SPECIAL REPORT

HOW TO SELL YOUR HOME FAST IN ANY MARKET

Little Known Secret for Selling Your House Fast!

New, Easy to Sell for Cash Sales Method that Attracts Eager, Motivated Home Buyers, like A Steel-Magnet!

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New, Easy to Sell for Cash Sales Method that Attracts Eager, Motivated Home Buyers, Like a Steel-Magnet!

The secret to selling your home fast, lies hidden in a little know sales technique. It can sell your home in record time and produces highly motivated buyers. This method is simple to apply, easy to use and very effective.

But this strategy is rarely used and far less understood. That's why even if you've heard of it, you may never have thought to implement it because you never knew you could. The average sales agent won't tell you much about it because they don't how to implement it and there is so much confusion as to how it can be used effectively. That was, until now.

With this special report we are changing all that. There are some realtors out there, who want to provide a higher level of service to their clients and help you to sell your home quickly. These are agents who have been made aware of the power of this technique and are willing to do all they can to help you implement this little known, powerful sales strategy.

In fact around 15% of homes for sale use this speedy sales strategy. The rest are at the mercy of soft economies, or slow real estate markets. Homes in the 15% category always sell quickly in spite of market conditions.

Once you apply this proven strategy, you'll quickly see anxious buyers. These buyers are eager and they want to make a deal with you. Now don't worry. Stay with us. We'll teach you how you can use this strategy to sell your house quickly. Just like the fast selling 15%.

It's a proven sales method that's quick, easy and safe.

Most home sellers have over looked a little known yet powerful method for selling a home quickly. We're going to give you the method right now. We call it the "Secret Sales Weapon". It produces buyers instantly. The strategy consists of three magic words. Here are the three magic words…

The magic words…

"OWNER WILL FINANCE"

I know what you're thinking…

- You told me you have a method for selling my home fast. for cash. If I offer owner financing how will I get all cash?

- I can't offer owner financing I have a mortgage.

Here's the answer to both of those questions.

Let me begin with the first one by describing the following example...

Let's say someone has a home they want to sell. The house is put up for sale with an all cash price. There is some response from buyers. But most of them are having trouble securing financing, especially in this market. 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 'note' buyer. The note buyer explains that he purchases real estate notes and mortgages for cash. The note buyer says, "your home will sell fast if you offer owner financing." The note buyer tells the home seller, "if you will structure the seller finance contract with the right terms, I will buy the seller finance contract (the note) 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 with seller financing. Pick the best home buyer and close your sale. A few days later you simply take your note and sell it for <u>CASH</u> to the note buyer.

Now to answer the second one, if you still owe money on your home, and let's face it often this is the case, you need to determine if your mortgage is one that needs to be paid off when you sell. Most mortgages have a "Due On Sale" clause. This means it must be paid off when you sell. If you owe on a first mortgage that cannot be assumed by your buyer, a note buyer can solve that problem for you.

So if you are selling a house that you don't own free and clear because you have a first mortgage that money is still owed on and *provided you've got enough equity* in the home then a note buyer can help you. Here's how…

When you close the sale on the house, to your new buyer, you draw up a new mortgage for the entire cash amount including what is owed on the house to the existing mortgage company, subtracting the new buyer's down payment. A Note buyer will buy that mortgage from you and pay off any first mortgages from the proceeds they're paying for your note. After the senior mortgage is paid the remaining balance of the money will go to you (that's why you need some equity).

Don't worry if you haven't followed this yet. I'll explain it all in detail later. Just know that you don't have to worry about having an existing mortgage on your house as this may not stop you from offering seller financing. It is not unusual, that you may not understand this. Most home sellers, realtors and some financial professions don't either. They aren't aware of this often over looked little known method for selling a home quickly.

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 a seller financing contract can be a great investment. Home-sellers usually want to invest the money they get from their home sale.

Our reply is, "why not invest in something you already know about?" In this case your own home. You can defer paying taxes on the gain. Plus, you'll get a better interest rate than banks pay. You get a nice income secured by your home. You understand it, you know the value of your own home. If you need to raise cash in the future you can always sell the contract (the note) to a note buyer.

Let's look at this from the buyer's perspective. Imagine going through the classified section of the paper. You see several ads of homes for sale. Most of the 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. Great location'

I'll bet that this not an ad you would call? (I'm kidding). In fact it's proven that this ad will be called by more buyers than any other ad. The reason is very simple. The words "Will Finance" sends a motivating sales message to every home buyer. The buyer says, "This house can be bought fairly easily. There won't be lots of red tape".

Think about it. Home-sellers wanting all cash eliminate a huge percentage of buyers. And all 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 lots of rigid guidelines and it is difficult for most people to get a loan right now.

All cash actually blocks people from buying your house. Those stiff bank qualifications create a sales barrier. We feel that most buyers may have reasonable credit and decent incomes. But the stiffer bank requirements stop a lot of buyers. However, when you eliminate some of the requirements, the financial obligation of paying for the home is really no problem for a large number of these buyers. You and I ought to 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 we have told you so far.

