<u>Advanced Buying Techniques (Part 2)</u>

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This is our second in a series of three articles that deal with advance buying techniques. These advanced techniques are commonly used by experienced real estate investors to acquire property. Last week we covered Sandwich Lease Options. Today, let's continue our discussion and look at Subject To deals and Short Sales.

Subject To Deals

Have you ever watched the Carlton Sheets infomercial? Do you remember Carlton saying that you can buy a house with no money down no matter how bad your credit? Did that peak your interest? Bet you thought it was a lot of bull. Guess what, he's right! The technique is called a Subject To deal.

What is a Subject To deal? This is some advanced stuff, so hang with me, OK?

This is a deal where the property is bought "Subject To" the mortgage. Put another way, an investor buys a property but the mortgage remains in the <u>*seller's*</u> name.

Generally, when someone buys a property, they borrow money - usually from a bank or mortgage company - to make the purchase. This borrowed money is called a mortgage. Two of the many documents signed at closing are the Warranty Deed and the Security Deed. The Warranty Deed tells the world who owns the property. The Security Deed binds the Note (mortgage) to the property. In other words, the mortgage is *secured* by the property. Thus the term "*Security* Deed".

With a Subject To deal, the buyer - usually an investor - does not get a new mortgage. Nor is the seller's mortgage being *assumed*. The investor is simply agreeing to make the *seller's* mortgage payments.

How does an investor use the Subject To technique to buy property? If a seller is motivated - in other words he needed to sell his property three weeks ago - a Subject To deal is often the best way to go. It allows an investor to quickly - often in less than ten days - buy the property. In addition, because the investor is not getting a new mortgage, closing costs are often cut from $3,500 down to about $800. That's a huge savings!

Our thoughts? This is about our favorite way to buy a property. It is simple, fast, economical, and effective. But it is not without risks!!! *Please repeat the last sentence at least three times!* With a Subject To deal there are risks for the investor as well as the seller. Before you try to do a Subject To deal, make sure you are aware of these risks.

Short Sales

What is a Short Sale? It is when a mortgage company agrees to accept less than what is owed on the mortgage as payment in full.

How does an investor use the Short Sale technique to buy a property? Investors get many calls from people who are behind on their mortgage payments and must quickly sell their property in order to avoid foreclosure. The problem is, often the seller owes what the house is worth. Because of this lack of equity, most will agree that this isn't a deal.

This is when an investor turns to a Short Sale. For example, let's say the seller's home is worth $100,000. He owes $95,000 and is $2,800 behind on his mortgage payments. The investor, with the seller's permission, contacts the seller's mortgage company and gets them to accept $70,000 as payoff for the mortgage. Most folks don't realize that Short Sales happen every day.

Our thoughts? We love Short Sales. They are quickly becoming the largest part of our REI business. But you should know that a successful Short Sale is complicated, tough, and requires many phone calls to complete. You must also be a good negotiator. Oh, one other thing, having a hearing problem helps tremendously. Kim, wen talking to mortgage companies, never seems to be able to *hear* the word "No!"

Stay tuned for part three of this series.