HOW TO SELL YOUR HOME FAST IN GOOD OR BAD MARKETS

Introducing the New and Easy Sell-It-Yourself Sales Method That Attracts Eager Home Buyers Like A Steel Magnet

An expert shows you how to achieve a sale in record time...a method that works

nationwide

How to Sell Your Home Fast In Good or Bad Markets

SECTION ONE

HOW TO
SELL
YOUR HOME
FAST

HOW TO SELL YOUR HOME FAST

Congratulations on your participation in this revolutionary program. This course will teach you the proven, and probably the most powerful, strategy for selling your home fast. Plus, you can sell it on your own using no agent. This strategy will give you the tools you need to produce an ALL CASH sale. Or you can use it to get a gigantic lump sum of cash at closing. If you're a real estate agent, then you can apply all of the methods in selling your current listings quickly.

I hope you're excited as you begin to discover this phenomenal way of selling your home that gets sales action in record time. You're about to be introduced to a real estate sales technique that is overlooked far too often by a home seller. This technique will dramatically increase the number of eager buyers for your home. Even in generally soft economies and slow housing markets, it is responsible for getting more homes sold faster than any method used today.

Your phone will be ringing with a lot of interested buyers. The process is simple. You pick the best buyer from all of the calls received, close the sale, and collect your cash. All that you do is apply the proven methods that you learn from this course.

What do you feel is the best way to sell your home? Perhaps have an open house or improve the looks inside and out. Advertise the special features of your home such as the number of bedrooms and bathrooms, a big back yard with a deck, pool, double garage, and so forth. Maybe the best way to sell your home is the selling price. Does it compare to others that have sold in your neighborhood? Or your price might be a little less than other homes. How about cinnamon rolls baking in the oven when you show the home? That aroma certainly gives the home a nice touch. I could go on with more sales suggestions. However, I think you get the idea.

These sales methods have their good points. But most home sellers overlook the most powerful method for selling a home

quickly. I am going to give you the method right now. I call it the "Secret Sales Weapon". It produces a buyer instantly. The strategy consists of three magic words:

"OWNER WILL FINANCE"

Imagine going through the classified section of the paper. You see several homes for sale ads. Most of these ads stress the unique features of each home. All of a sudden you come across an ad that says the following:

"OWNER WILL FINANCE -- FOUR BEDROOM TWO BATH COLONIAL. JEFFERSON PARK".

I can promise that this will be the first ad you call. In fact, that ad will be called by more buyers than any other ad. The reason is very simple. The words "Will Finance" send a motivating sales message to every home buyer. The buyer says, "this house can be bought fairly easily. There won't be a lot of red tape".

Think about it. Home sellers wanting all cash eliminate a huge percentage of buyers. Cash buyers are hard to come by. All cash requires most buyers to qualify for a loan. Bank loans are time consuming. They require home buyers to meet a lot of rigid guidelines.

All cash actually blocks people from buying your house. Those stiff bank qualifications create a sales barrier. I feel that most buyers may have reasonable credit and decent incomes. But the stiff bank requirements stop a lot of buyers. However, when you eliminate some of the stiff requirements, the financial obligation of paying for the home is really no problem for a large number of these buyers. You and I should be selling to these people. Yet the banks are the barrier standing in the way. Owner financing blasts away this barrier.

Let's review what I have told you so far. The fastest way to sell your home is to offer owner financing. This means you sell your home ON CONTRACT. Your buyer puts down 10 to 20 percent in cash. They sign a

contract that obligates them to pay you the remaining balance over a period of years such as five, ten, or maybe fifteen years.

I know what you're thinking at this point. You are saying to yourself, “you told me that you have a method for selling my home fast where I can receive all cash. If I offer owner financing, then how will I get all cash?"

I will answer that question by describing the following example. Let's say someone has a home they want to sell. The house is placed for sale with an all cash price. There is some response from buyers. But most of them are having trouble securing financing. Weeks and months go by without a sale. The home seller starts to feel depressed.

One day the home seller receives a phone call. The person introduces themselves as a contract buyer. The contract buyer purchases real estate contracts and mortgages for cash. The contract buyer says, "your home will sell fast if you offer owner financing.” The contract buyer tells the home seller, "if you will structure the

contract with the right terms, then I will buy the contract from you for <u>CASH</u> a few days after the sale."

This is how simple it can be to sell your home quickly and get all cash. You offer to sell your home on contract. Select the best home buyer and close your sale. A few days later you simply take your contract and sell it for <u>CASH</u> to a contract buyer.

Owner financing will instantly multiply the number of eager buyers for your home. It gives you the ability to sell fast because you're offering terms rather than cash.

If you're in a financial position where you don't need all cash, then a contract can be a great investment. Home sellers usually want to invest the money they receive from their home sale. My reply is, "why not invest in something you already know about?" In this case I am referring to your own home. In addition, you can defer paying taxes on the gain and get a better interest rate than banks pay. You get a nice income secured by your home. You understand it. You know the

value. If you need to raise cash in the future, then you can always sell the contract.

The home buyer benefits by getting terms that are favorable. They have cut out the hassles of bank red tape. They also have saved the cost of paying points and loan origination fees.

There are so many ways people can benefit from owner financing. Home sellers can sell a house quickly on their own. Real estate agents can sell listings faster. Owner financing solves problems for home owners that don't qualify for bank loans. The zoning may not be right or an easement or access problem might exist.

For example, a home seller has a house for sale located on a street not paved. The bank will not loan on that house because of the unpaved street. The sellers could offer owner financing and a good chance exists that the house will sell immediately. When the sale closes, the sellers could instantly sell their contract for cash.

Developers and contractors can use owner financing to sell property fast. Raising cash is no problem. Just sell the contracts.

Owner financing can solve problems with couples involved in divorce who need to sell a home. When the home sells, the contract can be sold for cash. The proceeds can then be divided between the couple. This is something that can be useful to attorneys who handle divorces. It can also work for people dissolving partnerships.

The bottom line is that owner financing solves more problems and gets homes sold faster than other techniques I use. I will cover more strategies for selling fast in section two of this manual.

I have explained the benefits and told you how it works. Let's talk about making contact with a contract buyer with the idea of selling a NEWLY CREATED contract from the sale of your home.

The contract buyer will want several pieces of information from you. They will suggest the terms you should put in your contract that gives it the highest cash value when selling it. They can suggest the amount of down payment you should try to get from your buyer, how many years the contract should be written for, and the right interest rate you should charge.

The contract buyer also will ask you about your cash needs from the sale. This is something you shouldn't be afraid of. They're not trying to pry into your personal affairs. Rather, the contract buyer's goal is to construct an offer to fulfill your cash needs. Depending on your cash needs, times might exist when it is best to sell A PART OF your contract rather than the whole note. This method could give you a gigantic lump sum of cash when the sale closes. I will explain how selling a part of your contract works in a few moments.

So, disclose all of the information you can with the contract buyer. Explore all of your options with him / her. He / she will assist

you in constructing a plan that lets you win from your home sale. Your goal is to create a contract that has a high cash value that you can easily sell.

Let's show you what a high cash value contract should look like. I will call this example one: THE QUALITY CONTRACT.

Let's pretend that you have a home you're going to sell for market value of $100,000.00. Let's say you find a good buyer who can afford a down payment of $20,000.00. The buyer is going to have a 20% equity position at the very beginning. A contract buyer likes to see that. The more equity your buyer has at the start, the better for you when you sell the contract. Let's assume the interest rate you charge on this contract is 10%. Now, market rates could be lower or higher at the time you're reading this manual. The 10% rate is only an example. The remaining balance of $80,000.00 is amortized over 15 years. This means that the buyer will be making monthly payments for 15 years of $859.68. Here's what the contract looks like:

Sales price of the house...............$100,000.00
Down payment..............................$ 20,000.00
Remaining balance amortized
over 15 years $ 80,000.00
Interest rate...10%
Monthly payment.................................$859.68

This represents a good quality contract. The home is selling for market value. The buyer is making a good down payment giving him or her decent equity at the start. The contract has a reasonable pay back term of 15 years.

Let’s show you a contract that would be low in quality. I will call this example two.