The fastest way to sell your home is to offer owner financing. This means you sell your home with a seller finance contract also called a note. Your buyer puts down 10 to 20 percent in cash. They sign a note that obligates them to pay you the remaining balance over a period of years, say five, ten or maybe fifteen years.

The home buyer benefits by getting favorable terms. They have cut out the hassles of bank red tape. They have also 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 at a particular price. Real estate agents can sell listings faster. Owner financing solves problems with homes that don't qualify for bank loans because the zoning may not be right or there's an easement or access problem.

Owner financing can solve problems with couples involved in a 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 owner financing solves more problems and gets homes sold faster than any technique we know of. We'll cover more strategies for selling fast later in the report.

Let's get into more details.

We've explained the benefits and told you how it works. Let's now talk about making contact with a note buyer, with the idea of selling a newly created finance contract from the sale of your home.

The note 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. 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 note buyer will also 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. The note buyer's goal is to construct an offer to fulfill your cash needs. Depending on your cash needs there may be times when it is best to sell a part of your contract, rather than the whole thing. This method could give you a large lump sum of cash when the sale closes. We'll explain how selling a part of the contract works in a few moments.

So disclose all the information you can with the note buyer. Explore all your options with them. They will assist you in constructing a plan that lets you win from your home sale. Your goal is to create a seller financing contract that has high cash value that you can easily sell.

Here are some Examples.

Now don't worry if you are not good at numbers. The note buyer can do all the figures for you. Between the note buyer, your realtor and yourself you should be able to produce a high value note. The numbers and examples are here so you can see how it all works. We get into greater details of how all this works in later sections of this report for those interested in the finer details.

Let's show you what a high cash value contract should look like.

We will call this ***example one***: *The Quality Contract*.

Let's pretend 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 put down $20,000.00. The buyer is going to have a 20% equity position at the very beginning.

A note 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 than the 10% rate is only an example. The remaining balance of $80,000.00 is amortized over 15 years. This means 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

The home is selling for market value. The buyer made a good down payment, giving them decent equity at the start. The contract has a reasonable pay back term of 15 years.

This represents a good quality contract and will have a high cash value.

Let's show you a contract that is lower in quality. We'll call this ***example two***.

Let's say we're going to sell the same house again for $100,000.00. This time the buyers are only putting down $5,000.00. The contract will be amortized for 30 years with an interest rate of 10%. The monthly payments are $833.69.

Here is what it looks like.

Sales price of 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 lower in quality because the buyer is not putting much cash down. The pay back term of 30 years is very long in terms of interest from a note buyer.

When comparing these two examples, even though the monthly payments are similar you want to remember that contracts with shorter pay back terms, and larger down payments always gives you the higher 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 up the total loans on the home. Then you compare that figure to the price or cash value of the home. In our first example of the quality contract, the loan amount is $80,000.00. The sales price is $100,000.00. (80,000 / 100,000 = 0.8 (x100) = 80) That gives the home an 80% loan-to-value ratio. A note buyer would be comfortable with that ratio.

Looking at the lower quality contract (95,000 / 100,000 = 0.95 (x100) = 95) has a 95% loan-to-value ratio. This ratio will be considered too high.

However there is a way to make the lower quality contract into a workable deal. We'll show you how that works in this report too.

So it's the **Loan-to-value** that is very important. Do your best to create a contract that has the right ratio. (80% or lower)

If you're selling other property like apartments or commercial real estate a note buyer would typically want the following ratios;

- Multi-family units & apartments loan-to-value at about 65% maximum.
- Commercial property, 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. Its time to answer the major question you probably have at this point. How much money would the home-seller receive if they sold either of 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 note buyer pay the home seller for this contract?

This could be somewhere around $70,000.00 in a best case scenario.

When you add up the down payment of $20,000.00, plus $70,000.00 from the contract buyer, the home seller ends up with $90,000.00 cash. That's $90,000.00 they won't have to wait 15 years to get.

Why is there a discount between the face value of $80,000 and the offer of $70,000?

Your questions regarding the discount will be more clearly answered in section Three UNDERSTANDING SELLER FINANCING IN DETAIL of this report. This section has good information for people creating notes from a home sale. If you already own a note you'll discover some vital facts you may not be aware of. We encourage you to study this section carefully.

Let's show you how the home-seller could do better in our example.

Remember that the seller is coming out with $90,000.00 cash. They won't be waiting 15 years to collect. But let's see how else we can do this deal.

Let's make some changes that could make things better for the home-seller. Let's pretend the seller doesn't need all the cash. Let's say what they really want is $39,000 down payment for their next purchase. You will soon see why letting the note buyer know what your plans are for the money can be of benefit to you in how he structures your deal. A second offer could look like this.

The note buyer suggests the home-seller could sell part of their note, rather than the whole thing. The note buyer offers $39,000.00 for the right to receive the first 60 payments of the contract. When the 60 payments have gone by the contract will be returned to the home-seller with a balance remaining of $65,053.30. The home-seller will then start to receive the monthly payments once again.

