property taxes is a violation of the contract. If you had to foreclose and discovered several thousand dollars taxes owed, you would be upset.

If the taxes and insurance are not current, you have the right to pay them and add the cost to the contract balance.

The home buyer must protect the value of the home. Its the value that keeps the buyer making payments. If the seller ever has to foreclose, the value of the home determines whether the seller can re-sell with no loss.

All contracts should have a clause that prevents the buyer from doing anything that lowers the value of the home. Check with your attorney.

Drive by the house from time to time. See if the buyer is keeping the outside well maintained. If the outside is in good shape, the inside is probably the same.

Default:

Failure to perform any part of the contract constitutes default. After an initial phone call, inform the buyer immediately in writing of the nature of the default. Send it certified mail return receipt requested. If this doesn't produce results turn the whole thing over to your attorney at once. Don't try to cure a default yourself. Find a lawyer experienced in the laws of foreclosure in your state. If you live out of the state hire an attorney close to the home you sold. This saves you the cost of attorney travel expenses.

Failure to enforce any clause in your contract can go against you. Actions always speak the loudest. If you allow payments to be made late, or taxes and insurance to go unpaid, or a balloon payment to slide etc., it can establish a pattern causing the clause to have no binding effect. Make sure you stick to your contract. If you don't you'll find it hard to enforce in court.

Let's conclude this section by giving you some basic steps to follow.

7 Steps to selling your home:

1. Get your home ready to be shown. Talk to a contract buyer about the terms your contract needs to have for the best value.

2. Line up a good real estate attorney that can handle the sale agreement, document preparation and closing. You also want to discuss the laws of disclosure in your state. Many states require sellers to give buyers disclosure statements. Things like a bad roof or a leaky pipe and so forth. Most attorney's should be willing to do everything that's needed for one fee.

3. Start to advertise and promote your home.

4. Pick the best qualified buyer who is ready to put down earnest money.

5. Call the contract buyer. They will start the process of checking the buyers credit, and get everything ready to purchase the contract from you.

6. After the contract buyer has checked everything out, go to your attorney with your buyer. Draw up the agreement of sale. Put the buyer's earnest money deposit in escrow.

7. After your attorney has prepared the contract, have them close the sale with your buyer. A few days later the contract buyer will purchase the contract from you.

Owner financing is the most powerful method for selling a home in record time. It has all the elements for a fast sale. Sellers create eager buyers quickly. Buyers receive the benefits of owner financing. Its a marriage made in heaven. Everybody gets what they want.

We suggest you review the course. Make sure you clearly understand all the information.

Start to get your home ready to be shown. Call a contract buyer and begin planning out the terms of your contract. Discuss your situation and come up with some numbers that make sense for you.

We encourage you to put this information into fast action now. Set a goal to put that magic sign in your front yard that says it all. **SOLD !**

SECTION 15. HOW TO UNDERSTAND A PRIVATELY HELD CONTRACT AND NOTE

You're in possession of this course because you're part of a select group. You're going to offer owner financing and produce a contract and note. You can easily sell this contract for cash.

However, after you read this section you may decide to keep it and receive some payments before selling.

This section is designed to help you understand your contract. The asset value. Plus, how to convert it to cash when and if the need arises.

Throughout this section we'll use the words contract or note as synonyms. They'll both have the same meaning as far as this section goes.

Why should a home seller offer owner financing? Some people almost grit their teeth when its suggested. That's understandable. Everyone wants all cash.

However, offering owner financing can sell a house instantly. The miracle is the contract can immediately be sold for cash.

Its a challenging time when a person decides to sell a house. Sellers frequently face a limited time period to make a sale. Jobs, transfers, debts, moves and changes in our lives, create serious needs. We want fast sales action. Plus, we want all cash.

Sometimes market conditions are not good for getting what we want. Of course, there are interested buyers. They may have funds to make a good down payment. The problem is securing a loan. Buyers have problems getting approval. Its a long, drawn out process. Bank guidelines and ratios are rigid.

