

Show Me The Money! (Part 3)

Finally, we get to the third and final column in this series. We have been looking at the seventeen creative ways to finance your next REI (real estate investing) deal.

The point of this series is to show you that when doing an REI deal, you do not and should not use your own personal money. There are many places to find the money with which to do a deal.

Let's finish up:

BANK LINE OF CREDIT: It is a line of credit established at a bank, usually a small local bank. When you need money to buy a property, you borrow the money from this line of credit. Usually the property you are buying is used as the collateral for the loan.

PRIVATE MONEY LOAN: This is our favorite source of money when we need to borrow money to buy and/or rehab a property. The loan comes from someone you know, not a bank or credit union. Normally, the private money lender charges us between 7 and 10% interest. There are no lender closing costs, and the only paperwork is a Note and a Security Deed. To protect the lender, a Security Deed is recorded against the property.

HARD MONEY LOAN: Anyone with a pulse rate can get a HML. Usually, the lender is an investor. He will know your deal better than you know your deal. As long as you can buy and rehab your target property for less than seventy-cents-on-the-dollar, you can get a HML.

The downside is these types of loans are expensive. An investor can expect to pay five points plus 15% interest on a four to six month loan. Still, if a HML allows you to buy a property and earn \$15,000, the expense is worth every dime.

DELAYED PAYMENT TO THE SELLER: Instead of paying the seller all of his equity at the time you buy his property, the seller agrees to accept a Note for what he is owed. The Note is to be paid at a later date. This can greatly reduce your out-of-pocket costs when buying a property.

EQUITY SPLIT: This is when a seller agrees to split the equity in his property with you when his property is sold.

Example: You find a house worth \$100,000. The seller owes his mortgage company \$50,000. The seller is about to lose his house to foreclosure. He calls you. The seller agrees to sell you his house subject to his mortgage (a Subject To deal) if you will agree to catch up his arrears and stop his foreclosure. After rehabbing the property, it will be sold. The seller agrees to split his equity (equity split deal) with you fifty-fifty.

USING SOMEONE ELSE'S GOOD CREDIT: You find a house you can buy at sixty cents on the dollar. Problem is, for whatever reason, you can't get a mortgage in your name. Instead, a friend or family member gets the mortgage in his name. You agree to make the mortgage payments. How much you agree to pay this person for getting the loan in his name is negotiated between the two of you.

OPTIONING A SELLER'S PROPERTY: Instead of buying the seller's property, you buy an option to purchase the seller's property. In other words, you have a legal right to buy the seller's property at the pre-agreed to price and terms. Next, you find someone who wants to buy the property at the seller's pre-agreed price and terms and you sell him your option agreement. No risk, big reward.

BIRDDOG DEAL: We love birddog deals. We think this is the best way to learn about real estate investing. Basically, you find a motivated seller, put the property under contract, and then sell the contract to another investor. The investor buys the seller's property and pays you a pre-agreed to birddog fee. No risk, big reward.

OK, these are the seventeen ways Kim and I have used to creatively finance our real estate investing deals. Hope this helps you to realize that there are many ways to finance your REI deals. Finding the money to do a deal is the easy part. Finding a property that you can buy for fifty cents on the dollar is what takes all the work.

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**