This method gives the home-seller the lump sum of cash he needs and a future income stream. Let's review offer two.

Home sells for..$100,000.00
Down payment...$20,000.00
Note buyer purchases first 60 payments ……..$39,000.00
Total cash to home-seller at closing... ………..$59,000.00
Then after 60 payments go by, contract is
returned to the seller with a balance of............$65,053.30 remaining the home-seller then begins to collect monthly payments of $859.68.

Think about this. When you add up the $20,000 down payment + $39,000 from the note buyer the seller received at closing, $59,000.00 plus, the $65,053.30 remaining balance (after the first 60 payments go by). The seller ends up with over $124,000.00 (59,000+65,053=124,053) plus interest on the balance remaining.

Remember the home sold for $100,000.00. So this is not bad deal. The home-seller comes out better off when they sell a part of the note versus the whole thing. You should now see why letting the note buyer know what your plans are for the money can be of benefit to you in how he structures your deal.

Now that's not all note buyers can do:

Let's assume the home buyer needs to lower the 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. We've accommodated the buyer by lowering the monthly payment and in exchange, we can require that a balloon payment be placed in the tenth year. This makes the contract pay off in ten years instead of thirty. Now our note buyer can make a third offer.

The note 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.

Home sells for...$100,000.00
Down payment..$20,000.00
Note buyer purchases the first 10 years
worth of payments..$49,000.00
Total cash to home-seller at closing.....................$69,000.00
Balloon payment comes due in 10 years and
goes directly to the home-seller............................$72,750.42

So, the home-seller does well with this offer also. They get $69,000.00 when the sale closes plus the balloon payment of $72,750.42 giving a total of $141,750.42.

Notes buyers can come up with different offers and combinations to suit your specific requirements. It is not an all or nothing situation.

The next sections in this report will give you more ideas.

Note 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 note buyer. They'll do their best to come up with the right plan that works for you.

Now, let's review **example two**, the lower quality contract. We'll 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 note buyer would probably offer around $70,000.00 cash for the whole contract. The home-seller only gets around $75,000.00 when everything settles. The seller would certainly want to do better. So let's make an alternative offer.

The note buyer could purchase the first 10 years of payments from the home seller, for $53,000.00 cash. After 10 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
Note 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

We have turned a low quality contract into a deal that can work for the home-seller. They get $58,000.00 cash at the start, plus the $86,391.12 remaining after 10 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 your best strategy is to sell a part of the contract versus the whole thing. The note buyer might suggest placing a balloon payment in the tenth, or possibly the fifteenth year. You could use the same strategy we used before. Sell the payments only and keep the balloon for yourself.

Contracts that are low in quality can be made into deals that work for the home seller. There are other offers and combinations that can be made. Every situation is different so remember to discuss everything in detail with the note buyer.

Now the BIG question, what about a home with a mortgage?

Let’s talk about selling a house that you don't own free and clear. You have a first mortgage that money is still owed on. Note buyers can help you if you've got 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, you have a 60% equity position. This is very good. But let’s say you still owed $80,000.00 on the first mortgage. Your equity is only 20%. This would not be good. The note buyer would have a hard time working with equity that small. This does not mean that this cannot be done with lower equity. To find out more on this review section three of this report.

We will show you two examples on how having a mortgage and how offering seller financing works. What we're talking about, is the creation of a second mortgage that you would sell to the note buyer.

EXAMPLE OF A QUALITY SECOND MORTGAGE (60% equity)

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 the first mortgage (and that cannot be assumed by your buyer) a note buyer can solve that problem for you. When you close the sale on the house, you draw up a new mortgage for the entire cash amount owed on the house subtracting the down payment from the buyer.

In the case of our example, this new mortgage would be for $80,000.00. When the note buyer purchases the deal from you, they’ll use part of the cash proceeds they pay for contract, to pay off the $40,000.00 owed on the first mortgage.

The cash that’s left goes to the home-seller. So, loans that aren’t assumable are no problem for note buyers. They simply pay off any first mortgages from the cash proceeds when the deal closes.

Now, we'll show you a second mortgage that would not be as good.

EXAMPLE OF A LOW QUALITY SECOND MORTGAGE (15% Equity)

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 (equity only 15%)
Home seller creates a second mortgage
with eight year pay back term at 10%.................$10,000.00

It would be very hard to get a fair price from a note 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 note buyer bought this second mortgage. Six months later it goes into default. The note buyer would either 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 note buyer. There is too little money invested to take on the financial responsibility of the first mortgage.

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

If the equity is low in your home at this time consider waiting awhile before selling. Your equity will get better as your home goes up in value. Plus, you'll owe less on your first mortgage. If your equity is negative, there is not too much anyone can do, unless you get an amazing offer for your house that gives you equity and an appraisal to support it,. The information in this report will work just as well in the future as it does today. Keep the report handy. Review this information from time to time.

