

Show Me The Money! (Part 2)

In late week's column we gave an overview of seventeen creative ways to finance your next REI (real estate investing) deal. This week and next, we'll give you a brief description of each method.

Yes, I know this is pretty dry stuff, but remember, one of the questions we are asked most often is, "Where do I get the money to do a deal?" We hope this series of columns helps you realize that you don't need personal money to be a real estate investor. If you find a solid deal (*sixty cents on the dollar*), the money will find you.

CASH: Though it is not the least bit creative, the strongest way to buy real estate is to make an all cash offer. If a seller says, "I'm asking \$115,000," then you ask, "\$115,000? If I pay cash for your house and close in seven days, what is your all cash asking price?" It is amazing how much a seller's asking price can drop in about ten seconds.

FIXED RATE MORTGAGE: A thirty year fixed rate mortgage is the market standard. While these mortgages are great for one's personal residence or for long term hold rental property, they aren't so great for quick-turn (flip) property.

INTEREST ONLY MORTGAGE: With this type of mortgage, the borrower is making interest only payments each month. This means that if you borrow \$100,000, after making monthly payments for ten years, you will still owe the lender \$100,000. None of the principle has been paid down.

HELOC (home equity line of credit): This is a flexible mortgage against your personal residence. The lender lets you borrow up to a certain amount by simply writing a check. If you borrow any money, you must make monthly mortgage payments to the lender. If you repay the HELOC, there are no payments to make until the next time you borrow money. HELOCs are a great tool that let you put your home's equity to work. Just remember, if you don't repay the lender, your lender can foreclose on your personal residence.

RHELOC (rental home equity line of credit): OK, I made this name up. A RHELOC works exactly like a HELOC, but instead of it being a loan against your personal residence, it is against one of your rental homes.

OWNER FINANCING: This is when a seller agrees to lend you all or part of the money to buy his property. Now we are starting to get a bit creative.

Example: A seller owns her house outright. She decides to move to Florida. Instead of you borrowing from a mortgage company, the seller agrees to loan you the money. In other words, you won't be making mortgage payments to the mortgage company; instead you'll be making mortgage payments to the seller. This is still a mortgage, and the house you are buying is still used as collateral, but often you can get better terms, plus there's rarely a credit check.

PARTNERSHIP: This is very popular among real estate investors. On one side you have people who have great credit and a good bit of money, but very little time. On the other side you have people who have a lot of time, but little money and maybe weak credit. By combining forces, the two sides can become a real estate investing team. One person goes out and finds the deals, handles the rehab, and sells the property. The other person has the money with which to buy the property and pay for the rehab. When the property sells, the partners divide the proceeds according to a pre-determined agreement.

SUBJECT TO DEAL: This is our favorite way to buy real estate. We covered this technique in last week's column.

CROSS COLLATERALIZATION: This is very similar to a HELOC and RHELOC. The lender uses an investor's property – other than the property being bought – as collateral for the loan. This “other property” can be real and/or personal property.

Next week we'll cover the final eight ways you can finance your next REI deal.

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**