

Show Me The Money! (Part 1)

When we first became real estate investors, we were told one thing that bothered the tar out of us. (Let me interpret for our Yankee friends out there like Gail Walker: “Tally-ho, we were highly agitated with thou’s statement. I say, would you prefer crumpets or scones with your tea?”)

Here is what we were told: “You don’t need any money to buy investment real estate. Just find a great deal and the money will find you.”

This is easy for an experienced investor to say, but we were new and didn’t have much money. We wanted to tell these investors to take a flying leap.

But you know what? Turns out they were right. Over the years, we have learned that finding the money with which to do deals is easy. Finding solid deals worth doing, now there is the hard part of the equation.

Bet I can guess the question you are thinking. It probably goes something like this, “OK, Mr. Wise Acre, if I find a great deal, where do I get the money with which to do the deal?”

This is your lucky day. I’m feeling extra long winded, but then when am I not? So this is part one of a three part series that discusses seventeen ways you can finance your next real estate investing deal.

What are the seventeen ways you can finance your next deal? Cash, fixed rate mortgage, interest only mortgage, home equity line of credit (HELOC), rental home equity line of credit (RHELOC), owner financing, partnership, Subject To deal, bank line of credit, private money loan, hard money loan, delayed payment to the seller, equity split, cross collateralization, using someone else’s good credit, birddog deal, and optioning a seller’s property.

Most folks are familiar with fixed rate mortgages and HELOCs, but jaws are hitting the ground because of the rest of the list. Bet more than one banker and a lot of mortgage brokers are also scratching their heads in wonderment.

Here’s the kicker, rarely do we use fixed rate mortgages to buy investment real estate. Why not? They take too long to get and can be expensive. In most cases, we only have a few days in which to buy a property. We don’t have the luxury of waiting twenty, thirty, or forty days for mortgage approval.

What is our favorite way to buy investment real estate? Without a doubt, buying property subject to the seller’s mortgage (called a Subject To deal) is our favorite way.

What is a Subject To deal? It is when you buy a property, but the mortgage remains in the seller’s name. In other words, we own the property, it is in our names, but the seller’s mortgage is not paid off at the closing. Instead, we agree to make the seller’s mortgage payments on the seller’s mortgage for the seller.

Don't confuse a Subject To deal with a loan assumption deal. These are very different animals.

You are probably wondering whether this is legal. Yep, it's legal and Subject To deals are done every day.

Are there risks associated with Subject To deals? Yes, for both the buyer and the seller.

Seller's risks: Remember, the mortgage is still in the seller's name. If the buyer doesn't make the seller's mortgage payments like he promised, then the seller's credit is hurt, not the buyers.

Buyer's risk: After doing a Subject To deal, the seller's mortgage company has the right to call the seller's mortgage due. This doesn't mean the seller's mortgage will be called due, it just means that it can be called due.

In eleven years, I have only met one person who has had the seller's mortgage company call a loan due. For us, the incredible rewards are worth this small risk.

Next week we'll begin giving a brief description for each of the 17 ways a real estate investing deal can be financed.

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**.