We've covered a lot of information. We hope you're convinced that owner financing dramatically increases your ability to sell your home quickly.

There's one question you always want to ask yourself whenever you are considering selling your. How do I attract buyers?

Does the buyer see a way they can buy your home because you could have the finest home on the block. But if the for sale sign says "all cash" you've just put up a road block to a lot of eager buyers. When you say "will finance", the buyer sees a way to purchase the home. There will be plenty of people ready, willing and anxious to buy.

SECTION TWO

MORE ABOUT OWNER FINANCING

Owner financing is the most powerful method for selling a home in record time. It has all the elements for a fast sale. Sellers create eager buyers quickly. Buyers receive the benefits of owner financing. It's a marriage made in heaven. Everybody gets what they want.

Everyone wants a cash sale when they sell their home. Taking back 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 want the cash you can always sell the contract.

Two important considerations:

- **Money Owed on Your Home**: If you still owe on your home, you need to determine if your mortgage needs to be paid off when you sell. Most mortgages have "Due On Sale" clauses. This means it must be paid off when you sell. “Due on Sale” is no problem. Note buyers will want to pay off any senior mortgages from the proceeds they're paying for your contract. After the senior mortgage is paid off, the remaining balance of the money will go to you.

- **Buyers 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 annual income. Get a credit report showing how current they are in paying debts. If the potential buyer's credit is not good find another buyer. Remember, you're offering owner financing. There will be plenty of eager buyers waiting in line. A note buyer can do a credit check. Work out the details with them 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're selling to a husband and wife, get the S.S. numbers for both individuals. The buyer also needs to give you a written statement that gives you permission to check their credit. Sample documents are found at the end of this report. You can find credit reporting agencies in the phone book.

If your buyer doesn't want you to check their credit they are probably hiding something. Then in that case go on to the next buyer.

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 strategies are referred to as owner financing. Let's explore some of the more 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. The buyer is the grantor. There is a third party who acts as the title holder, called the trustee. When a land contract is being used, the terms purchaser and seller are used.

In our experience owner financing is the fastest way to sell a home. It's not easy for home buyers to get bank financing these days. There are many costs involved. It takes a lot of time. Loan approval is very complex. These problems block good home buyers from purchasing your home. Owner financing breaks down these barriers. Your home sells itself quickly. Your realtor is trained to deal with all these aspects of real estate contracts and negotiation and will be an invaluable resource in putting this transaction together. Here are some things you should know about owner financing and need to understand if you choose not to use a realtor.

Information you will need to become familiar with (if you are not using a realtor).

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

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

- Purchase Price: The purchase price (sometimes referred to as "consideration") is negotiated between the seller and the 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 stand point as the seller, the bigger the down payment 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.

- 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. The note buyer can provide you this information for free.

- 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.). The higher the amount of the loan and interest, the higher the payment.

Note also that contracts can also be structured. For example: Interest only with balloon features, or for long term, such as 30 years with a balloon. This keeps the buyers payments manageable and ensures the seller will be paid off in the desired time. If you need any assistance in structuring this type of payment plan, please call your realtor who will contact the note broker or note buyer for you and give you advice on the best way to do this.

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) gets behind or defaults, this is your problem. If this worries you 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: '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, 15 years etc. from the original date. Its a good idea not to set balloon payments one or two years out. It's unrealistic. It creates needless difficulties for you and your buyer.

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

- Pricing Your Home: There are some effective ways to arrive at a fair price. Your realtor can analyze the value of your home. They will compare similar homes that have sold recently in your area and the average selling price can determine the value of your home. Most agents offer this service for free (another reason to have a realtor) Or at least have an independent appraiser calculate the value of your home. There is a cost involved with this service somewhere between $275 to over $600 depending on whom you use.

When prospective buyers ask you how much you want for the house, simply tell them "We will finance for the best reasonable offer." Then tell them what homes have been selling for in your area. This is a powerful technique for getting the highest price for your home. Plus, it creates competition among buyers. Remember competition produces sales action.

When people ask about a down payment always get as big 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 note when you sell it. Avoid all no-money-down buyers. A no-down-payment sale will wreck the cash value of the note.

Realtors are experienced at closing deals and preparing the sales contract and negotiating terms for you. If you are using one who is familiar with this type of transaction then getting the terms to create the best value for the 'note' should be easy.

When you have a buyer who is serious and is ready to sign a purchase agreement, it's a good idea to get around 5% of the purchase price as earnest money. These funds can be held in an escrow account until the sale closes. This 5% commitment on the part of your buyer proves they're really serious. Someone who is not willing to put a substantial cash deposit down is not the type of buyer you want. It makes no sense to take the home off the market if the buyer won't 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's a good idea to develop a payment plan that fits your buyer's monthly budget. Let's say, they're paying $800.00 per month in rent. You're probably safe in assuming 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 the house over 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 the lender's title policy covers it as a first mortgage. Again, when selling the contract, the note buyer will want a lender's title policy covering the note.