Let’s say we're going to sell the house again for $100.000.00. This time the buyers ONLY can afford a $5,000.00 down payment. The contract will be amortized for 30 years with an interest rate of 10% and a monthly payment of $833.69. Here is what it looks like:

Sales price of the house………… $100,000.00
Down payment............................. $ 5,000.00

Remaining balance amortized
over 30 years................................ $ 95,000.00
Interest rate..10%
Monthly payment...............................$833.69

This contract is low in quality because the buyer does not have a lot of cash for a down payment. The 30-year pay back term is very long.

When comparing these two examples, you want to remember that contracts with shorter pay back terms and good down payments always give you the highest cash values.

Another way to measure the cash value of a contract is to calculate the loan-to-value on the home. You do this by adding the total loans on the home. Then you compare that figure to the price or cash value of the home. In the first example of the quality contract, the loan amount is $80,000.00. The selling price is $100,000.00. That gives the home an 80% loan-to-value ratio. A contract buyer would be comfortable with that ratio.

The low-quality contract has a 95% loan-to-value ratio which is much too high.

However, there is a way to make this low-quality contract a workable deal. I will show you how that works in a few moments.

Loan-to-value is very important to you. Do your best to create a contract that has the right ratio.

If you're selling other property like apartments or commercial real estate, then a contract buyer would want the following ratios: Multi-family units and apartments need to keep loan-to-value at about 65% maximum. It can go lower but 65% is acceptable to a contract buyer. If you're selling commercial property, then your loan-to-value should be around 60%. For vacant land or lots, loan-to-value should be no more than 50%.

O.K., you've seen what a quality contract looks like. You now have a working knowledge of loan-to-value. It is time to answer the major question you have at this

point. That is, how much money would the home seller receive if he or she sold these two contracts?

Let's review the first example of the quality contract. The home is selling for $100,000.00. The buyer is putting down $20,000.00. The balance of $80,000.00 is paid over 15 years at 10%. Monthly payment will be $859.68. How much will the contract buyer pay the home seller for this contract? As far as this deal goes, I would say around $72,000.00. When you add the down payment of $20,000.00 plus $72,000.00 from the contract buyer, the home seller ends up with $92,000.00 cash. That's $92,000.00 they won't have to wait 15 years to get.

Your questions regarding the discount will be answered in section three of this manual -- "*UNDERSTANDING A PRIVATELY HELD CONTRACT AND NOTE*". This section has good information for people creating contracts from a home sale. If you already own a contract, then you'll discover some vital facts you may not be aware of. I

encourage you to study section three carefully.

Let’s show you how the home seller could do better in the quality contract example.

The seller is going to receive $92,000.00 cash. He or she won't be waiting 15 years to collect.

Let’s make some changes that could make things better for the home seller. Let’s pretend that the seller DOES NOT need all cash when he or she sells. What the seller really wants is a big down payment. A second offer could be made.

OFFER TWO

The contract buyer suggests that the home seller could sell part of the contract rather than the whole note. The contract buyer offers $39,000.00 for the right to receive the first 60 payments of the contract. When the 60 payments have been received, the contract will be returned to the home seller with a balance remaining of $65,053.30.

The home seller then will start to receive the monthly payments. This method gives the home seller a gigantic lump sum of cash. Let's review offer two.

OFFER TWO continued…

Home sells for...............................$100,000.00
Down payment.............................. $ 20,000.00
Contract buyer purchases first 60
payments for................................. $ 39,000.00
Total cash to home seller
at closing $ 59,000.00
After 60 payments go by, contract is returned to seller with a balance of............ $ 65,053.30
Home seller begins to collect monthly payments.

Think about this. When you add the $59,000.00 the seller received at closing plus the $65,053.30 remaining after the 60 payments have been received, the seller ends up with over $124,000.00 plus interest on the balance remaining. Remember that the home sold for $100,000.00. Not bad -- the

home seller comes out better when a part of the contract is sold versus the whole note.

Let's assume that the home buyer needs a lower monthly payment. This is simple to solve. Write the contract with a 30-year pay back term. The monthly payment is lowered to $702.06. I have accommodated the buyer by lowering the monthly payment. Now in exchange, I can require that a balloon payment is placed in the tenth year. This makes the contract pay off in ten years instead of thirty. Now our contract buyer can make a third offer.

OFFER THREE

The contract buyer will purchase the ten years worth of payments from the home seller for $49,000.00 cash. After the ten years go by, the balloon payment comes due. This goes directly to the home seller. In ten years, the value of the balloon payment would be $72,750.42. Let's see how this offer looks:

OFFER THREE continued…

Home sells for..............................$100,000.00
Down payment..............................$ 20,000.00
Contract buyer purchases the first ten years worth of payments........................$ 49,000.00
Total cash to home seller at closing..$ 69,000.00

Balloon payment comes due in ten years and goes directly to the home seller--$72,750.42.

So, the home seller does well with this offer. He or she gets $69,000.00 when the sale closes plus the balloon payment of $72,750.42 for a total of $141,750.42.

Contract buyers can come up with other offers and combinations. The next two sections in your manual will give you more ideas.

Contract buyers don't offer a set price for a contract. They're all different. The values have to be measured on the individual merits

of each contract. Remember to completely discuss your needs with the contract buyer. They'll do their best to come up with the right plan that works for you.

Now, let's review example two, the low-quality contract. I will show you how an offer could be made for this one.

This contract was set up on a long pay back term of 30 years. The down payment was low at $5,000.00. The contract buyer probably would offer around $71,000.00 cash for the whole contract. The home seller only gets around $76,000.00 when everything settles. The seller would certainly want to do better. Let's make an alternative offer.

The contract buyer could purchase the first ten years of payments from the home seller for $53,000.00 cash. After ten years, the contract would be returned to the home seller. The balance owed would be $86,391.12. The home seller will start to collect the payments from then on. Let's see how this looks:

Home sells for...............................$100,000.00
Down payment............................. $ 5,000.00
Remaining balance……………….. $ 95,000.00
Contract written for 30 years at 10%
Monthly payment.................................$833.69
Contract buyer purchases first 10 years of payments...................................$ 53,000.00
Total cash to home seller at closing…………………………… $ 58,000.00
After ten years, contract is returned to home seller with remaining balance of.....$86,391.12

I have turned a low-quality contract into a deal that can work for the home seller. He or she gets $58,000.00 cash at the start plus the $86,391.12 remaining balance after ten years including interest. Not bad for a house that only sold for $100,000.00.

If a new contract is set up on a long term pay back with a low down payment, then your best strategy is to sell a part of the contract versus the whole note. The contract buyer might suggest placing a balloon payment in the tenth or possibly the fifteenth year. You could use the same strategy that I used before.

Sell the PAYMENTS ONLY and keep the balloon for yourself.

Contracts that are low in quality can be turned into deals that work for the home seller. Other offers and combinations are possible that can be created. Every situation is different. Remember to discuss everything in detail with the contract buyer.

Let's talk about selling a house that you don't own free and clear. You have a first mortgage in which money is still owed. Contract buyers can help you if you have accumulated enough equity in the home.

If your home is selling for $100,000.00 and you still owe $40,000.00 on a first mortgage, then you have a 60% equity position. This is very good.

Let's say you still owe $80,000.00 on the first mortgage. Your equity is only 20%. This would not be good. The contract buyer would have a hard time working with something that small.

Let's show you two examples of how this works. What I am talking about is the creation of a second mortgage that you would sell to the contract buyer.

EXAMPLE OF A QUALITY SECOND MORTGAGE

Selling price of home.................. $100,000.00
Down payment..............................$ 20,000.00
Home seller still owes on a first mortgage
with a remaining balance of only $40,000.00
(60% equity)
Home seller creates a second mortgage
with a five year pay back at 10% $40,000.00
Monthly payment.................................$849.88
Contract buyer purchases second mortgage
from the home seller for............. $ 35,000.00
Cash to home seller at closing $55,000.00

If you owe on a first mortgage that can not be assumed by your buyer, then a contract buyer can solve that problem for you. When you close on the sale of the house, set up a NEW MORTGAGE for the entire cash amount owed on the house subtracting the down payment. In the case of my example, this

new mortgage would be for $80,000.00. When the contract buyer purchases the deal from you, they'll use part of the cash proceeds they pay for the contract to pay off the $40,000.00 balance owed on the first mortgage. The cash that is left goes to the home seller. Therefore, loans that are not assumable are no problem for contract buyers. They simply pay off any senior mortgages from the cash proceeds when the deal closes.

Now I will show you a second mortgage that would not be as good.

