

Collect More Cash Now

How to Target Higher Equity Deals

By Richard Roop

Recent changes in U.S. housing markets and lending industry have created new challenges for real estate investors. But it also creates incredible huge opportunities if you're willing to make a few adjustments in the type of deals you go after.

How you buy and how you sell should be dictated on what's happening in the market TODAY... not last year or in years gone by.

Let's look at the **proven methods for collecting big checks** as a real estate entrepreneur and how targeting sellers who have higher equity can get you more cash now, cash flow each month... and cash later.

Retailing

Retailing in creative real estate is usually based on buying a junker house, fixing it up real nice and then selling it to a qualified cash buyer. In a normal or hot market you can compete with other houses in the same price range because you're offering a totally remodeled, pristine property.

A rehabber is typically under time pressure to pay off an underlying hard money or investor loan and may not be in a position to offer owner financing. Changes occurring now in the traditional mortgage markets can make relying on a 'cash out' buyer more of a challenge.

There are several solutions to this.

First, if you're in buyer's market (with some of your competition leaving the game) you can now buy better negotiating lower purchase prices. In turn, you can offer your newly remodeled house at a more attractive price... making it easier to find a buyer.

Next, begin financing your rehab projects with private investors. You can get lower interest rates and a longer repayment term. Then you have the option of selling the property to a tenant buyer or to a contract buyer using wraparound owner financing.

More and more buyers need help financing and by offering the solution you can get a higher price and seller faster.

Finally consider **targeting sellers with free and clear houses** by offering a very attractive price in exchange for **no interest or low interest, long term owner financing**. This is easy to do as getting a list of houses with high equity can many times be acquired through public tax and land records.

These sellers must compete in the marketplace just like any other seller. In fact, according to the most recent U.S. census data 1 out of every 3 houses in the nation is free and clear!

Using a small, well-secured private investor first loan you can raise all the cash you need on these deals. Give the seller a down payment if needed, recapture your buy and hold costs, do repairs, pay off existing liens and even put an extra \$10,000 or \$25,000 in your bank account... on the day you buy.

Wholesaling

A great way to meet your cash needs each month is to quick-turn 'ugly' houses to other investors. Then you can avoid dealing with contractors, tenants, mortgage brokers, real estate agents and the risk of the market moving against you while completing and reselling your rehab.

However, in today's real estate climate, wholesale investors who can pay you all cash are getting pickier and looking for bigger discounts. The key is to know what your wholesale buyers will pay... and ensure you create a big enough equity spread when buying.

If uncertain on what you can sell for, include contingencies in your purchase agreement that only obligate you to buy after you've found a buyer.

Steps you can take now to increase your wholesaling success include building a bigger wholesale buyers list and **targeting homeowners with more equity**. The less a seller owes on a house increases the likelihood they will be in a position to accept your all cash price.

Subject To

Buying on terms and selling on terms is always a profitable investing model. And it will always be.

You can finance properties simply by offering to take over existing loan payments giving the seller debt relief. Then you can retail the property, wholesale the property or better yet, **sell faster and for higher prices with flexible owner financing.**

Many times you can get into these deals with little or no money, especially on a house in great shape. Then you can collect 3% to 20% down from your buyer to raise some of the cash you need for the month.

The challenge of "subject to" investing today is that many sellers owe too much or have loan payments you do not want to take over. And then there's a good chance you may need some cash on the deal.

If you spend all (or more) of your buyer's down payment or non-refundable purchase deposit on doing minor repairs, making up back payments, marketing to buy and marketing to sell then... at best... you have only captured some "un spendable" equity.

This does not help your cash needs today.

You can solve this in several ways.

First, adjust your marketing to **target properties with more equity** so you can buy better and raise some cash using a small private investor second loan. If there's enough equity, you can actually pull out an extra \$5,000 to \$10,000 in cash on the day you buy it.

Short Sales

Houses in pre-foreclosure can be bought on terms by bringing the loan current, taking over the existing payments "subject to" and then giving the seller any remaining equity (if any) after you get cashed out, sometime many years later.

Or you can pay all cash now by getting the lender to accept a short payoff. That means they agree to take less than the full amount owed on the defaulted mortgage.

You'll need to get a "wholesale price" accepted that makes sense, or you can pay more if you quick-turn the house to a qualified cash buyer.

The challenges today is that many times a lender is unwilling to accept the type of discount we need to pay all cash without a buyer already lined up... and lining up a qualified buyer, overcoming seasoning issues, orchestrating a double or simultaneous closing and then getting a closing agent to cooperate is not as easy as it has been in recent years.

You can certainly collect some big checks successfully completing a short sale. And there's no shortage of sellers who need a short sale to get there house sold.

But there are some drawbacks. To make this investing model work you need specialized knowledge and you need to create the equity to make it a deal. You're relying on a bank to accept your offer, a buyer to perform... or both.

Successful short sale investors typically use a systematic approach. It's best to outsource the tedious steps required. You must select your deals wisely and be patient. You'll probably want other sources for reliable monthly cash as both the timing and chances of these deals going through are uncertain and beyond your control.

If you're focusing on short sales then one solution to making more money is actually to focus on the easier deals that are so prevalent today. **Targeting houses with equity** will allow you to generate more predictable and reliable cash profits.

Consider spending some (if not all) of your marketing efforts today on getting face to face with sellers who have more equity.