- Subordination Clause: If your buyer requests that a subordination clause be put in the contract, **don't do it**. A subordination clause gives the buyer the ability to put a new loan on the house. The new loan would take senior position. Your contract would be moved into second. 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't sell the contract. Placing a contingency clause in your purchase agreement or earnest money receipt will protect you. If something comes up that you didn't anticipate, you won't be obligated to close the sale.

You're offering owner financing because you intend to sell the contract for cash. The contingency clause gives you the option of canceling the deal if you can't sell the contract. It's unlikely this will happen if the contract is structured with the right terms, and the home buyers have good credit. But, it's a good idea to have the protection this clause can provide. Here is an example on how you might word this clause:

It's 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 the note, the Seller has the right to cancel the deal between the Buyer and the Seller, and the Buyer's earnest money deposit will be returned.

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

Some guidelines for sellers who decide they want to keep their contract.

If you decide to keep your contract and receive payments for a few months then this could be more beneficial to you. The monthly income can be handy. Also, your contract starts to become seasoned. Remember, Note buyers love seasoned contracts. This shows them a payment history. The home-seller comes out with more money when selling a seasoned note.

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 payments:

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 note.

3. The home-seller has the buyer make monthly contributions to an escrow account. The 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 you're listed as the lien holder on the policy. This way you'll be paid off before anyone else who has claim to the policy. You should also insist on renewal notices to the policy. Always verify the policy is in force. Inform the insurance carrier to notify you if there is a cancellation. If you discover a cancellation, instantly contact the home buyer. Failure to carry insurance is a violation of the financial contract.

Property Taxes: Call the county each year and check to see if the buyer is current with property taxes. Not paying property taxes is a violation of the contract. If you had to foreclose and discovered several thousand dollars taxes owed, you would be upset. If the taxes and insurance are not current, 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's the value that keeps the buyer making payments. If the seller ever has to foreclose, the value of the home determines whether the seller can re-sell 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. See if the buyer is keeping the outside well maintained. If the outside is in good shape, the inside is probably the same.

Default: Failure to perform any part of the contract constitutes default. After an initial phone call, inform the buyer immediately in writing of the nature of the default. Send it certified mail return receipt requested. If this doesn't produce results turn the whole thing over to your attorney at once. Don't try to cure a default yourself. Find a lawyer experienced in the laws of foreclosure in your state. If you live out of the state hire an attorney close to the home you sold. This saves you the cost of attorney 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, or taxes and insurance to go unpaid, or a balloon payment to slide etc., it can establish a pattern causing the clause to have no binding effect. Make sure you stick to your contract if you don't, you'll find it hard to enforce in court.

SECTION THREE

UNDERSTANDING SELLER FINANCING IN DETAIL

If you are going to offer owner financing you will need to know how to produce a seller financing contract (a note) that you can easily sell for cash.

We have designed this section to help you understand exactly how to do that. Throughout this section we'll use the words contract or note as synonyms. They'll both 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's suggested. That's understandable. Everyone wants all cash.

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

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

As we have said sometimes market conditions are not good for getting what we want. Of course, there are interested buyers. They may have funds to make a good down payment. The problem is securing a loan. Buyers have problems getting approval. It's a long, drawn out process. Bank guidelines and ratios are rigid. It's 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. Plus, we want all cash.

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. Home buyers realize this. That's why they're eager to buy when a seller offers it. It's a great feeling to successfully close the sale of your home. Owner financing can make it happen.

Before becoming the owner of a 'note'

Let's describe the three basic contracts used to secure 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 payments. The note states all 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. They make the monthly payments, (to you).

2. The Trustee: The trustee holds the deed to the house until the balance is paid. If the trust deed goes into default, 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 the beneficiary (you).

You're referred to as the beneficiary. The beneficiary is the owner of the trust deed & note. They have all rights to the money owed, 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 by the person making the payments and 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; real estate contract, property sale agreement, purchase contract or contract for deed. They all mean the same thing. No promissory note is used. All 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. This is different to the previous two examples in that the buyer gets title when using a trust deed or a mortgage before paying off the loan**.**

Some home-sellers therefore prefer land sale contracts because they can hold title. If they ever had to foreclose the process is easier. Seek the advice of your attorney on this**.** Once again your realtor would be a good resource**.**

As a note owner you'll 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 and you'll see how much is interest and how much is principle**.**

The interest information is important for two reasons:

1. You must declare earned interest on you income taxes.
2. You need to provide the total interest figured to your buyer. They can file it with their income taxes.

Have your attorney, realtor or title company run you an amortization schedule.

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

If your payments are collected for you by a bank or escrow company, a record is being made when the payments are received. If you need the information they'll provide a copy for you.

Some note owners may not have a collection account. The payment is sent directly to them. Save something that proves you're getting the payments on time. For example, the deposit slip from your bank. Don't wait around one or two days before putting the check in. Deposit it right away so that the payment date is recorded on the receipt. 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, plus the date. This is excellent proof.

