

# CREATIVE MORTGAGE TALK

A Periodic Newsletter on Creative Financing

Published by:

**CASH NOW FINANCIAL CORP.**

5313 Arctic Blvd., Suite 206

Anchorage, Alaska 99518

Phone (907) 279-8551 FAX (907) 274-7630

Website: [www.cash4you.net](http://www.cash4you.net) E-mail: [kgain4cash@msn.com](mailto:kgain4cash@msn.com)



Ken Gain, President

Volume XV No. 8

Issue #163

May/June 2009

## QUALIFYING FOR LOW INTEREST LOANS

In the last issue, I discussed the fact that we are now enjoying record low interest rates and that many Buyers may make the mistake of holding out for lower prices and thereby miss the opportunity to enjoy the savings of record low interest rates.

There is no question that getting a fixed rate mortgage at today's low interest rates, may be the opportunity of a lifetime. Unfortunately, not every borrower will qualify for these bargain rates. After the horrendous losses Lenders have incurred in recent years, they have now returned to traditional underwriting and want to lend only to Borrowers who have good credit, who have made a down payment, and who can demonstrate that they have sufficient income to make the payments. There is little that you can do to change a Borrower's credit rating or their income, but with the use of the principles of Creative Financing, there is a lot that you may be able to do about the down payment!

By increasing the down payment, the amount to be borrowed decreases and therefore the monthly payments are lower and a Buyer who may not qualify for the maximum loan, may qualify for a smaller loan by making a large down payment. This is particularly important if the loan to value ratio can be reduced to 80% or less since it will be no longer necessary to get mortgage insurance and underwriting standards are easier for a Buyer with 20% down. Many surveys of the obstacles to home ownership have identified the lack of down payment or the lack of sufficient down payment as the major problem. Yet many people have a greater capacity to make down payments than they realize.

## HIDDEN SOURCES OF DOWN PAYMENTS.

To determine if a prospective Buyer has "hidden sources of down payments" of which they are not aware, it is important that you ask each Buyer two magic questions:

- *What do you own that you are willing to sell to buy the real estate that you want?*
- *Is there any reason you wouldn't trade that for real estate that you want?*

The answers to these questions will often disclose many items that can be sold to raise money for the down payment or that can be directly bartered to the Seller or accepted by the Licensee as all or part of the commission.

### WORDS OF WISDOM

*"You've got to use what you have to get what you need to get what you want!"*

Peter Fortunato

Listed below are some of the most common "hidden sources of down payment." Some of these may not meet the requirements of the Lender, so when you have identified sources of down payment, be sure to check with the Lender to see that they will be allowable. However, remember that every one of these sources will work if the purchase is being financed using Seller Financing. **For every transaction be sure explore the following options:**

- **Real Estate Exchanges:** Many people think of real estate exchanges only for the purpose of deferring income tax, but anyone who has equity in real estate can exchange it as a portion of the down payment for another property. It isn't necessary for the Seller to actually take title to the exchanged property as it can be offered as a three way exchange in which a cash Buyer buys the exchange

For CASH NOW - - Visit Our Website: [www.cash4you.net](http://www.cash4you.net)  
For Mortgage Investments: [www.investinmortgages.net](http://www.investinmortgages.net)

property at closing to provide the down payment for the new property being acquired. Or the Licensee can accept the equity as all or part of the commission. I once did this to earn a sizable commission on a property that would have been foreclosed upon within a week if we had not made the transaction. To make the transaction, I accepted the equity in an 8-plex at a value 50% greater than then a typical commission, but since the Buyer's equity in the 8-plex was greater than the commission and since there was still a need for cash to close the transaction, I took out a home equity loan on my house and contributed cash to the transaction. I realize that for the Licensee to borrow money to make a transaction work may not be the ideal method of making a transaction, but sometimes it is worth the extra effort.