EXAMPLE OF A LOW QUALITY SECOND MORTGAGE

House sells for..............................$100,000.00
Down payment............................. $ 5,000.00
Seller still owes on a first mortgage with
a remaining balance of................. $ 85,000.00
(only 15% equity)
Home seller creates a second mortgage with an eight year pay back term
at 10%..$ 10,000.00

It would be very hard to get a fair price from a contract buyer for this second mortgage. The first mortgage still owed on the house has a huge balance of $85,000.00. Let's say a contract buyer bought this second mortgage. Six months later it goes into default. The contract buyer either would have to make the payments on the first mortgage or pay it off to protect their investment. This would not make financial sense for the contract buyer. There is too little money invested to take on the financial responsibility of the first mortgage.

Remember, it is hard to do well selling second mortgages when the equity in your home is low. Each case varies. Talk over the situation with the contract buyer.

If the equity in your home is low at this time, then consider waiting a while before selling. Your equity will get better as your home increases in value. Plus, you'll owe less on your first mortgage. The information in this course will work just as well in the future as it does today. Keep the course

handy and review this manual from time to time.

I have covered a lot of information. I hope you are convinced that owner financing DRAMATICALLY increases your ability to sell your home quickly.

There is one question that you always want to ask yourself. Does the buyer see a way that they can buy your home? You could have the finest home on the block, but if the for sale sign says "all cash", then you have just created a road block to a lot of eager buyers. When you say "will finance", the buyer sees a way to purchase your home. Plenty of people will be ready to go and anxious to buy.

Let's address those of you who may be in professions involving the sale of real estate. Contract buyers can be of help to you in a number of ways.

If you are a real estate agent, then you have just learned a way of getting listings sold quickly. Plenty of cash will be available

from the sale to take care of your commission.

Real estate agents also have files of past home sales. These files may include sales where the seller offered owner financing. These would be seasoned contracts. Contract buyers like seasoned contracts for two reasons: 1) The contract has a payment history which gives an indication of how timely the payments have been made by the home buyer and 2) The home seller comes out with more money when selling a seasoned contract. More information on seasoned contracts can be found in section three of this manual. After reading that section, you might want to hold a newly-created contract and receive some payments before selling. Contracts make good investments and are secured by something you know about; that is, your own home.

Real estate agents should contact home sellers that they have helped in the past who have taken back contracts. See if they would like to convert any into cash. Let them know that you have a cash buyer. If a deal closes,

then contract buyers are happy to pay commissions for referring the deal. That is, of course, if it's legal and ethical in your area. You never know but the cash your client collects from the sale of the note might be used to purchase another one of your listings.

Accountants deal with clients who are collecting payments on contracts. If that client needs cash, then contact a contract buyer. They can make an appraisal of the situation and a cash offer.

Attorneys deal with clients who sold homes on contract. If these people need cash, then again contact a contract buyer. For example, if an attorney is handling a contract dispute or litigation where not enough money is available to pay legal fees, then perhaps as part of the settlement the attorney could have the client get a contract secured by a home. The contract buyer can convert it to cash. Presto! You've got your legal fees.

If the attorney is working on a divorce and, as part of the settlement, one of the parties ends up with a contract secured by a house, then the contract buyer can convert it to cash. If you are settling estates that have contracts for assets, then the contract buyer can appraise and convert them to cash.

Bankers and financial planners have clients who hold contracts. Contract buyers can purchase them which can provide cash for your client. This cash may be used for other investment opportunities.

Just about anybody in a profession involving real estate can benefit from a contract buyer such as title and escrow officers as well as mortgage and loan brokers. You name it. Where a need for cash exists, a contract buyer might be able to help.

Beneficial Brokers, LLC can offer assistance with regard to the creation of YOUR real estate note. Some suggestions include:

- **Suggestions on the best financial terms to include in your contract that will give you the best cash value.**
- **Solutions for getting a large down payment.**
- **Where to start and how to organize the sale.**
- **Finding a buyer for your contract.**
- **Guidance in choosing the strongest home buyer.**

*****Contact information for Beneficial Brokers, LLC can be found at the end of this manual.**

One thing that I do want to point out is that Doug Iles, the person that you talk with, is not a real estate agent. He is a real estate investor who buys and sells homes but is NOT licensed to sell real estate, practice law, or give accounting advice. This course teaches you how to sell your home on your own.

Please understand that neither he nor the producer of this material can engage themselves in providing legal, accounting,

or tax and investment advice. Doug Iles, being an investor, can offer his services with regard to real estate inquiries including questions related to this course.

Anyone who takes this course and participates in any part of the material will need to seek the services of a competent professional for legal, accounting, or tax and investment advice on the sale of their home.

Do not try to close on the sale of your home on your own. If you do something wrong, then it will dramatically affect the cash value of your contract. Make sure that you close on the sale of your home with a CERTIFIED REAL ESTATE ATTORNEY.

I recommend that you call the number at the end of this manual. Discuss the future sale of your home. Carefully explain your cash needs, and together you can create a plan of action.

After you have arrived at your selling price and the amount of down payment you

need to receive, begin to place your ad that states <u>OWNER</u> <u>WILL</u> <u>FINANCE</u>.

Home buyers will begin to call and ask questions about your home. Win the buyer's trust at the very beginning. Don't hide any defects that the home may have. Be honest and straightforward with all questions.

Follow through with everything that you tell the buyer you are willing to do.

Of course, the big question you want answered is if the buyer is financially responsible. You can determine the buyer's financial soundness by saying, "If you plan to remit a down payment of 20%, then your monthly payment will be around _________." That usually weeds out buyers that are not responsible.

Make sure that you deal with people who have the funds before signing a purchase agreement. It makes no sense to take the home off the market and discover that they are not financially sound. Financial soundness needs to be determined before

the purchase agreement is signed. I will cover more on this in section two.

Let me suggest something effective when you schedule appointments to show your home. Appointments should be scheduled about ten minutes apart. Let's say you arranged to show your home at 2:00 p.m.

Schedule the next home buyer at 2:10. People are going to run into each other. Maybe the next buyer arrives five minutes later. Do you see what is happening? These buyers will realize that a lot of interest in your home exists. Somebody had better act fast or they are going to lose out.

I personally feel that nothing is wrong with creating competition with home buyers. Competition creates sales action. The home gets sold quickly and that is what you and I want. I will get into this more in section two. Read very carefully throughout that section. Strategies exist that you need to know about as well as effective marketing techniques that make a quick sale possible.

When you find a buyer who has the proper down payment, decent credit, and is ready to sign a purchase agreement, call the number at the end of this manual. Present the final terms to him or her. The contract buyer will run a credit check on the potential home buyer. They will let you know what to expect in cash when the contract sells.

If you want to sell your contract that is created from the sale of your home, then Doug Iles possibly can find you the best contract buyer willing to pay top dollar. You're not obligated to use this service, but it is available to use for your benefit.

When your buyer is ready to sign a purchase agreement, take the whole thing to your attorney. Explain everything you have worked out with your buyer. They will prepare all of the documents needed and close on the deal. A few days after settlement, the contract buyer will purchase the contract from you. This transaction will take place at your attorney's office or a title company.

This concludes this section of the course. If you need any additional questions answered, then please call and talk it over. I want to make sure that everything is clear to you. I wish you good fortune in selling your home quickly.

SECTION TWO

PROVEN WAYS TO GET YOUR HOME SOLD FAST

Plus

VALUABLE TIPS FOR SELLING A HOME USING OWNER FINANCING

PROVEN WAYS TO GET A FAST HOME SALE

Do you remember the first time you saw your home? What were the features that made you want to buy it? Chances are those same features will be appealing to your buyer. Perhaps there was something special about the patio. Or maybe it was the flower garden in the back yard. How about those special features in the kitchen that impressed you? You liked that large party room and that little pantry off the kitchen that's been so handy. Do you recall how these features looked when you first saw them? Restore them and bring them back. They are going to help sell your home.

Before you start to promote your home, give it a thorough cleaning. Wash the windows, shine the floors, and polish the furniture. Scour and scrub the kitchen and bathrooms and give the landscape a good manicure. Clean out the garage, attic, basement, and all closets. Hold a yard sale to get rid of unwanted items. You can donate anything that doesn't sell to charity such as the Salvation Army or Good Will.

Make sure that the house has a clean fresh smell in every room, even the closets. Open the windows and air out things. Carpets and curtains can collect bad smells like tobacco and cooking odors. Check bathrooms and the basement for mildew odors.