A note can give you a steady monthly income over several years. However, it's a long term commitment. There are times when that commitment can become a little boring, especially when the need for cash comes up. Your note is an asset worth thousands of dollars in one lump sum. You can sell it for cash or borrow against it.

Borrowing against your note: Pledging your note as collateral to borrow money is called 'hypothecating' the loan. Lending institutions will probably loan 75% of the remaining face value. Getting a loan solely on the strength of your note requires it to have high value. We'll explain the value factors it must have in a few moments. Your success in obtaining a loan will depend on the strength of you 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've got to prove you can make the bank payments with the monthly proceeds from your note.

However, borrowing against the note can be a plus for you. Let's say the money you borrow from the bank against your note, requires you to make a monthly payment of $675.00 and 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.

Figure out 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 jump.

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

There are a number of profitable ways to sell a note. First, we want to cover the criteria a note 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. There are no two exactly alike. One contract may be written at 10%, another at 11%. One contract may be secured by a home, another by an apartment building. Each situation is different. Each contract is analyzed on the individual merits.

Note prices are not arrived at like in the stock market. It's based on what someone is willing to pay for the individual note.

A note'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. The faster the money comes in the more it is worth.

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

3. Down payment on home 10% to 20% is what note buyers like to see.

4. Does the note fully amortize or is there a balloon payment? If a contract fully amortizes, it spreads out over 10, 15 or maybe 20 years. A balloon means 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 etc.?

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

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 note is secured by a house, note buyers usually are satisfied with an 80% loan-to-value ratio. Of course, the lower the loan to valve the better.

8. Payment history of the note. Are payments being made on time? How many payments have you received so far? Note buyers pay more for seasoned notes. You may want to receive some payments before selling. We'll show you how it works below.

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

10. Note buyers pay more for notes during periods of low interest and low inflation. Most of the time note 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 homes, owner occupied are likely to keep up the payments. If it's a rental and times get tough, it's easy to walk away. People are more attached to their personal residence.

The bottom line: The most valuable notes are secured by sound property, healthy down payments, short pay back terms, good loan-to-value ratios, good payment history, and several payments made, owner occupied who is responsible, and available in a period of low interest and low inflation.

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

EXAMPLE ONE

The contract or note is in first position. The security is a single family house. The person making the payments lives in the house.

Selling price...$100,000.00
Down payment $21,000.00
Remaining balance amortized 20 yrs.................................... ....$79,000.00
Interest rate...10%
Monthly payment...$762.37
48 payments have already been made totaling............................$36,593.76
Current remaining principal balance owed on the note.................$72,890.71

There is 16 years worth of payments remaining to be paid on the note.
The note buyer decides to buy this note for $63,500.00 cash. This is a good price for this note. The qualifications are perfect.

A good down payment was made. Loan-to-value ratio is excellent, right around the 70% mark.

The note is secured by a house, and its owner occupied. This note has a remaining balance of $72,890.71. Why is the note buyer offering less than what is owed?

Note buyers are legitimate business people. They want to buy your contract. They'll 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's not like investing in a CD, or government bond. These instruments pay automatically without any hassles.

Notes, however, do carry some risk. Some of the risks the note buyer must consider are:

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

2. Will the house be well maintained?

3. Will the market value of the house remain stable?

4. Will the home buyer pay their property taxes when they come due?

5. Will the buyer always keep home damage insurance in force?

6. There's the possibility of default. No one has the ability to guarantee the future. Contracts that go into default are real hassles. Foreclosure is expensive. A note buyer would rather have a root canal than foreclose.

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

The second reason for the discount is due to money's value over a period of time. This is an economic principal that needs to be clearly understood. A contract is a cash flow spread out over several years. It's not an appreciating asset. Each monthly payment is being paid with deflating dollars.

What are deflating dollars?

We all understand the realities of inflation. Inflation means a steady increase over time of the costs of goods and services. If the costs of goods and services are going up in the future, and a dollar is gradually losing its purchasing power, the note 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 note buyer has a chance of keeping the cash flow even with inflation. How much discount is required depends how long the contract is spread over time. A 10 year contract won't require the same discount as that of a 20 year contract. The faster the money is paid back the more its worth.

The time value of money 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 they 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 eating out 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 everyday dollars are deflating. They will not buy in the future what they can buy today.

A visual example of the time value of money:

Picture the two of us sitting at a table. I tell you that I want to give you some money. I put a five hundred dollar bill and a thousand dollar bill side-by-side on the table. You can either take the five hundred or the thousand. We would all take the thousand, right? There's a stipulation if you take the thousand. You have to wait ten years to receive it.

Now, which bill do you want? The five hundred of course. 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 note buyer thinks the same thing.

The current face value of a note could be $60,000.00. But what will those deflating dollars from the monthly payments be worth in the future? The note 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 it's still pretty hard to accept the discount when the note is sold. Can I come out better"? Yes, absolutely. There are several ways to structure the sale to your advantage.

Let's review the note we discussed in example one.