However, owner financing guidelines are different. The door is wide open to many buyers who get turned down by banks.

Owner financing is hard to come by. Home buyers realize this. That's why they're eager to buy when a seller offers it.

Its a great feeling to successfully close the sale of your home. Owner financing can make it happen. Its almost like hitting a home run in the World Series, in the bottom of the 9th inning, with the bases loaded, and you're the winning run. When you apply the strategies of this course you'll know how it feels.

You're about to become the owner of a contract and note secured by you home. Lets describe the three basic contracts used to secure payment of money owed on a home.

Trust Deed:

A trust deed means just what it says. The deed to the house is held in trust until the balance is paid off. In addition to the trust deed, a promissory note is signed by the person making payments. The note states all terms required of the buyer in paying off the remaining balance. The note is secured by the trust deed. The trust deed document is secured by your home.

A trust deed document involves three people:

1) The Grantor: the grantor is the home buyer. They make you the monthly payments.

2) The Trustee: The trustee holds deed to the house until the balance is paid. If the trust deed goes into default, the trustee is responsible for foreclosing on the house. The trustee would normally be your attorney.

3) The third person on a trust deed is you.
You're referred to as the beneficiary. The beneficiary is the owner of the trust deed & note. They have all rights to the money
owed secured by the documents.

Mortgage:

A mortgage does the same thing as a trust deed. However, there is no trustee involved. Again, a promissory note is signed stating how the debt on the mortgage will be paid. A mortgage document involves two people:

1) The Mortgagor: this is the person the home was sold to. They will make the specified payments.

2) The Mortgagee: this is the home seller. They own the mortgage and note, and have all rights to the money owed.

Land Sale Contract:

Land sale contracts can go by many titles in different states; real estate contract, property sale agreement, purchase contract or contract for deed. They all mean the same thing. No promissory note is used. All the terms on how the debt is to be paid are in the contract. Title to the house is held by the seller when using these contracts. When the debt is paid off the seller transfers title to the buyer. The buyer only gets title when you use a trust deed or mortgage.

Some home sellers prefer land sale contracts because they can hold title. If they ever had to foreclose the process is easier. Seek the advise of your attorney on this.

As a contract owner you'll need to keep good records. Make an accounting of all the interest you receive each year. An amortization schedule can show you this figure. The monthly payment is broken down. You'll see how much is interest and how much is principle.

The interest information is important for two reasons:

1) You must declare earned interest on you income taxes.

2) You need to provide the total interest figured to your buyer. They can file it with their income taxes.

Have your attorney, bank, or title company run you an amortization schedule.

Keep close track of the day you receive your monthly payment. This record will provide proof when your payments have come in. If you sell your contract in the future, a contract buyer will want to see this proof.

If your payments are collected for you by a bank or escrow company, a record is being made when the payments are received. If you need the information they'll run it off for you.

Some contract owners may not have a collection account. The payment is sent directly to them. Save something that proves you're getting the payments on time. The deposit slip from your bank when you put the check in. It shows the date. Don't wait around one or two days before putting the check in. Deposit it right away. It might be a good idea to have a separate account to make your deposit. The deposit slip will show the same amount as the monthly payment, plus the date. This is excellent proof.

A contract can give you a steady monthly income over several years. However, its a long term commitment. There are times when that commitment can become a little boring. Especially when the need for cash comes up.

Your contract is an asset worth thousands of dollars in one lump sum. You can sell it for cash or borrow against it.

Borrowing Against Your Contract:

Pledging your contract as collateral to borrow money is called hypothecating the loan. Lending institutions will probably loan 75% of the remaining face value. Getting a loan solely on the strength of your contract requires it to have high value. We'll explain the value factors it must have in a few moments.

Your success in obtaining a loan will depend on the strength of you personal finances.

Banks have three main questions in mind. "How am I going to be paid back?" "How am I going to be paid back?" And, "how am I going to be paid back?" In other words approval will be challenging.

You've got to prove you can make the bank payments with the monthly proceeds from your contract.