Make minor repairs to squeaky door hinges, old peeling paint, cracked or stuck windows, loose door knobs, crumbling grout between bathroom and kitchen tile, rusty gutters, and sinks that leak and drain improperly.

The front of your home is where the first impression is made. Make sure the driveway is clean and free from oil spots. Eliminate moss or mildew buildup on the front steps. The hardware on your front door should sparkle. Take care of paint that is peeling. Add a little color to the porch with a basket of flowers. A nice door mat also makes the front door look appealing.

The entry area also will create first impressions. Repair scratches in wood floors or worn spots in carpets. A well-placed mirror can make an entry area look larger especially with flowers in front of it. Be sure to have the entry closet clean and free of clutter.

Place high wattage light bulbs in all fixtures and turn them on when you show the home. Keep the drapes open so that everything is well lit. Dark areas can send out a bad message. People may think you are trying to hide something. If you have rooms painted in dark colors, then change them to light colors such as off-white. Lighter colors create an open look.

Have as much open space as you can. Personal family heirlooms can make the home look like a museum. Put away all of your personal possessions and let the buyer see how much room really exists. The buyer needs to have a clear picture of how his or her belongings are going to fit in the house. Remove unnecessary furniture. The more furniture in the room the smaller it looks.

Sometimes family pictures can make walls look cluttered. A mirror that is placed in the right spot can make a room feel larger.

GETTING THE WORD OUT

The first thing to do is place a sign in the front yard that says "FOR SALE, OWNER WILL FINANCE". The words "WILL FINANCE" will stop a lot of people. Next, tell all of your neighbors that the house is for sale and you will finance the deal for the right buyer. The neighbors will really help get the word out especially if they have a family member looking to buy a house. Let the people where you work know about it. You also can inform your church group or

club. If you want to go further, you can place notices on bulletin boards. You can find these in business areas where a lot of foot traffic exists. You might even try factories and apartments. And of course, last but not least, place a classified ad in the paper.

SHOWING YOUR HOME

When you have an appointment to show your home, open the windows before the potential buyer arrives. This will get rid of any last minute unpleasant odors that may be lingering in the house. On the other hand, it is a good idea to have the smell of pleasant odors in the house. Things like fresh baked bread or the smell of cinnamon or specialized air fragrances.

Make sure that everything looks clean and orderly. Turn on all of the lights. The temperature setting should be comfortable. It is always nice to have some easy listening music playing (no rock). As a courtesy, have hot or cold beverages on hand. Make sure that younger children or pets are out of the

way. You don't want any negative distractions.

OPEN HOUSES

An open house can be very effective in promoting your home for two reasons: 1) you can schedule the open house at a specific time and day. 2) you will be attracting a lot of people at the same time. This creates a spirit of competition. Competition produces action that ends up with a sale.

Place a welcome sign in your front yard or at the front door when opening the house to the public. Your sign could say "Welcome To Our Open House." I recommend that you have visitors sign in for security reasons before they walk through the home. Have an information circular or flyer on your home for visitors to take. The information flyer is good for people who call on your newspaper ad. You can get their address and mail one to them.

The information on the flyer should include: Your name, address, phone number, selling price, and down payment.

Mention that you will consider all offers in writing with the understanding that you won't take the home off the market until a legally binding sales contract has been signed with earnest money deposited with an attorney. Respond to all offers. If an offer is too low, then make a counteroffer.

Your flyer should list the expenses for the year: Property taxes, insurance, utilities, etc. Your flyer also should list the features of the house:

- **Square footage**
- **Type of roof**
- **Walls**
- **Basement**
- **Kind of heat**
- **Air conditioning**
- **Schools**
- **Type of water heater**
- **Lot size**
- **Description of the structure**

- **Electrical system**
- **Bathrooms and kitchen**
- **Number of rooms with measurements**
- **Public transportation**

Tell a little about the outdoor features and anything that you feel is unique about the home. List any recent maintenance or repair such as when it was painted last or when a new roof was installed. List who performed the work in case the buyer would like to check.

Have pictures on display showing your home during different seasons of the year. If you are selling during the fall, then have a picture that shows the house during spring and summer. The picture will show the flowers and plants that will be in bloom.

Schedule your open house during convenient times or peak hours. If you live near a large factory or business and the traffic goes by your house, then schedule the time when all of the employees get off from work. People will see your sign as they drive by. A lot of people will stop when they see

your sign that says "OWNER WILL FINANCE".

A friend of the publisher of this course, who was selling his home, lived close to a ball park. The traffic had to go by his place to get to the stadium. He scheduled his open house during games. He had a lot of visitors. Do the same thing if you're located near a business center, church, or any type of location where the public gathers. Schedule your open house during peak hours when the public is driving by.

If you want to advertise your open house, then place an ad that says something like:

"OWNER WILL FINANCE 4 BEDROOM 2 BATH COLONIAL. OPEN HOUSE SATURDAY FROM 11 A.M. TO 4 P.M."

An open house should be set up so that people can walk through unsupervised. Let them feel like they are in a department store. They have the freedom to look around anywhere without being bothered by a

salesman. If you are worried about your valuables being stolen, then store them away during your open house. Remember, we are trying to create a competitive buying environment. If people feel free to look where they want, then it attracts more people. The more people the better.

VALUABLE TIPS FOR SELLING A HOME USING OWNER FINANCING

The rest of this section will be devoted to special information involving owner financing. If you are receiving payments on a home that you have sold already, then you will discover some basic facts, pitfalls to avoid, and opportunities to explore.

To my knowledge, owner financing is the fastest way to sell a home. It's not easy for home buyers to get bank financing (especially in today's market). Many costs are involved and it takes a lot of time. Loan approval is very complex. These problems block good home buyers from purchasing your home. Owner financing blows away

these barriers. Your home sells itself quickly. Here are some things you should know about owner financing:

A mortgage, trust deed, or land contract is a written contract between a person who has sold property and the person who has bought the property.

Everyone wants a cash sale when they sell their home. Owner financing provides a quick way to sell your home without the rigid guidelines, hassles, and delays of bank financing. This also can provide you with some monthly income at a good interest rate. If you need to raise cash, then you can always sell the contract.

The terms used to describe this type of financing vary by state. It can range from trust deeds, contracts for deed, and land contracts to deeds of trust, notes and privately held mortgages. But they all represent the same thing, a way of selling a home where the purchaser "borrows" from the seller rather than paying cash up front or borrowing from a bank. All of these vehicles are referred to as owner financing. Let's explore some of the important ingredients in a mortgage, trust deed, or land contract.

When a home is sold and an owner financed mortgage is used, the seller, who is now also the lender, is called the mortgagee. The buyer, who is now the borrower, is called the mortgagor. When the home is sold using an owner financed trust deed, the seller is the beneficiary and the buyer is the grantor. There is a third party, called the trustee, who acts as the title holder. When a land contract is being used, the terms purchaser and seller are used.

Legal Description Of Your Home

In the contract, the legal description is the detailed description of the parcel of land that the seller agrees to sell to the purchaser. The city, village, or township of the property is noted together with the county and state.

Along with the actual "soil" sold, the seller also conveys such things as the house, any buildings, easements,

improvements, etc. In short, the seller conveys everything that is permanently affixed to the property sold.

Price And Terms Of Payment

Purchase Price:

The purchase price (sometimes referred to as "consideration") is negotiated between the seller and buyer. Homes sold with owner financing often sell for more than homes that are sold for cash because the seller provides the all-important financing.

Down Payment:

The down payment is usually 10% to 20% of the purchase price. From your standpoint as the seller, the bigger the down payment is the better. It represents money that does not have to be collected in the uncertain future. It also represents the purchaser's commitment to the home.

Therefore, a home sold with no down payment is quite risky because initially the

buyer is no more financially committed to the home than a renter would be.

Similarly, non-cash down payments consisting of barter items such as used personal property, cars, applied rent, down payments to be paid over time, or borrowed money from friends or parents are also riskier than those paid in cash out of the buyer's own pocket.

Balance Remaining:

Initially, this amount is the purchase price minus the down payment. The balance remaining should go down with each monthly payment made by the borrower (home buyer). An amortization schedule shows how the balance will be reduced if each monthly payment is made on time. Amortization schedules can be obtained from banks, real estate offices, and title companies for a small fee.