Home sold for...$100,000.00
Down payment..$21,000.00
Home seller has received 48 payments of
$762.37for a total of...$36,593.76
Note 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. They've received some payments. You may want to consider this before selling your note.

Let's come up with another offer for this note and make it better for the home seller. When you decide to sell, the best thing you can do for yourself is to tell the contract buyer why you want to sell. This helps them construct an offer that fulfills your needs.

Note buyers always ask this question. Don't feel intimidated. They're trying to determine how to give you the highest dollar value. Understanding why you're selling helps the note buyer achieve this.

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

Whatever the reasons explain them to the note buyer. Tell them how much cash it will take to fulfill your need. This information will help the contract buyer work up an offer that's right for you.

Let's make a different offer on example one that makes it better for the home seller. All the figures are the same except the offer in cash from the note buyer.
Assume the seller wants to buy a new house. They need $30,000.00 to open escrow or complete the purchase. The note buyer determines the best way to go would be to purchase a part of the contract, rather than the whole thing.

An offer of $34,500.00 is made for the next 60 payments. This more than fulfills the cash needs of the seller. When the 60 payments go by, the balance remaining will be $60,892.03. The note will be returned to the seller. They will again start collecting the payments. Let's see how it looks.

Home seller received down payment..............................$21,000.00
Seller received 48 payments @ $762.37 totaling..............$36,593.76
Note buyer purchases next 60 payments for.....................$34,500.00
Total cash to home seller so far……………………………$92,093.76
After 60 payments the contract is returned to
the home-seller with remaining balance of.........................$60,892.03
and the home-seller starts to again receive payments of….. $ 762.37.

When you add the total cash to the seller, plus, the remaining balance after 60 payments, it totals $152,985.79. And don't forget the interest they'll earn on the remaining balance.

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

Let's look at another way the seller could do better. Again, we're dealing with the same note we started with. The seller indicates they want to raise a lump sum of cash from the contract. However, they also want 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 note buyer offers $32,500.00 for the right to receive half of the monthly payment for the life of the contract. The monthly payment is $762.37. Half is $381.19.

Let's see how this offer looks.

Down payment to sellers..$21,000.00
Seller received 48 payments totaling............................$36,593.76
Note 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 up totals $163,282.24.

Remember the house sold for $100,000.00. therefore that's a nice deal for the seller.

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

Let's assume this note has a balloon payment due in the tenth year. The note buyer could purchase the remaining payments only. The seller could keep the balloon for themselves. The note buyer could also offer to buy half of the remaining payments.

Again, the seller could keep the balloon and continue to receive half the payment for the life of the contract.

What about a second mortgage note?

The cash value of a second mortgage is determined by the same qualifications that determine value of any note. Was there a good down payment? How many payments have been made so far? Is the real estate a house that's owner occupied? How large a dollar figure remains on the first mortgage?

What's important is, the loan-to-value ratio, is it good?

Here's what a good second mortgage looks like:

Home sells for...................................$100,000.00
Down payment....................................$22,000.00
Money owed on home sellers
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.

Example of a second mortgage note that would be hard to sell.

Home sells for..$100,000.00
Down payment..$5,000.00
Money owed on home sellers 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

There are two problems with this deal. The loan-to-value on the home is 95% is way too high. The remaining balance on the first mortgage is huge $87,000.00. If the note buyer had to foreclose, 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, determines the cash value of a second mortgage. These are just a few examples of how a home seller can convert the note to cash.

Remember, no two notes are exactly alike. Go over your situation carefully with the note buyer. Work up a plan that makes sense for you and one that you feel comfortable with.

When you and the note buyer agree on a price, they will instruct you on what they require to close the deal. The note 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 note goes into default. No one wants this to happen. The truth is there's no way to predict the future. 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 you payments, we would recommend the following ideas:

1. See your attorney immediately for guidance.

2. Go look the house over on the outside. Is the lawn mowed? Is the house well maintained on the outside? People who keep their house maintained on the outside normally do the same inside. If this is the case, our opinion is you're dealing with a responsible person.

Under the guidance of your attorney, talk with the home buyer that has defaulted. 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 giving them the chance to close the sale because this will get you paid off instantly they close.

Perhaps restructuring the note might solve the problem. Whenever you restructure a note always look to obtaining some additional benefit such as additional collateral, like stocks, bonds or other property etc. This might include an additional signer on the note. Of course, your personal financial obligations and needs determine what you can and cannot do.

Here’s an experience that shows how something can be worked out. A home seller called with a problem on a balloon payment. The person paying on their note couldn't secure financing to pay it off. We 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. We suggested they extend the balloon for a period of time. Don't foreclose. You have a responsible person paying you on this contract.

The problem was the home-seller was counting on receiving the balloon for business reasons. We suggested they drop the balloon, and turn the remaining balance into monthly payments that spread out over seven years. A note buyer will easily buy this remaining payment stream. The home-seller did this and got their cash. The buyer was delighted. Everything worked out. All parties involved got what they desired.