Free & Clear Owner Financing

One of the easiest and safest ways to quickly raise the cash you need each month is to target and buy free and clear houses... or properties with lots of equity.

I call this "The Ultimate Strategy" for buying and selling real estate because:

- It works on any type of property including single family houses, condos, townhomes, mobile homes, multi-family, apartments, land and commercial

- It works on property in any price range including low end, rental markets, bread butter homes, executive homes and even high end luxury homes
- It works in any market climate including slow markets, normal markets, hot markets, post-hot markets, uncertain markets and especially in today's 'skittish' market climate.

By targeting free and clear houses you can structure offers with owner financing that allow you to collect extra cash on the day you buy, reliable cash flow each month and huge backend paydays for cash later.

For this investing model you're going to buy on terms and then sell with terms. Or you can even hold for passive cash flow and long term wealth building.

Follow these steps to make offers on free and clear houses:

- 1) Determine what price you expect to get quickly offering flexible owner financing to a buyer
- 2) Determine the minimum monthly income you can get each month
- 3) Determine the minimum profit you want make
- 4) Add up your projected costs for marketing, buying, funding and selling
- 5) Add up your projected costs for repairs and holding until occupied
- 6) Decide if you are going to pull out some extra cash when buying
- 7) Determine how much cash you need to raise to fund the deal
- 8) Determine the monthly cost of raising these funds on a private investor first mortgage
- 9) Determine the net positive cash flow (without offering monthly payments to the seller on a second mortgage)

Your maximum allowable offer (MAO) on a free and clear deal equals:

- Your resale price, less your target profit, less all your cost to buy, hold and sell, then

- For the term of your seller carry back note - add the total positive cash flow then
- For the term of your seller carry back note - add the total principal reduction

If you do not offer more than this final number, then you'll meet your target profit goal.

The beauty of this investing approach is that you structure 0% seller financing with the homeowner. And there so many different reasons why sellers are accepting offers with no interest on their equity.

Many investors don't think sellers will accept 0% financing, or wait 5 to 15 years for their money... but they do... and they do it all the time. But only when you ask.

The benefits for you are awesome.

- You can collect all the positive cash flow on the property when the seller accepts no payments. If you could net \$1,000 a month for 84 months, would that be worth getting involved?
- You can make any property cash flow by only offering the seller payments based on what the houses can afford. Any monthly payments you do make are **principal only and will rapidly pay off the house...** creating a huge backend. If you could buy a house with no money down, get at least a breakeven cash flow, and then collect \$50,000 or \$100,000 within 3 to 10 years, would that be a deal?
- And if you like, you can pull most of your profit out in advance... in cash... on the day you buy it. There's no rush to quick-turn these properties when you have no money tied up in the deal and you've collected an extra \$10,000 or \$30,000 in cash on the day you bought it.

It may seem complicated, but it is not. The marketing is easy. Prescreening these leads is simple (Hint: if there's a lot of equity... go see the seller!). Negotiating and deal structuring is systematic. The deals you buy using this investing model are super easy to quickly resale or occupy.

Use the steps above to structure multiple offers and then recalculate different offers based on:

- 1) Having the seller wait for ALL their equity,
- 2) Giving the seller the net cash flow each month,
- 3) Giving the seller a down payment and
- 4) Some combination of cash now, cash flow and cash later to the seller

I have put together a comprehensive new training system for buying and selling free and clear houses. It includes my Free and Clear Offer Generator software that allows you to make these multiple offers within a few minutes. It will do all those calculations for you and allow you to run unlimited "what if" scenarios to find the price and terms that will please the seller... and get them what they want most. Check out "The Ultimate Strategy: Creating a Free and Clear Money Machine" at www.richardroop.com

Sound too good to be true? You'll never try it unless you **believe** it will work for you. Here's some proof to get you motivated and excited...

- Mark from Virginia netted an extra \$10,000 in cash at closing buying a \$165,000 house with no money down, creating 0% financing with the seller for 7 years at \$400 a month.
- Mike from Washington collected an extra \$25,000 in cash at closing when he bought a \$120,000 house no money down, creating 0% seller financing at \$500 a month for 8 ½ years.
- Denise and Mark from California bought a newly remodeled \$400,000 house which can rent at \$1,800 for just \$290,000 with no money down, creating 0% financing with the seller at \$800 a month for 10 years.
- Brenda from Ohio netted an extra \$10,000 in cash at closing when she bought a \$180,000 house with no money down, getting 0% seller financing for 6 years at \$360 a month.
- Adam from Tennessee bought a free and clear property needing \$7,500 in work with

no money down, collected \$32,500 in cash upfront, got a \$33,000 real estate note paying 8% interest and raised another \$101,000 in cash on a 0% interest private loan payable over 15 years.

- Marc from Minnesota buys a free and clear house each month and how he recently collected \$50,000 in extra cash buying a \$240,000 house for \$212,000 with 6 years of 0% seller financing at \$1,000 a month.

The bottom line...

Regardless of what investing models you're using today, you'll enjoy more consistent success and be able to generate more immediate cash profits by targeting houses with more and more equity.

About the Author

Richard Roop has done over 300 deals and manages millions of dollars in real estate. Known as "THE Marketing Consultant for Real Estate Entrepreneurs," much of Richard's time is dedicated to helping other investors improve their marketing results and increasing the profits generated from each deal. He has developed systems and strategies that can help you leverage all your efforts toward growing your investing business. For more visit www.richardroop.com