However, borrowing against the contract can be a plus for you. Let's say the money you borrow from the bank against your contract, requires you to make a monthly payment of $675.00. Let's assume the payment you receive from your contract is $875.00. You see, the contract is paying your loan, plus, there is money left over. Depending on the reasons for borrowing the money, this might be the way to go.

Study out in your mind why you need to borrow the money. Is it worth going into debt over? There are all kinds of reasons for borrowing money. Measure the risk versus the reward from the use of the borrowed funds before you jump.

The best way to raise cash from your contract is to sell it outright. All the obligation, worry and hassles associated with owning the contract are gone. No more concern about late payments, keeping records, or worries about default. The cash will be owned by you, because you're not borrowing against the contract, you're selling it.

There are a number of profitable ways to sell a contract. First, we want to cover the criteria a contract needs to have to give it high value.

Mortgages, trust deeds and real estate contracts are created in different amounts, with their own unique situations. There are no two exactly alike. One contract may be written at 10%. Another at 11%. One contract may be secured by a home. Another by an apartment building. Each situation is different.

Each contract is analyzed on the individual merits.

Contract prices are not arrived at like in the stock market. Its based on what someone is willing to pay for the individual contract and note.

11 factors to Calculate The Value of a Contract or Note:

1. How many years the payments are spread out. Short term contracts are worth more than long term contracts. A ten year note is worth more than a twenty. The faster the money comes in the more it is worth.

2. The interest rate the note is written at will affect value.

3. Down payment on home. 10% to 20% is what contract buyers like to see.

4. Does the note fully amortize or is there a balloon payment? If a contract fully amortizes, it spreads out over 10, 15 or maybe 20 years. A balloon means the contract balance is due before the entire term is up.

5. What position the contract is in? Is it a first or second mortgage etc.?

6. What kind of real estate is the contract secured by? Is it a house, apartment or maybe commercial property? What is the Location? The city, state and part of town it sits in.

7. Property market value versus total loans against it. A $100,000.00 house with a $70,000.00 first mortgage gives the property a 70% loan-to-value ratio. If the contract is secured by a house contract buyers usually are satisfied with a 80% loan-to-value ratio. Of course, the lower the better.

8. Payment history of contract. Are payments being made on time? How many payments have you received so far? Contract buyers pay more for seasoned contracts. You may want to receive some payments before selling. We'll show you how it works in a few moments.

9. Credit history of person making the payments. Are they responsible? Do they pay their bills?

10. Contract buyers pay more for contracts during periods of low interest and low inflation. Most of the time contract buyers borrow money to buy notes. When interest rates are low they can pay more.

11. Does the home buyer live in the house, or is it a rental? Studies show that homes owner occupied are likely to keep up the payments. If its a rental and times get tough, its easy to walk away. People are more attached to their personal residence.

SECTION 16-THE BOTTOM LINE

The most valuable contracts are secured by sound property, healthy down payments, short pay back terms, good loan-to-value ratios, nice payment history, several payments made, owner occupied who is responsible, and you're in a period of low interest and low inflation.

Now you know what gives a contract high cash value. Let's go through some examples that show what its like when you sell your contract. These will be examples of seasoned contracts. Several payments have already been made. Of course, when you sell your home your contract will be brand new. After reviewing these examples you may decide to receive some payments before selling.

EXAMPLE ONE

The contract and note are in first position. The security is a single family house. The
person making the payments lives in the house.

Selling price...............................$100,000.00
Down payment $21,000.00
Remaining balance
amortized 20 yrs...........................$79,000.00
Interest rate..10%
Monthly payment.............................$762.37
48 payments have already been
made totaling................................$36,593.76
Current remaining principal
balance owed on contract.............$72,890.71

There are 16 years worth of payments remaining to be paid on the contract.

The contract buyer decides to buy this contract for $63,500.00 cash.

This is a good price for this contract. The qualifications are perfect. A good down payment was made. Loan-to-value ratio is excellent. Right around the 70% mark. The contract is secured by a house, and its owner occupied.