Naturally, every case is different. But this shows how there can be some alternatives to foreclosure. Many times a note 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 you'll have to start to foreclosure. Have your attorney quickly start the process.

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

There are note buyers who purchase contracts in default. They're 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.

We hope you have benefited and gained new knowledge from this report. Call the contact number on the inside back cover with your additional questions. If you want to sell your note they'll help you find the best buyer for your note.

If you're going to sell additional real estate using owner financing, call and get some suggestions on the terms to put in the seller financing contract. These suggestions can give your note a high cash value should you want to sell.

The note, secured by your house, is worth thousands of dollars in a lump sum of cash. It doesn't matter if it's new, or one that's had some payments made. Each note has its own characteristics that give it a cash value. Based on your needs, a note buyer can tailor unique purchase plans that put you in a winning financial position. Call a note buyer and begin planning out the terms of your note. Discuss your situation and come up with some numbers that make sense for you.

We encourage you to put this information into action now. Set a goal to put that magic sign in your front yard that says it all. SOLD !

Much success in your financial future,

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Appendix

Credit Report Authorization

Owner Carry Back Lender Information

Contacting a Note Buyer

CREDIT REPORT AUTHORIZATION AND RELEASE

Authorization is hereby granted to ____ to obtain a standard factual data credit report through a credit reporting agency chosen by ____ .

My signature below authorizes the release to the credit reporting agency a copy of my credit application, and authorizes the credit reporting agency to obtain information regarding my employment, savings accounts, and outstanding credit accounts (mortgages, auto loans, personal loans, charge cards, credit unions, etc). Authorization is further granted to the reporting agency to use a photostatic reproduction of this authorization if necessary to obtain any information regarding the above mentioned information.

Applicants hereby request a copy of the credit report obtained with any possible derogatory information be sent to the address of present residence, and holds ____ and any credit reporting organization harmless in so mailing the copy requested.

Any reproduction of this credit report authorization and release made by reliable means (for example, photocopy or facsimile) is considered an original.

Borrower's Signature	Date	Borrower's Signature	Date
Borrower's Signature	Date	Borrower's Signature	Date

GENESIS 2000, INC. * V9.3/W11.0 * (818) 223-3260 Form CRAR (03/95)

Owner Carry-Back Lender Information

Please provide ALL the following information so that an offer can be expedited

Applicants Name:________________________ Current Occupation__________________________

Street Address___________________________ Applicant's Employer:________________________

City:_________________State____Zip_______ Address:___________________________________

Home Telephone:________________Cell________________ Phone:________________________

How long at Current Address________________ Annual Income:$________________________

Drivers License No:___________________State:_____ SSN No:____________________________

Date Of Birth:______/_______/________ Birth State:___________________________

Credit of Payer __ Excellent __ Good __ Bad __ Unknown. CREDIT Score:______

1. Original Selling Price____________________________Date of Sale_____/_____/____
2. Down Payment _________________________________
3. Original Note Balance ____________________________
4. Months / Years Financed ____________________ Interest Rate __________________
5. Monthly Payment ______________________
6. Balloon Yes or No? If yes Date __________ ______Amount _____________________
7. Date of First Payment ____________ Current Appraised Value __________________
8. Current Balance ______________________
9. Owner Occupied? Yes or No
10. Underlying Balance Yes or No - If yes, Amt. ____________
11. Property Type:

___ Single Family Res. ___ Duplex/Four-plex. ___ Condo/Town home

Other____

12. ___ Deed of Trust ___ Mortgage ___ Land Contract ___ Contract for Deed
13. Title Policy Yes or No
14. Property Address:____
15. Legal Description:____

16 Comments: ____

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NOTE BUYING PARAMETERS:

In order to get the highest value, the following parameters are a good guide. Most first position notes will be considered. The four main factors determining value is; **Equity**, **Seasoning**, **Interest Rate & Credit**. If I could manufacture a note the following parameters would create the most safety and therefore the highest value: This does not mean anything else will not be considered. Submit what you have. I will always give you a quote. Ideally this is what I would like to see…

- Buyer (owner-occupant) credit - **625**+ is best
- Buyer down payment - **10%** or more is obviously better
- Single family detached residence
- Collateral in good condition
- Creation of a first lien mortgage at **80% LTV** and 20% balance made up of buyer down or Seller carry-back second (reason is that 80% first will be discounted much less than an 85-95% LTV first)
- Interest – **8 to10%** depending upon credit
- Term up to 15 years… Or
- Terms 15 - 30 yr amortization, (with 5 -10 year balloon)
- Front end debt-income ratio **27- 30%** and back end no more than 50%
- No foreclosures past **3 yrs** and no bankruptcy past **2 yrs** (for the buyer)
- Monthly household income **$2,500/mo** gross or more
- History of at least two payments
- Mortgagee **title policy**
- **BPO** or appraisal.

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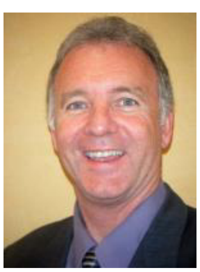

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