- Personal property for real estate. Some of the more common examples would be boats, snow-machines, recreational vehicles, automobiles, jewelry, coin collections, or any other useful and valuable personal property.
- Services for real estate (*one of the more creative uses of exchanging services for real estate was a real estate developer who had his barber provide him with a number of certificates good for one haircut as a down payment on a lot purchased by the barber*).
- Sweat equity. This is actually a form of exchanging services for real estate but it involves the Buyers performing work to repair or improve the value of the property being purchased. Sweat equity arrangements should always be secured by a performance based Deed of Trust, unless completed before transfer of title.
- Debt for real estate. Some of the more common forms of debt that are bartered for the purchase of real estate include the following:
  - Exchanging a Deed of Trust, which the Buyers hold on property previously sold, as part of the purchase price.
  - Creating a new Deed of Trust against equity in property that the Buyers already own and exchanging it as part of the purchase price.

- Creating a Deed of Trust on property owned by others and exchanging it as part of the purchase price for the property being purchased. (*A good use of this technique is when parents want to help their children acquire property. They can create a Deed of Trust against their property and the children can exchange that as part of the purchase price of the property they desire*).
- Stocks bonds or other securities owned by the Buyer.
- **Grants and Gifts:** There are a number of charitable organizations that now specialize in making grants and gifts to Buyers for down payments to purchase property. In addition to these charitable organizations it is possible for Buyers to get a gift from relatives and friends.
- **Borrowing the Down Payment:** It is possible to borrow the down payment by financing personal property such as an automobile (*this is the way I raised the down payment to purchase my first piece of real estate*) or refinancing other real estate. Borrowing against equity in other real estate is an excellent way of building a portfolio of investment properties and I have seen this technique used successfully many times. Other good sources of borrowing the down payment, in addition to borrowing from relatives, include borrowing against cash value of an insurance policy due to the fact that it doesn't have to be repaid. It is also possible to borrow cash advances on certain credits cards, although it is important that the Buyers don't overload on debt.
- **Sale of Cash Flows:** Buyers can sell payments that they are receiving on a Deed of Trust, or they can sell payments they are receiving on structured settlement annuities, or they can even sell an inheritance that is tied up in probate to raise the cash to make the down payment.
- **Deferred Commission Notes:** The Buyers can give a note to the Licensee as part of the commission, thereby reducing the need for part of the cash needed as a down payment. Such Notes should always be secured by a Deed of Trust against the Buyers' equity in the property.

- **\$8,000 Income Tax Credit:** For first time home Buyers, the government now allows an \$8,000 Income Tax Credit on purchases before December 1, 2009.
- **IRA's and Pension Plans:** Many pension plans allow plan loans and many IRA's allow withdrawal without penalty for the purpose of purchasing a residence.
- **USE YOUR IMAGINATION:** Remember anything that is of value to the Sellers or to the Licensee can be accepted as a down payment or perhaps can be sold to raise cash for the down payment without the necessity of the Buyer writing a check for the down payment.

To learn more about the subject of Creative Financing, I recommend the following steps:

1. Go to our website: [www.cash4you.net](http://www.cash4you.net) and click on CASH NOW SELLER FINANCING WEBINAR. In this free 20 minute webinar you will be introduced to the techniques needed to overcome Seller reluctance to Seller Financing.
2. For a more detailed introduction to the concepts of Creative Financing go to [www.Cash4You.net](http://www.Cash4You.net) and click on Financing Outside the Box.
3. Read the book "*Owner Will Carry*" which can be purchased at [www.arnettbroadbent.com/ownerwillcarry.html](http://www.arnettbroadbent.com/ownerwillcarry.html) .
4. Read the book, "*How to Finance Any Real Estate, Any Place, Any Time*" which can be purchased at [www.JimMisko.org/books.html](http://www.JimMisko.org/books.html) .

## CASH NOW SELLER FINANCING™

With today's financing, many properties and many Buyers will **not** qualify for a bank loan. The way to sell non-financeable properties is to use Seller Financing. **Buyers love it!** Unfortunately, many Sellers will not consider this effective and time proven financing option because the Buyers' down payment is not enough to meet their needs.

The answer to this dilemma is simple. We will pay **CASH NOW** for Seller Financed Notes with a simultaneous closing so the Sellers walk away from the closing with the cash they need.

### A FREE WEBINAR

To learn more about this concept, visit our website at [www.Cash4You.net](http://www.Cash4You.net) and take our new Webinar titled "**MORE SALES WITH CASH NOW SELLER FINANCING™.**"

THINK POSITIVE,  
MAINTAIN PERSPECTIVE,  
AND YOU WILL DO FINE IN 2009!