Monthly Payment:

The amount of the monthly payment is determined by the amount of the loan, the interest rate, and term of years (5, 10, 15, etc.). As the amount of the loan and interest rate increase, the higher the payment will be.

Contracts also can be structured as follows:
Interest only with balloon features or for long term such as 30 years with a balloon. This keeps the buyer's payments manageable and ensures that the seller will be paid off in the desired time. If you need any assistance in structuring this type of payment plan, then please call the number at the end of this manual.

Some people have the monthly payments on their contract serviced by a bank. Be advised, however, that banks do not assist you in the collection of your payments. They merely provide a bookkeeping function. If the borrower (home buyer) falls behind or defaults, then this is your problem. If this

worries you, then it may be best to sell the contract and be relieved of the concern.

Payment Due Date:

This is the date when the first payment is due. A "grace period" in some contracts permits the purchaser a few days each month during which they may fail to make payments and not be considered in default. Also, some contracts provide for a late fee if the payment is not received on time or within the grace period.

Don't let the borrower develop a habit of making payments later than the due date or grace period. Be polite but insist on promptness.

Balloon payment:

A "balloon payment" is the term used for a large, final payment on the contract. Balloon clauses usually call for the final payment to be made in 5, 10, or 15 years from the original date.

It is a good idea NOT to set

balloon payments one or two years out. It is unrealistic and creates needless difficulties for you and your buyer.

If you intend to keep your contract and it has a balloon clause, then it is a good idea to remind the buyer that the balloon will be coming due. Notification about twelve months before the due date of the balloon is appropriate. This gives the buyer time to secure a new loan.

If the borrower (home buyer) fails to make a balloon payment, then this constitutes a default in the contract.

For suggestions on what to do if the borrower can not make a balloon payment, read section 3 of this manual. These situations occur but options are available for solving the problem.

Tips For Pricing Your Home:

Some effective ways exist to arrive at a fair price. Here are four tips for determining a home value and getting top dollar.

Tip one:

Have two or three real estate agents analyze the value of your home. Have the agents compare this with similar homes that recently have sold in your area. The average selling price can determine the value of your home. Most agents offer this service for free because they want listings. Be honest when you approach an agent. Explain that you are thinking about selling your home. You're trying to get a feel for what the market is like at this time. Of course, the agent will want to list your home. Advise them that you are not ready to do that at the moment. You're just trying to check the value for future plans.

Tip two:

Have an independent appraiser calculate the value of your home. A cost is involved

with this method, between $175 to over $600 depending on who you use. An independent appraisal can be more accurate because the appraiser is not competing for a listing.

Tip three:

Simply drive down your street and check out the homes that recently have sold in your neighborhood. Explain to the owners that you are going to sell your house and are trying to determine the market value. Would they mind telling you the purchase price of their home? Most people will tell you. From time to time you may encounter someone who doesn't want to say. If that happens, then go to your county courthouse with the address of homes that sold in your area. Check out what they have sold for with the clerks in the land records department or tax assessor's office. It is all public record.

Let's say three homes on your street have sold for around $90,000.00. All three homes have three bedrooms, one and one half baths, and a double garage. Let's assume that your home has the same features. It is

safe to say that your home should sell for $90,000.00.

The truth is that you probably can charge four or five thousand more because you

have something that gives your home a big plus, the convenience of OWNER FINANCING.

If the home needs some repairs like a new roof or carpeting, then you may have to adjust your price to account for the repairs. However, owner financing usually will bring you top dollar.

Tip four:

Another way to establish a top dollar price is to advertise for the best reasonable offer. I love this method because it really produces a spirit of competition among home buyers. Here's how it works:

When you start to promote your home, do not state a selling price in your ad. What you would say in your ad is something like this:

Owner Will Finance for best reasonable offer, 4 bedroom 2 bath Colonial. Deadline for offers is July 8th.

Your eager buyers will call on that ad. Notice the ad deadline. The deadline does two things: 1) it gets fast sales action and 2) it tells the home buyer that he or she had better respond or else they will lose the deal. Let's say that you want to have a committed buyer in two weeks. Simply set your offer deadline in 14 days.

Now when people ask you how much you want for the house, simply tell them what homes have been selling for in your area. Then remind them what you have stated in the ad. "We will finance for the best reasonable offer."

This is a powerful technique for getting the highest price for your home. Plus, it creates major competition among buyers. Remember, COMPETITION PRODUCES SALES ACTION.

Get as big of a down payment as you can from your buyer. The more equity your buyer has in the house, the better the cash value of your contract when you sell it.

Avoid ALL no-money-down buyers. A no down payment sale will wreck the cash value of the contract.

When you have a buyer who is serious and ready to sign a purchase agreement, it is a good idea to get around 5% of the purchase price as earnest money. Your attorney can hold these funds in an escrow account until the sale closes. This 5% commitment on the part of your buyer proves that they are really serious. Someone who is not willing to make a substantial cash deposit is not the type of buyer you want. It makes no sense to take the home off the market if the buyer will not commit financially. Owner financing is hard to come by. Any serious buyer who wants the house will do anything to get it taken off the market.

Interest Rate:

The interest rate on your contract should be close to current market interest rates.

There are legal maximums in most states. See your attorney for details.

Monthly Payment:

It is a good idea to develop a payment plan that fits your buyer's monthly budget. Let's say that they are paying $800.00 per month in rent. You're probably safe in assuming that they can afford around $800.00 to $1000.00 a month.

Insurance:

Your buyer must cover the house for fire naming you as the lien holder. Verify this before you turn over the house to them. When you sell the contract, the contract buyer will want to see this policy.

Title Insurance:

When you sell your home and create a contract, you need to receive a title insurance policy covering you as the lien holder. We call this the LENDER’S TITLE POLICY. If your contract is a first mortgage, then the lender's title policy covers it as a

first mortgage. Again, when selling the contract, the contract buyer will want a lender's title policy covering the contract.

Money Owed On Your Home:

If you still owe on your home, then you need to determine if your mortgage needs to be paid off when you sell. Most mortgages have a “Due on Sale” clause which means that they must be paid off when you sell. A due on sale is no problem. Contract buyers will want to pay off any senior mortgages from the proceeds that they are paying for your contract. After the senior mortgage is paid off, the remaining balance of the money will go to you.

Buyer’s Credit:

You want to know if the buyer has the ability and the income to pay the debt. Have them disclose where they work and their annual income. Pull a credit report showing how current they are in paying debts. If the potential buyer’s credit is not good, then find another buyer. Remember, you are offering owner financing. Plenty of eager buyers will

be waiting in line. A contract buyer can pull a credit check. Work out the details with the contract buyer before you sign a purchase agreement with a buyer.

In order to check the buyer's credit, you need to get their social security number. If you are selling to a husband and wife, then get the social security numbers for both individuals. The buyer also needs to give you a written statement that grants you permission to check their credit. You can find credit reporting agencies in the phone book. If your buyer does not want you to check their credit, then probably they are hiding something. Go on to the next buyer.

Subordination Clause:

If your buyer requests that a subordination clause be placed in the contract --- DON'T DO IT. A subordination clause gives the buyer the ability to put a new loan on the house. This new loan would take senior position and your contract would be moved into SECOND position. A subordination clause will damage the cash

value of your contract. NEVER AGREE TO ONE.

Contract Sale Contingency Clause:

You may be wondering what happens if you can not sell the contract. Placing a contingency clause in your purchase agreement or earnest money receipt will protect you. If something comes up that you do not anticipate, then you won't be obligated to close on the sale.

You are offering owner financing because you intend to sell the contract for cash. The contingency clause gives you the option of cancelling the deal if you can not

sell the contract. It is unlikely that this will happen if the contract is structured with the right terms and the home buyers have good credit. But, it is a good idea to have the protection this clause can provide. Here is an example on how you might word this clause:

IT IS UNDERSTOOD BETWEEN THE BUYER

AND THE SELLER THAT THE SELLER INTENDS TO SELL THE NOTE AND MORTGAGE THAT IS BEING CREATED TO A SECOND PARTY. IN THE EVENT THAT THE SELLER IS UNSUCCESSFUL IN SECURING THE SALE OF THE MORTGAGE AND NOTE, THE SELLER HAS THE RIGHT TO CANCEL THE DEAL BETWEEN THE BUYER AND SELLER. THE BUYER'S EARNEST MONEY DEPOSIT WILL BE RETURNED.

This is only an example of how you might word this contingency clause. Remember, you must seek the advice of your attorney for the proper wording.

