

No Money Down Real Estate - Fund All Your Deals With Private Lending!

Contributed by Lou Castillo
Tuesday, 13 December 2005

If you invest in real estate, you need cash to buy houses. Even if you have a full bank account and great credit, you'll eventually run short on funds - or short on time to obtain a loan - for the next deal. Private lending is the answer. It is a bottomless pool of readily accessible funds: whether you have great credit or poor; whether you have cash reserves or not.

{mosbotwordcount}

If you invest in real estate, you need cash to buy houses. Even if you have a full bank account and great credit, you'll eventually run short on funds - or short on time to obtain a loan - for the next deal. Private lending is the answer. It is a bottomless pool of readily accessible funds: whether you have great credit or poor; whether you have cash reserves or not.

{bot_wrgoogle} "Private Lending" refers to the process of borrowing real estate investment funds from private individuals at rates higher than these lenders can normally achieve in the marketplace. The attraction of private lending is the speed and ease of funding a deal.

Here's how it works...first you find or do marketing to find individuals interested in earning 10-12% interest (or whatever you deem affordable for you and attractive to others) on investments secured with real estate. You'll find these prospects everywhere. They belong to your local investors association, your church, your civic club, they're your friends and family, your neighbor next door. You'll be surprised how easily you'll locate them, and soon, they'll be searching you out. Just let everyone know that you pay high interest for their loans on your real estate projects.

As prospects express interest explain that the investments are secured by real estate and do not exceed 75% loan-to-value (LTV) of the after repaired value of the home. Each investment is based on a specific property, and they can decline any property with which they are not comfortable. All you require is that they approve quickly (within 48 hours), and can fund within 7-10 days or less.

Once they have approved the investment, the funds are wired to the closing attorney to be held in escrow. After the closing, the lender will receive a Promissory Note from you (either personally, from your business entity, or both), a Deed To Secure Debt (mortgage) on the property, lenders' title insurance, and listed as a mortgagee on the hazard insurance policy.

If no single investor can fund the entire investment, then piece several loans together by providing the largest investor with a first position mortgage, and each smaller investor a progressively subordinate (2nd, 3rd, etc.) mortgage. Typically, we pay an additional percentage on the interest rate to entice investors who accept subordinate positions.

The advantages of private lending are that there is a minimal approval process, and so availability of funds is quick. You pay interest only, instead of also incurring a loan origination fee commonly known as "points". You are never constrained by arbitrary rules as to how many mortgages you can have in your name. In fact, none of these mortgages ever show up

on your credit report. In turn, the private lender receives a higher interest rate with a very secure investment. Everyone wins!

Now you may be wondering how many people you know really have \$75k - \$100k - \$150,000 just lying around ready to invest. More than you think - and most of them don't even realize it! That's because the money is tied up in their IRA's which they believe can't be accessed until retirement. That's only half true. They can't personally withdraw the money without suffering penalties; but they can invest their funds (and receive your interest tax-free! if it's a ROTH IRA) if they rollover into a self-directing IRA.

A self-directed IRA is administered by a third party institution (we recommend Equity Trust Company in Ohio www.trustetc.com) and allows the IRA owner to make decisions relative to the investment of the funds. In other words, the IRA owner can decide to use his IRA funds to make a real estate investment in your property. Most people do not even realize this as a possibility. They believe their money must stay tied up in an IRA until retirement earning nominal interest. Imagine how thrilled they are when you provide this alternative! Imagine how much money is currently sitting in traditional IRA's that you could tap into. There are more funds available than you can use. Isn't that a nice problem to have?

Since Equity Trust Company has all of the forms on their website, I ensure that making a loan is as simple as possible for my private lenders. I prepare all of the required documents so all they have to do is sign and fax to Equity Trust. From that point on, the private lender has nothing else to do. Simple. Easy. Their next task is approving the payoff when the loan is re-paid. Because the loan process is so simple, and the interest rate so favorable, investors are always begging to re-invest. This truly is a bottomless pool of investment cash.

Don't forget that if you have cash in an IRA, you can also increase the interest you're earning by becoming a private lender. You can not invest in any property or company in which you or your family have a vested interest, but you can invest in the projects of other investors which you know and trust. It's a great way to leap frog your IRA.

Have a rich week,

Lou

About the author

FREE! Real Estate Investing Secrets To Earning \$100,000 Your 1st Year! -- 11 Overlooked Real Estate Strategies That Will Turn Your Investing Business upside Down And On The Fast Track TO Success...Guaranteed! Plus A Bonus Track With A Secret So Successful It Can Double Your Investing Income Overnight!

<http://www.InvestorSuccessTactics.com>

{moscomment}