This contract has a remaining balance of $72,890.71. Why is the contract buyer offering less than what is owed?

Contract buyers are legitimate business people. They want to buy your contract. They'll do everything they can to pay you top dollar. Of course, their business is governed by economic realities. Risk factors have to be carefully considered. When note buyers purchase a contract its not like investing in a CD, or government bond. These instruments pay automatically without any hassles.

Risks Contracts do carry

Some of the risks the contract buyer must consider are:

1) the payment stream. Will it continue to come in on time? Does the person making payments have the ability to keep the payments current?

2) Will the house the contract is secured by be well maintained?

3) Will the market value of the house remain stable? Will the home buyer pay their property taxes when they come due?

4) Will they always keep home damage insurance in force?

5) There's the possibility of default. No one has the ability to guarantee the future. Contracts that go into default are real hassles. Foreclosure is expensive. A contract buyer would rather have a root canal than foreclose.

Those are some of the risks that have to be considered. There has to be some profit potential built in to making it worthwhile for a contract buyer. That's one of the reasons why contract buyers offer less money than is actually owed.

The second reason for the discount is due to money's value over a period of time. This is an economic principal that needs to be clearly understood. A contract is a cash flow spread out over several years. Its not an appreciating asset. Each monthly payment is being paid with deflating dollars.

What do we mean by deflating dollars?

We all understand the realities of inflation. Inflation means a steady increase over time of the costs of goods and services. If the costs of goods and services are going up in the future, and a dollar is gradually losing its purchasing power, the contract buyer has a problem keeping the cash flow even with inflation. They say to themselves, _"what are these monthly payments going to be worth 5, 10, or 15 years from now"?

By discounting the note, the contract buyer has a chance of keeping the cash flow even with inflation. How much discount is required depends how long the contract is spread over time. A 10 year contract won't require the same discount as that of a 20 year contract. The faster the money is paid back the more its worth.

The time value of money is really easy to understand. Consider what inflation has done to the purchasing power of the dollar. How much less were the property taxes on your house 10 or 12 years ago? What did it cost for gasoline 10 years ago? If only we could buy a new car for the same price they sold for 12 years ago.

What did auto insurance cost 10 years ago? Are you paying less for food than you were 10 years ago? How about entertainment and eating out compared to a few years ago? Medical costs have gone out of sight compared to a number of years ago. You see, the list can go on and on.

The point is every day dollars are deflating. They will not buy in the future what they can buy today.

Lets give you a visual example of the time value of money. We want you to picture the two of us sitting at a table. We tell you we want to give you some money. We put a five hundred dollar bill and a thousand dollar bill side-by-side on the table. You can either take the five hundred or the thousand. We would all take the thousand, right?

There's a stipulation if you take the thousand. You have to wait ten years to receive it. Now, which bill do you want? The five hundred of course. Having cash right now in our hand is worth more than waiting. We would say to ourselves, "how much will the thousand be worth ten years from now?" The contract buyer thinks the same thing.

The current face value of a contract could be $60,0000.00. But what will those deflating dollars from the monthly payments be worth in the future? The contract buyer offsets those deflating dollars with a discount. That's what the time value of money is all about.

O.K., you say to yourself, “I understand the reason for a discount. But its still pretty hard to accept the discount when the contract is sold. Can I come out better”? Yes, absolutely. There are several ways to structure the sale to your advantage.

Let's review the contract we went over in example one.

Home sold for..............................$100,000.00
Down payment...............................$21,000.00
Home seller has received 48 payments
of $762.37 for a total of.................$36,593.76
Contract buyer offers to pay..........$63,500.00
Total cash to home seller............$121,093.76

Hey, not bad for a house that sold for $100,000.00. The home seller is doing better because the contract is seasoned. They've received some payments. You may want to consider this before selling your contract.

Let's come up with another offer for this contract, and make it better for the home seller.

When you decide to sell, the best thing you can do for yourself is to tell the contract buyer why you want to sell. This helps them construct an offer that fulfills your needs.

