

## Big Dollars are in Pre-Foreclosures

Buying foreclosures is always a hot real estate investing topic. Yes, you can find some really great deals at the auction. But do you want to know where to find the *best* foreclosure deals? Buy the property **BEFORE** it gets to the foreclosure auction. These are called pre-foreclosure deals.

What makes pre-foreclosure deals so attractive? Options, options, options.

When you buy a property at the foreclosure auction, there is only one way to buy the property. You must be the high bidder *and* pay **CASH** for the property. Not a lot of options there. Plus, you need to have some mighty deep pockets or some serious borrowing sources.

Not having the money to pay cash for a property keeps most would be real estate investors away from the foreclosure auction.

One other thought, a lot of folks who buy foreclosure properties do so sight unseen. Can you imagine giving someone \$100,000 of your hard earned money without every seeing the inside of the house? The crazy part is this is done all of the time!

If you don't have the funds to pay cash for a house, or buying a property sight unseen doesn't appeal to you, not to worry, you are not out of the foreclosure market yet. There are still wonderful opportunities to be had. Many of the opportunities are even better than what can be bought at the auction.

What is a pre-foreclosure deal? It's when a house is in foreclosure and is due to be sold at the following month's auction. You negotiate with the homeowner and buy his property **BEFORE** the foreclosure auction.

What type of options does an investor have when buying a property pre-foreclosure? Price, terms, time, financing, planning, to name but a few.

Real estate investors buy properties from motivated sellers. Some of the most motivated sellers on the planet are people who, in less than three weeks, are about to lose their homes and all of their equity.

Let's look at two deals we did recently. You decide which deal was better.

**Deal #1:** A house was in foreclosure. We tried unsuccessfully to negotiate with the property owner. The property had a CARV (conservative after repaired value) of \$95,000. We bought this property at the auction for \$42,000 cash. Unfortunately, because the homeowner lost his house to foreclosure, he ended up losing all of his equity.

We estimated the rehab would cost \$15,000. We were just a little bit off. Once we saw inside the house, we were amazed by the amount of damage we discovered. The rehab was more than **\$40,000!** Ouch is right.

After a month of hard work, we picked up \$13,000 in equity.

**Deal #2:** A house was in foreclosure. The owner decided to sell his house to us. Our purchase price was \$81,000, plus we paid the seller \$10,000. The house had a CARV (conservative after repaired value) of \$120,000. We estimated the property needed an \$8,000 rehab. The house just needed paint, carpet, and a little fix-up work.

Before the closing, we had the house inspected by Gary Lewis, and received a contractor's estimate from Charles Lovingood. We also had the house appraised by Bart Howell. We knew exactly what we were buying. No ouches this time.

We bought the property subject to the seller's mortgage. In other words, we bought the house but didn't get an expensive new mortgage in our names. Instead, we agreed to make the seller's mortgage payments on the seller's mortgage for the seller. This is a type of owner-financing deal.

We borrowed \$18,000 from a private money lender at 8% interest. \$10,000 was paid to the seller, and \$8,000 was paid for the rehab.

With this deal we picked up \$20,000 in equity.

Deal #1 was bought sight unseen at the foreclosure auction for all cash. Deal #2 was bought pre-foreclosure after a thorough inspection using owner financing and a private money lender. Which deal would you have rather done?

Why not take time to learn more about the pre-foreclosure market?

If you want to learn more about real estate investing, or would like a ***FREE*** copy of our 28 page monthly newsletter, or would like information about our 1,400 member real estate investors group that meets monthly at the Holiday Inn in Cartersville, then please visit our website at **[www.REIoutpost.com](http://www.REIoutpost.com)**.