Here are some guidelines for sellers who decide that they want to keep their contract:

You may decide to keep your contract and receive payments for a few months. This can be beneficial to you. The monthly income can be handy. Also, your contract starts to become seasoned. Remember, contract buyers love seasoned contracts because they show a payment history. The home seller comes out with more money when selling a seasoned contract. Section 3 of

this manual will teach you more about that. Here are some things to be aware of when you keep your contract:

Property taxes and insurance:

The home buyer is responsible for paying the property taxes and insurance. Here are three ways to handle the way they are paid:

1. The home buyer pays the property taxes and insurance on their own.

2. The home seller pays property taxes and insurance and adds the amount to the balance of the contract.

3. The home seller has the buyer make monthly contributions to an escrow account. This money is paid to the county tax office and private insurance carrier.

Insurance:

Verify that the home is insured for the full amount owed on the contract. Be sure that you are listed as the lien holder on the policy. This way you will be paid off before

anyone else who has a claim on the policy. Also, you should insist on renewal notices for the policy. Always verify that the policy is in force. Inform the insurance carrier to notify you if a cancellation occurs. If you discover a cancellation, then instantly contact the home buyer. Failure to carry insurance is a violation of the contract.

Property Taxes:

Call the county each year and check to see if the buyer is current with the property taxes. Not paying property taxes is a violation of the contract. If you had to foreclose and discovered that several

thousand dollars in taxes still is owed, then you would be upset.

If the taxes and insurance are not current, then you have the right to pay them and add the cost to the contract balance.

The home buyer must protect the value of the home. It is the value that keeps the buyer making payments. If the seller ever has to foreclose, then the value of the home

determines whether the seller can resell with no loss.

All contracts should have a clause that prevents the buyer from doing anything that lowers the value of the home. Check with your attorney.

Drive by the house from time to time and see if the buyer is keeping the outside well maintained. If the outside is in good shape, then the inside probably is the same.

Default:

Failure to perform any part of the contract constitutes default. After an initial phone call, immediately inform the buyer in writing of the nature of the default. Send it certified mail with a return receipt requested. If this does not produce results, then turn over the entire issue to your attorney at once. Do not try to cure a default yourself. Find a lawyer experienced in the laws of foreclosure in your state. If you live out of state, then hire an attorney close to the home that you sold. This saves you the cost of an attorney's travel expenses.

Failure to enforce any clause in your contract can go against you. Actions always speak the loudest. If you allow payments to be made late, taxes and insurance to go unpaid, or a balloon payment to slide, then it can establish a pattern causing the clause to have no binding effect. Make sure that you stick to your contract. If you do not, then you will find it hard to enforce in court.

Let's conclude this section by giving you some basic steps to follow for selling your home:

1. Prepare your home to be shown. Talk to a contract buyer about the terms your contract needs to have for the best value.

2. Contact a good real estate attorney who can handle the sales agreement, document preparation, and closing. You also want to discuss the laws of disclosure in your state. Many states require sellers to give buyers disclosure statements regarding things like a bad roof, a leaky pipe, and so forth. Most attorneys should be willing to do everything that is needed for one fee.

3. Start to advertise and promote your home.

4. Pick the best qualified buyer who is ready to remit earnest money.

5. Call the contract buyer. They will start the process of checking the buyer's credit and preparing everything needed in order to purchase the contract from you.

6. After the contract buyer has checked out everything, go to your attorney with your buyer. Prepare the agreement of sale. Place the buyer's earnest money deposit in escrow.

7. After your attorney has prepared the contract, have him / her close on the sale with your buyer. A few days later the contract buyer will purchase the contract from you.

Owner financing is the most powerful method for selling a home in record time. It has all of the elements for a fast sale. Sellers create eager buyers quickly. Buyers receive the benefits of owner financing. It is a

marriage made in heaven. Everybody gets what they want.

I suggest that you review this course. Make sure that you clearly understand all of the information.

Start to prepare your home to be shown. Call a contract buyer and begin planning the terms of your contract. Discuss your

situation and determine some numbers that make sense to you.

I encourage you to use this information and create fast action now. Set a goal to place that magic sign in your front yard that says it all.

SOLD!

SECTION THREE

HOW TO UNDERSTAND

A
PRIVATELY HELD
CONTRACT
AND
NOTE

HOW TO UNDERSTAND A PRIVATELY HELD CONTRACT AND NOTE

You are in possession of this course because you are part of a select group. You

are going to offer OWNER FINANCING and produce a contract and note. You can easily sell this contract for cash.

However, after you read this section you may decide to keep it and receive some payments before selling.

This section is designed to help you understand your contract, the asset value.

Also, you will learn how to convert it to cash when and if the need arises.

Throughout this section, I will use the words CONTRACT OR NOTE as synonyms. They both will have the same meaning as far as this section goes.

Why should a home seller offer owner financing? Some people almost grit their teeth when it is suggested. That is understandable. Everyone wants all cash.

However, offering owner financing can sell a house instantly. The miracle is that the contract can be sold immediately for cash.

It is a challenging time when a person decides to sell a house. Sellers frequently face a limited time period to make a sale. Jobs, transfers, debts, moves, and changes in our lives create serious needs. We want fast sales action and ALL CASH from the sale.

Sometimes market conditions are not good for getting what we want. Of course,

interested buyers exist who may have the funds to make a good down payment. The problem is securing a loan. Buyers have problems getting approval which is a long, drawn out process. Bank guidelines and ratios are rigid.

However, owner financing guidelines are different. The door is wide open to many buyers who get turned down by banks.

Owner financing is hard to come by and home buyers realize this. That is why they are eager to buy when a seller offers it.

It is a great feeling to successfully close on the sale of your home. Owner financing

can make this happen. It is almost like hitting a home run in the World Series in the bottom of the 9th inning. The bases are loaded and you are the winning run. When you apply the strategies of this course, you will know how it feels when you finally sell.

You are about to become the owner of a contract and note secured by your home. Let's describe the three basic contracts used

to secure the payment of money owed on a home.

Trust Deed:

A trust deed means just what it says. The deed to the house is held in trust until the balance is paid off. In addition to the trust deed, a promissory note is signed by the person making the payments. The note states all of the terms required of the buyer in paying off the remaining balance. The note is secured by the trust deed. The trust deed document is secured by your home. A trust deed document involves three people:

1) The Grantor: the grantor is the home buyer who makes the monthly payments.

2) The Trustee: the trustee holds deed to the house until the balance is paid off. If the trust deed goes into default, then the trustee is responsible for foreclosing on the house. The trustee would normally be your attorney.

3) The third person on a trust deed is you. You are referred to as the beneficiary. The

beneficiary is the owner of the trust deed & note. They have all rights to the money owed which is secured by the documents.

Mortgage:

A mortgage does the same thing as a trust deed. However, there is no trustee involved. Again, a promissory note is signed stating how the debt on the mortgage will be paid. A mortgage document involves two people:

1) The Mortgagor: this is the person the home was sold to. They will make the specified payments.

2) The Mortgagee: this is the home seller. They own the mortgage and note and have all rights to the money owed.

Land Sale Contract:

Land sale contracts can go by many titles in different states such as real estate contract, property sale agreement, purchase contract, or contract for deed. They all mean

the same thing. No promissory note is used. All of the terms on how the debt is to be paid are in the contract. Title to the house is held by the seller when using these contracts. When the debt is paid off, the seller transfers title to the buyer. The buyer gets the title ONLY when you use a trust deed or mortgage.

Some home sellers prefer land sale contracts because they can hold title. If they ever had to foreclose, then the process is easier. Seek the advice of your attorney on this.

As a contract owner, you will need to keep good records. Make an accounting of all the

interest you receive each year. An amortization schedule can show you this figure. The monthly payment is broken down in which you can see how much is interest and how much is principal.

The interest information is important for two reasons: 1) you must declare earned interest on your income taxes and 2) you need to provide the total interest figure to

your buyer so that they can file it with their income taxes.

Have your attorney, bank, or title company prepare an amortization schedule for you.

Keep close track of the day you receive your monthly payment. This record will provide proof when your payments have been received. If you sell your contract in the future, then a contract buyer will want to see this proof.

If your payments are collected for you by a bank or escrow company, then a record is being made when the payments are received.

If you need this information, then they will prepare it for you.