Contract buyers always ask this question. Don't feel intimidated. They're trying to determine how to give you the highest dollar value.
Understanding why you're selling helps the contract buyer achieve this.

People need money for all kinds of good reasons, such as buying a business, sending a child to college, buying a new home, paying debts, or just storing away a lump some of cash. Cash is the most valuable commodity there is. Having as much as you can is a good idea.

Whatever the reasons may be explain them to the contract buyer.
Tell them how much cash it will take to fulfill your need. This information will help the contract buyer work up an offer that's right for you.

Let's make a different offer on example one that makes it better for the home seller. All the figures are the same except the offer in cash from the contract buyer.

Let's assume the seller wants to buy a new house. They need $30,000.00 to close the purchase.

The contract buyer determines the best way to go would be to purchase a part of the contract, rather than the whole thing. An offer of $34,500.00 is made for the next 60 payments.

This more than fulfills the cash need of the seller. When the 60 payments go by, the balance remaining will be $60,892.03. The contract will be returned to the seller. They will again start collecting the payments. Let's see how it looks.

Home seller received down payment..$21,000.00
Seller received 48 payments $762.37 totaling...........................$36,593.76
Contract buyer Purchases next 60 payments for.......................$34,500.00
Total cash to home seller so far..$92,093.76

After 60 payments contract is returned to home seller with balance of.......$60,892.03 Home seller starts to receive payments.

When you add the total cash to the seller, plus, the remaining balance after 60 payments, it totals $152,985.79. And don't forget the interest they'll earn on the remaining balance.

Selling a part of a contract can be a very profitable way to go.

Let's look at another way the seller could do better. Again, we're dealing with the same contract we started with. The seller indicates they want to raise a lump sum of cash from the contract. However, they also want to receive part of the remaining monthly payments. It would place a hardship on them to completely lose the monthly income. Can this be done? It sure can.

The contract buyer offers $32,500.00 for the right to receive half of the monthly payment for the life of the contract. The monthly payment is $762.37. Half is $381.19. Let's see how this offer looks.

Down payment to sellers................$21,000.00
Seller received 48 payments
totaling...$36,593.76
Contract buyer offers to buy half of each remaining monthly payment
for......$32,500.00
Total cash to seller.........................$90,093.76

Seller continues to receive half ($381.19) of the remaining 192 payments
totaling..... $73,188.48

Everything added up totals $163,282.24.

Remember, the house sold for $100,000.00. A nice deal for the seller.

Could this same type of offer work where the contract buyer bought 60 payments only? Yes. The contract buyer decides how many half payments they want, then makes you a cash offer for them.

Let's assume this contract has a balloon payment due in the 10th year. The contract buyer could purchase the remaining payments only. The seller could keep the balloon for themselves. The contract buyer could also offer to buy half of the remaining payments. Again, the seller could keep the balloon and continue to receive half the payment for the life of the contract.

What about a contract that is a second mortgage? The cash value of a second mortgage is determined by the same qualifications that determine value of any contract. Was there a good down payment? How many payments have been made so far? Is the real estate a house that's o wner occupied? How large a dollar figure remains on the first mortgage?

This is very important. Is the loan-to-value ratio good?

Here's what a good second mortgage looks like:

Home sells for..............................$100,000.00
Down payment...............................$22,000.00
Money owed on home sellers
first mortgage................................$48,000.00
Home seller creates a second
mortgage for..................................$30,000.00

7 year pay back at 9%
--monthly payment............................$482.67

The loan-to-value on this home is 78%. This second mortgage can easily be sold.

Lets show you a second mortgage contract that would be hard to sell.

Home sells for..............................$100,000.00
Down payment................................$5,000.00
Money owed on home sellers
first mortgage................................$87,000.00
Home seller creates a second
mortgage for...................................$8,000.00
7 year pay back at 9%
monthly payment………...................……$128.71

There are two problems with this deal. The loan-to-value on the home is 95%. Way too high. The remaining balance on the first mortgage is huge $87,000.00. If the contract buyer had to foreclose, they would have to satisfy the first mortgage. This makes no financial sense.

