



Methods To Buying Or Refinancing Properties

Let's say that I wanted to sell 10 properties at 85% or 90% of appraised value. This method will still work, but the buyer will have to come up with 5% or 10% down (plus closing costs). This may be advisable if the buyer wants to buy all 10 properties, but doesn't have enough money to put down 20% on all 10. This may be an advisable strategy if the buyer simply wants to leverage their money further without having standard 90% loans with PMI.

This method, if done correctly, will save the new owner hundreds or thousands of dollars when compared with obtaining 100% financing on investment properties. The interest rate should be substantially lower, the closing costs should be less, and there will not be private mortgage insurance. If you are the seller, you might say that this does not benefit you.

However, if you and the buyer have trust and are willing together, you should be on the same team; since you are saving the buyer hundreds or thousands of dollars, they should be more likely to buy from you in the future. They are more likely to cash flow on their rentals, and they are more likely to be successful in the business. You want others to be successful. If it is good for them, it is good for you. If they don't make money, they will probably not buy another property from you.

If you are looking to buy properties in this way, and if you are looking for sellers to work with you on this program, you may or may not have success. It all depends on the seller's trust of your ability to do what you say and to get financing. A business plan with full detailed intentions will help you in this regard. Sellers will innately be weary of this method because you are asking them to carry financing with no money down – something that few sellers are willing or able to do, even if it is just a few months.

Secondly, because they may feel like they are taking a risk, they may be unwilling to sell at a 20% discount. Thus, you might not be able to purchase at a discount that makes sense. I assure you that if you contact enough sellers, you will find dozens who are willing to do this. It's all about their motivation to sell.

Buying a property for no money down and favorable terms simply means that you have better terms than other methods of buying no money down. It does not mean that it is a good deal. It is difficult to cash flow immediately when you have 80% financing on a property – especially if you are buying single family housing.

Perhaps you should look for sellers who are willing to sell at a 25 or 30% discount. After all, there is not a shortage of sellers and landlords willing to sell at a 25 or 30% discount. It is entirely dependent on your local market and experience. If you don't know whether it is a deep enough discount, I would not buy yet. Keep getting experience.

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