

### **Subject To Deals (Part 3)**

In parts one and two of this three part series, we discussed what a Subject To deal is, as well as the risks and benefits of Subject To deals. If you missed these columns, you will find them on our website at REIoutpost.com. When you go to our website, click on articles, and then click on Subject To deals.

Today let's look at how a Subject To deal is negotiated.

A question we are always asked is who on earth would ever agree to sell his property but leave the mortgage in his name? Simple answer: Someone who had to sell his house yesterday. Let's look at the following real world Subject To deal.

On February 18, a single twenty-six year old man bought a house at 222 Station Lane in Kennesaw, Georgia. The seller bought the house because his employer told him he would be living in Georgia for at least five years and that he need to buy a house.

About five months later on July 23, without a word of warning, the employer decided to transfer the homeowner to Los Angeles, California. He was told he must report to his new office no later than August 15.

This meant the homeowner had just twenty-four days to sell his house, get all of his belongs packed and loaded into a moving truck, drive across the country, and report to his new office. Because he was single he had to do this by himself.

The homeowner didn't know what to do. He was desperate. He had just days to get his house on the market, under contract, and sold. He didn't have time to fly back and forth between Atlanta and Los Angeles. He wanted his house sold yesterday. He was a motivated seller.

The homeowner immediately put a "desperate, must sell" ad in the Cherokee County paper.

A local real estate investor saw the homeowner's ad, called, and set up an appointment to see the house.

After looking at the house and realizing the seller needed to sell yesterday, the investor made the seller the following offer: The investor could close on the property in seven days. He would buy the house for what the seller owed. The seller had to pay all closing costs. And here is the key: In order to close on the house in seven days, the seller had to agree to a Subject To deal.

This meant that at closing, even though the property would go into the investor's name, the seller's mortgage would not be paid off. Instead, the investor was agreeing to make the seller's mortgage payments on the seller's mortgage for the seller.

At first the seller was apprehensive about this deal. He had a million questions. The investor gladly answered each one.

In the end the seller agreed to the deal because he felt the investor was honorable and would make the mortgage payments on time as promised. The date was July 30.

On August 7, the investor bought the seller's property. On August 10, the movers loaded all of the seller's belonging onto a big moving truck. On August 11, the seller started his drive to Los Angeles. On August 15, the seller began working in his new office in Los Angeles.

Do you see how this was a win-win deal for both the buyer and the seller? The buyer got a great deal on a property and didn't have to get a new mortgage. The seller got his house sold in days and was able to report to his new office on time.

Ready for the kicker? I was not the investor who did this deal. Rather, I was the seller! That's right, in 1987 I sold my house in Kennesaw, Georgia "subject to" my mortgage. Why? Because I had to sell my house yesterday, and this was the only way I could achieve this goal. Did I think I got a great deal? Did the investor think he got a great deal? Yes and yes. Don't be afraid of Subject To deals.

Hope this series of columns makes you want to learn more about Subject To deals.

If you want to learn more about real estate investing, or would like to be mailed a **FREE** copy of our 16 page monthly real estate investing newspaper, or would like information about our 1,500 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)**.