There is to little money invested in this second mortgage.

Remember, loan-to-value, and the remaining balance on the first mortgage, determine the cash value of a second mortgage.

These are just a few examples how a home seller can convert the contract to cash. Remember, no two contracts are exactly alike. Go over your situation carefully with the contract buyer. Work up a plan that makes sense for you.

When you and the contract buyer agree on a price, they will instruct you on what they need to close the deal. The contract buyer will pay for all c closing costs associated with the sale of your contract. The transaction will close at your attorney's office, or a title company.

Lets make some comments on what to do if your contract goes into default. No one wants this to happen. The truth is there's no way to predict the future. The person paying you can get laid off from work. Or, a serious personal problem can develop. Financial reversals can happen anytime.

If your home buyer stops making you payments, We would recommend the following ideas:

1. See your attorney immediately for guidance.

2. Go look the house over on the outside. Is the lawn mowed? Is the house well maintained on the outside? People who keep their house maintained on the outside normally do the same inside.

If this is the case, our opinion is you're dealing with a responsible person.

Under the guidance of your attorney, talk with the people that owe you. See what can be worked out. Maybe you could have them pay interest only until they get on their feet. Maybe they have a pending sale of the home.

With the approval of your attorney, postpone legal action giving them the chance to close the sale. This will instantly pay you off.

Perhaps restructuring the contract might solve the problem. Whenever you restructure we feel you're entitled to an additional benefit. Perhaps some additional collateral; stocks, bonds, trust funds or other property etc. Perhaps an additional signer on the contract. Of course, your personal financial obligations and needs determine what you can and cannot do.

Here's an experience that shows how something can be worked out. A home seller called with a problem on a balloon payment. The person paying on their contract couldn't secure the money to pay it off. We asked the home seller how the buyer had been paying so far? The buyer had been making monthly payments on time for the last six years. We suggested they extend the balloon for a period of time. Don't foreclose. You have a responsible person paying you on this contract.

The problem was the home seller was counting on receiving the balloon for business reasons. We suggested they drop the balloon, and turn the remaining balance into monthly payments that spread out over 7 years. A contract buyer will easily buy this remaining payment stream. The home seller did this and got their cash. The buyer was delighted. Everything worked out. All parties involved got what they needed.

Naturally, every case is different. But this shows how there can be some alternatives to foreclosure. Many times a contract buyer can solve a balloon payment problem, if the buyer has been making regular monthly payments.

If no arrangement can be made with your buyer you'll have to start to foreclosure. Have your attorney quickly start the process.

The cost of foreclosure can be saved by having your buyer deed you back the house. Many buyers would be willing to do this. It saves their credit rating. See your attorney about it.

There are contract buyers who purchase contracts in default. They're very rare as you can well imagine. The value of a contract in default will be based solely on the house securing it. The discount can be substantial.

We hope you have benefited and gained new knowledge from this section. Call 916-416-6640 if you have additional questions. If you want to sell your contract we can help you find the best buyer.

If you're going to sell other real estate using owner financing, call and get some suggestions on the terms to put in the contract. These suggestions can give your contract high cash value should you want to sell.

The contract, secured by your house, is worth thousands of dollars in a lump sum of cash. It doesn't matter if it's new, or one that's had some payments made. Each one has it's own characteristics that gives it cash value. Based on your needs, a contract buyer can tailor unique purchase plans that put you in a winning financial position

You have been pointed in the right direction. You may have a lot of your own ideas and learning experiences as you go. I hope they are as profitable to you as they have been for many others...! Feel Free to call or email me if you have any questions.

MAY YOUR NEXT PURCHASE AND SALE BE A GOOD ONE!

MUCH SUCCESS,

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SECTION 17- EBOOKS AND WEBSITES:

If your interested in buy and selling cars check out:

http://motorcarprofits.com

Other money making ebooks and websites

http://moneyworkingathome.com

http://thecashedge.com

http://auctioncashsecrets.com

http://youthtec.org