Some contract owners may not have a collection account. The payment is sent directly to them. Save something that proves you are receiving the payments on time. For example, a deposit slip from your bank that shows the date. Do not wait one or two days before depositing the check.

Deposit it right away. It might be a good idea to have a separate account to make your deposit. The deposit slip will show the same amount as the monthly payment including the date. This is excellent proof.

A contract can give you a steady monthly income over several years. However, it is a long-term commitment. Times will occur when that commitment can become a little boring especially when the need arises for cash.

Your contract is an asset worth thousands of dollars in one lump sum. You can sell it for cash or borrow against it.

Borrowing Against Your Contract:

Pledging your contract as collateral to borrow money is called hypothecating the loan. Lending institutions probably will loan 75% of the remaining face value. Obtaining a loan solely on the strength of your contract requires it to have high value. I will explain the value factors it must have in a few moments.

Your success in obtaining a loan will depend on the strength of your personal finances.

Banks have three main questions in mind. "How am I going to be paid back?" "How am I going to be paid back?" And "How am I going to be paid back?" In other words, approval will be challenging.

You have to prove that you can make the bank payments with the monthly proceeds from your contract.

However, borrowing against the contract can be a plus for you. Let's say the money you borrow from the bank against your contract requires you to make a monthly payment of $675.00. Let's assume the payment you receive from your contract is $875.00. You see, the contract is paying your loan plus there is money left over. Depending on the reasons for borrowing the money, this might be the way to go.

Study in your mind why you need to borrow the money. Is it worth going into debt over? There are all kinds of reasons for borrowing money. Measure the risk versus the reward from the use of the borrowed funds before you decide.

The best way to raise cash from your contract is to sell it outright. All of the obligation, worry, and hassle associated with owning the contract are gone. No more concern about late payments, keeping records, or worries about default. The cash will be owned by you because you are not borrowing against the contract. Instead, you are selling it.

A number of profitable ways are available in which to sell a contract. First, I want to

cover the criteria a contract needs to have to give it high value.

Mortgages, trust deeds, and real estate contracts are created in different amounts with their own unique situations. No two are exactly alike. One contract might be written at 10% and another at 11%. One contract might be secured by a home while another by an apartment building. Each situation is different. Each contract is analyzed according to its individual merits.

Contract prices are not arrived at like the stock market. They are based on what someone is willing to pay for the individual contract and note. A contract's value will be calculated by a number of factors:

1. How many years the payments are spread out. Short-term contracts are worth more than long-term contracts. A ten year note is worth more than a twenty year note. The faster the money comes in the more the note is worth.

2. The interest rate the note is written at will affect its value.

3. Down payment on the home. Contract buyers like to see 10 to 20%.

4. Does the note fully amortize or does a balloon payment exist? If a contract fully amortizes, it spreads out over 10, 15, or

maybe 20 years. A balloon payment means that the contract balance is due before the entire term is up.

5. What position the contract is in. Is it a first or second mortgage?

6. What kind of real estate is the contract secured by? Is it a house, apartment, or maybe commercial property?
The location: city, state, and part of town.

7. Property market value versus total loans against it. A $100,000.00 house with a $70,000.00 first mortgage gives the property a 70% loan-to-value ratio. If the contract is secured by a house, then contract buyers usually are satisfied with an 80% loan to

value ratio. A low loan to value ratio is better than a high one.

8. Payment history of contract. Are payments being made on time? How many payments have you received so far? Contract buyers pay more for seasoned contracts so you may want to receive some

payments before selling. I will show you how this works in a few moments.

9. Credit history of the person making the payments. Are they responsible? Do they pay their bills?

10. Contract buyers pay more for contracts during periods of low interest and low inflation. Most of the time contract buyers borrow money to buy notes. When interest rates are low they can pay more.

11. Does the home buyer live in the house or is it a rental? Studies show that owner occupied homes are likely to keep up the payments. If it is a rental and times get tough, then it is easy to walk away. People

are more attached to their personal residence.

The bottom line: The most valuable contracts are secured by sound property, healthy down payments, short pay back terms, good loan-to-value ratios, nice payment history, several payments made,

responsible owners, and an economic period of low interest and low inflation.

Now you know what gives a contract its high cash value. Let's go through some examples that show what it is like when you sell your contract. These will be examples of seasoned contracts. Several payments already have been made. Of course, when you sell your home your contract will be brand new. After reviewing these examples, you may decide to receive some payments before selling.

EXAMPLE ONE

The contract and note are in first position. The security is a single-family house. The

person who makes the payments lives in the house.

Selling price...............................$100,000.00
Down payment .... $ 21,000.00
Remaining balance amortized
over 20 years $ 79,000.00
Interest rate...10%
Monthly payment..............................$762.37

48 payments already have been
made totaling..............................$ 36,593.76
Current remaining principal
balance owed on contract...........$ 72,890.71

There are 16 years worth of payments remaining to be paid on the contract.

The contract buyer decides to buy this contract for $63,500.00 cash.

This is a good price for this contract. The qualifications are PERFECT. A good down payment was made. Loan-to-value ratio is excellent at right around the 80% mark. The contract is secured by a house which is owner occupied.

This contract has a remaining balance of $72,890.71. Why is the contract buyer offering less than what is owed?

Contract buyers are legitimate business people. They want to buy your contract. They will do everything they can to pay you top dollar. Of course, their business is governed by economic realities. Risk factors

have to be carefully considered. When note buyers purchase a contract, it is not like investing in a CD or government bond. These instruments pay automatically without any hassles.

Contracts, however, do carry some risk. Some of the risks that the contract buyer must consider are:

1) The payment stream: Will it continue to come in on time? Does the person making the payments have the ability to keep them current?

2) Will the house that the contract is secured by be well maintained?

3) Will the market value of the house remain stable? Will the home buyer pay their property taxes when they come due?

4) Will the home buyer always keep home damage insurance in force?

5) The possibility of default exists. No one has the ability to guarantee the future.

Contracts that go into default are real hassles. Foreclosure is expensive. A contract buyer would rather have a root canal than foreclose.

Those are some of the risks that have to be considered. Some profit potential has to be built in to make it worthwhile for a contract buyer. That is one of the reasons why contract buyers offer less money than is actually owed.

The second reason for the discount is due to the value of money over a period of time. This is an economic principle that needs to be clearly understood. A contract is a cash flow spread out over several years.

It is not an appreciating asset. Each monthly payment is being paid with deflating dollars. What do I mean by deflating dollars?

We all understand the realities of inflation. Inflation means a steady increase in the costs of goods and services over time. If the costs of goods and services are increasing in the future and a dollar is gradually losing

its purchasing power, then the contract buyer has a problem keeping the cash flow even with inflation. They say to themselves, "what are these monthly payments going to be worth 5, 10, or 15 years from now?"

By discounting the note, the contract buyer has a chance to keep the cash flow even with inflation. The amount of discount required depends on how long the contract is spread over time. A 10-year contract will not require the same discount as that of a 20-year contract. The faster the money is paid back the more the note is worth.

The time value of money really is easy to understand. Consider what inflation has done to the purchasing power of the dollar.

How much less were the property taxes on your house 10 or 12 years ago? What did it cost for gasoline 10 years ago? If only we could buy a new car for the same price it sold for 12 years ago. What did auto insurance cost 10 years ago? Are you paying less for food than you were 10 years ago? How about entertainment and dining compared to a few years ago? Medical costs

have gone out of sight compared to a number of years ago. You see, the list can go on and on.

The point is that every day dollars are deflating. They will not buy in the future what they can buy today.

Let's give you a visual example of the time value of money. I want you to picture both of us sitting at a table. I tell you that I want to give you some money. I place a five hundred dollar bill and a thousand dollar bill side-by-side on the table. You either can take the five hundred or the thousand. We all would take the thousand, right? A stipulation exists if you take the thousand. You have to wait ten years to receive it. Now

which bill do you want? Of course, you would want the five hundred. Having cash right now in our hand is worth more than waiting. We would say to ourselves, "how much will the thousand be worth ten years from now?" The contract buyer thinks in the same manner.

The current face value of a contract could be $60,000.00. But what will those deflating dollars, from the monthly payments, be worth in the future? The contract buyer offsets those deflating dollars with a discount. That's what the time value of money is all about.

O.K., you say to yourself, "I understand the reason for a discount. But still it is pretty hard to accept the discount when the contract is sold. Can I come out better?" Yes, absolutely. Several ways exist in which to structure the sale to your advantage.

Let's review the contract that I discussed in example one.

Home sold for..............................$100,000.00
Down payment..............................$ 21,000.00

Home seller has received 48 payments
of $762.37 for a total of..................$ 36,593.76
Contract buyer offers to pay.........$ 63,500.00
Total cash to home seller............ $121,093.76

Hey, not bad for a house that sold for $100,000.00. The home seller is doing better

because the contract is seasoned. He or she has received some payments. You may want to consider this before selling your contract.

Let's create another offer for this contract and make it better for the home seller.

When you decide to sell, the best thing you can do for yourself is tell the contract buyer why you want to sell. This helps them construct an offer that fulfills your needs.

Contract buyers always ask the question "why". Do not feel intimidated. They are trying to determine how to give you the highest dollar value. Understanding why you are selling helps the contract buyer achieve this.

People need money for all kinds of good reasons such as buying a business, sending a child to college, buying a new home, paying debts, or just storing away a lump sum of cash. Cash is the most valuable commodity available. Having as much as you can is a good idea.

Whatever the reasons may be, you need to explain them to the contract buyer. Tell them how much cash it will take to fulfill your need. This information will help the contract buyer create an offer that is right for you.

Let's make a different offer on example one that makes it better for the home seller. All of the figures are the same except for the cash offer from the contract buyer.

Let's assume that the seller wants to buy a new house. He or she needs $30,000.00 to close on the purchase.

The contract buyer determines that the best way to go would be to purchase a part of the contract rather than the whole note. An offer of $34,500.00 is made for the next 60 payments. This more than fulfills the cash

need of the seller. When the 60 payments conclude, the balance remaining will be $60,892.03. The contract will be returned to the seller. He or she again will start collecting the payments.

Let's see how it looks:

Home seller received down payment.....…………………….............$21,000.00
Seller received 48 payments of $762.37 totaling............................. $36,593.76
Contract buyer purchases the next 60 payments for..................... $34,500.00
Total cash to home seller so far... $92,093.76

After 60 payments are received, the contract is returned to the home seller with a balance of $60,892.03. The home seller again starts to receive payments.

When you add the total cash received by the seller plus the remaining balance after 60 payments, it totals $152,985.79. Also, don’t forget the interest that the home seller will earn on the remaining balance.

Selling a portion of a contract can be a very profitable way to go.

Let's look at another way the seller could do better. Again, we are dealing with the same contract that we started with. The

seller indicates that he or she would like to raise a lump sum of cash from the contract. However, he or she also would like to receive part of the remaining monthly payments. It would place a hardship on them to completely lose the monthly income. Can this be done? It sure can.

The contract buyer offers $32,500.00 for the right to receive one half of the monthly payment for the life of the contract. The monthly payment is $762.37. One half of this is $381.19. Let's see how this offer looks:

Down payment to seller.................$21,000.00
Seller received 48 payments
totaling...$36,593.76
Contract buyer offers to buy half of each
remaining monthly payment for....$32,500.00
Total cash to seller........................$90,093.76
Seller continues to receive half ($381.19) of

the remaining 192 payments totaling..$73,188.48 Everything added totals $163,282.24.

Remember, the house sold for $100,000.00. This is a nice deal for the seller.

Could this same type of offer work where the contract buyer bought 60 payments only? Yes, the contract buyer decides how many half payments they want and then makes you a cash offer for them.

Let's assume this contract has a balloon payment due in the 10th year. The contract buyer could purchase the remaining payments only. The seller could keep the balloon for themselves. The contract buyer also could offer to buy one half of the remaining payments. Again, the seller could keep the balloon and continue to receive one half of the payment for the life of the contract.

What about a contract that is a second mortgage? The cash value of a second mortgage is determined by the same qualifications that determine the value of any

contract. Was a good down payment made? How many payments have been made so far? Is the real estate a house that is owner

occupied? How large of a dollar figure remains on the first mortgage? This is very important. Is the loan-to-value ratio good? Here is what a good second mortgage looks like:

Home sells for.............................. $ 100,000.00
Down payment............................ $ 22,000.00
Money owed on home seller's
first mortgage............................ $ 48,000.00
Home seller creates a second
mortgage for................................ $ 30,000.00
7 year pay back at 9%,
monthly payment……………………….$482.67

The loan-to-value on this home is 78%. This second mortgage can easily be sold.

Let's show you a second mortgage contract that would be hard to sell:

Home sells for...............................$100,000.00
Down payment..............................$ 5,000.00
Money owed on home seller's

first mortgage.................................$ 87,000.00
Home seller creates a second
mortgage for..................................$ 8,000.00

7 year pay back at 9%,
monthly payment……………………….$128.71

Two problems exist with this deal. The loan-to-value on the home is 95% which is way too high. The remaining balance on the first mortgage is huge at $87,000.00. If the contract buyer had to foreclose, then they would have to satisfy the first mortgage. This makes no financial sense. There is too little money invested in this second mortgage.

REMEMBER, LOAN-TO-VALUE AND THE REMAINING BALANCE ON THE FIRST MORTGAGE DETERMINE THE CASH VALUE OF A SECOND MORTGAGE.

These are just a few examples of how a home seller can convert the contract to cash. Remember, no two contracts are exactly alike. Go over your situation carefully with the contract buyer. Create a plan that makes sense for you. When you and the contract

buyer agree on a price, they will instruct you on what is needed to close on the deal. The contract buyer will pay for all closing costs

associated with the sale of your contract. The transaction will close at your attorney's office or a title company.

Let's make some comments on what to do if your contract goes into default. No one wants this to happen. The truth is that the future can not be predicted. The person paying you can get laid off from work or a serious personal problem can develop. Financial reversals can happen anytime.

If your home buyer stops making payments to you, then I would recommend the following ideas:

1. Immediately see your attorney for guidance.

2. Look over the outside of the house. Is the lawn mowed? Is the house well maintained on the outside? People who maintain their house on the outside normally will do the same inside. If this is the case, then my

opinion is that you are dealing with a responsible person.

Under the guidance of your attorney, talk with the people that owe you. See what can be worked out. Maybe you could have them pay interest only until they get on their feet. Maybe they have a pending sale of the home. With the approval of your attorney, postpone legal action in order to provide the home buyer with a chance to close on the sale. This will pay you off instantly.

Perhaps restructuring the contract might solve the problem. Whenever you restructure, I believe that you are entitled to an additional benefit. For example, some additional collateral such as stocks, bonds, trust funds, other property, or perhaps an additional signer on the contract. Of course, your personal financial obligations and needs determine what you can and can not do.

Here is an experience that shows how something can be worked out. A home seller called with a problem regarding a balloon payment. The person paying on their

contract could not secure the money to pay it off. The publisher of this course asked the

home seller how the buyer had been paying so far. The buyer had been making monthly payments on time for the last six years. The publisher suggested that they extend the balloon for a period of time and not foreclose. You have a responsible person paying you on this contract.

The problem was that the home seller was counting on receiving the balloon for business reasons. The publisher suggested that they drop the balloon and convert the remaining balance into monthly payments that spread out over 7 years. A contract buyer easily will buy this remaining payment stream. The home seller did this and received their cash. The buyer was delighted. Everything worked out. All parties involved were satisfied.

Naturally every case is different. This shows that some alternatives to foreclosure are possible. Many times a contract buyer can solve a balloon payment problem if the

buyer has been making regular monthly payments.

If no arrangement can be made with your buyer, then you will have to start foreclosure. Have your attorney quickly start the process.

The cost of foreclosure can be saved by having your buyer deed the house back to you. Many buyers would be willing to do this because it saves their credit rating. See your attorney regarding this procedure.

Some contract buyers will purchase contracts in default. They are very rare as you can well imagine. The value of a contract in default will be based solely on the house securing it. The discount can be substantial.

I hope that you have benefited and gained new knowledge from this section. Call the number at the end of this manual with any questions that you might have. If you want to sell your contract, then Doug Iles will help you find the best buyer.

If you are going to sell other real estate using owner financing, then call and get some suggestions on the terms to place in the contract. These suggestions can give your contract high cash value should you decide to sell.

The contract, secured by your house, is worth thousands of dollars in a lump sum of cash. It does not matter if it is new or one that has had some payments made. Each note has its own characteristics that give it cash value. Based on your needs, a contract buyer can tailor a unique purchase plan that can position you in a WINNING FINANCIAL POSITION.

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