# Why You Can't Sell Your House

## How to Sell Your House When It Won't Sell

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# Section 1

*A Little Background First*

## Chapter 1

*Banks Aren't Writing Checks Like They Used To*

Before the housing market crashed, money was cheap and credit was easy to come by. If you had a pulse, you could get a loan. Heck, you didn't even have to prove that you had income to get a loan. You could get what was called at the time a *Stated Income* loan. These types of loans were, for good reason, called a *liars* loan.

No one bothered to check to see whether your income was real or not. The banks just wanted your money. So borrowers would just state whatever income they needed to get qualified for a loan and the loan was granted.

Even worse, some banks would lend on the entire purchase price (100% financing). In some ridiculous cases, banks would loan up to 125% of the house's value. They were banking that prices would continue to increase in value forever.

**Why Is This Important to Know?**

Well for starters, your income—your ability to replay a loan—determines how much you're eligible to borrow. If you make it up, when push comes to shove *and* you **don't** have the means necessary to pay back your debt you default on that loan.

Was that a big concern at the time? No. Because housing prices kept climbing.

If someone defaulted on their mortgage, the bank would simply take your back and sell it for a profit. This wasn't a concern for anyone because the market was so hot that the likelihood of a bank having to take back your property to resell it after all their legal fees and *still* make a profit was extremely high.

So banks got greedy. They wanted to write as many loans as possible and make as much money as possible. They saw no risk in giving loans to anyone who would ask. In fact, mortgage companies spent millions in advertising because they were making millions.

Then, in 2006, the Credit Crisis hit and things started to get a bit shaky. By 2007, lenders saw that there was going to be a huge reversal and banks tightened up their lending guidelines and criteria. By then, it was *too* late.

In 2008, we saw the housing bubble pop and the housing market crumble right before our eyes. In one fell swoop, trillions of dollars of home equity was wiped clean. Millions lost their jobs and filed for bankruptcy, exacerbating the problem.

**What Seemed Like an Already Terrible Situation Only Got Worse.**

Okay, so why aren't banks writing checks like they used to?

To understand this part of the problem, you need to understand how banks make their money.

Many people believe that banks make their money from the interest they charge on each loan. That's not true. They make their money from the loan origination fee and other fees they charge to write the loan.

Banks don't keep the loans they write. They sell them off to what's called the Secondary Market. The Secondary Market is where mortgages are sold as mortgage backed security bonds to investors like Freddie Mac and Fannie Mae.

As soon as the loan is sold, the bank would turn around and loan the money back out again. They would do this process again and again.

It was a very profitable venture.  However, where banks were able to write 30 or 40 loans a month before the crash, they're only able to do a fraction of that.

Why?

The reason is because the Secondary Market stopped purchasing any and all mortgages that weren't the best of the best. We're talking about loans with borrowers who have a perfect credit history, impeccable income and very little debt-to-income ratio (the ratio between how much you make and how much you owe monthly).

Even then, these borrowers still have to have a significant down payment before they're even considered for a mortgage. Gone are the days of 100% financing for a house, unless you're military. And even then you *still* have to have good credit, income and debt-to-income ratio.

I can't tell you how many people with great income and down payment who've been rejected for a loan for one reason or another. **Banks just aren't writing checks like they used to.**

**What Does This Mean for You?**

Well, this means that your house is going to sit on the market a LOT longer than you'd like it to. Unless you do something really special with it. And by special I don't mean drop the price so much that you walk away with nothing. Or worse… end up paying someone to purchase it from you.

When money gets tight and banks are stingy with who they decide to loan money to, you need to be flexible and creative when it comes to selling your house.

Relying on a realtor in this case can be a bad move financially. Most realtors only know how to sell your house to two kinds of buyers:

1) All cash buyers and
2) Bank qualified buyers.

Both are rare finds these days.

# Chapter 2

*Playing the Price Game*

Because realtors only know how to sell to all cash buyers or bank qualified buyers, they rely on price to sell your house. If your house hasn't sold, it's because it's *too* expensive, they'll tell you.

This simply isn't the case. But for them it is. Because that's all they know.

Dropping the price should be your *last* option. However, because it's easy to do, it's usually the first idea that gets tossed around.

Sometimes, it's because a realtor wants to get paid quickly and a sure fire way to do that is to lower the price of your home until someone bites.

**As You Can See, It's Not Always About You Making Money, But Them.**

Now, don't get me wrong. Price does have some merit to who's buying and who's not in the conventional lending world.

Most people haven't purchased a house before or they've only purchased one or two. They haven't purchased hundreds. And because they haven't purchased hundreds, they default by nature to one thing they know how to compare each house against. **Price.**

You see, price is the easiest thing to compare. Total sales price, price per square foot, etc.

In my world, these restrictions *don't* exist. It's not that price isn't a factor because it is. However, it's not the *main* consideration. In many instances, we don't discuss the sales prices until *well* after a buyer decided to take the home.

**Imagine That.**

A few things to consider when focusing on price is that there are *no* two houses alike. There are no two houses alike, just like there are no two humans that are alike. Each one has it's own unique advantages and disadvantages.

**A word of warning:** If you're toying with the idea of lowering your asking price to entice more buyers to take a look or make an offer on your house, be careful *not* to lower it so much that you end up having to come out of pocket to satisfy any costs that don't get covered by the new loan or worse, end up doing a short sale.

A short sale, while some realtors push for it, can hurt your credit and in some cases have you owning money to the IRS. You could end up owing money because any debt forgiven by a lender is considered a gift. And financial gifts are *almost* always considered income to the IRS.

**What's a Short Sale?**

It's when you sell your house for less than what is owed. When you come up "short" on what you owe back to the bank. That's a short sale.

Another thing to consider is how other home sales have affected the value of your home. Lenders today will NOT lend on more than 100% of the home value and many won't lend on more than 80% of the total value of your house.

This is a risk based decision. Something that went out the window when they were giving money away before the crash.

For example:

If your home is worth $100,000, a lender might not loan more than $80,000. That means that the person will have to come up with the remaining $20,000 or 20% down plus closing costs which can run another $5,000-$7,000.

To make things worse, because there have been so many foreclosures, short sales and people just wanting to get out from under their house by selling it dirt cheap, it's hurt the value of your house.

To the point that you might not be able to sell because you owe more than what the market is willing to pay or what a bank is wiling to loan against it.

Let's say that in your neighborhood where your home is worth $100,000, the average sales price has been $75,000. This is more common than you might be willing to admit.

Let's say that you owe $89,000.

**What Are You Going to Do?**

Up till now, you only had a few options.

1) Stay put
2) Hold out for the market to rebound or a cash buyer to fall in love with your home and ignore all the other *better* deals out there
3) Sell it short or for less than what you owe (short sale)
4) Walk away and get foreclosure on your record and destroy your credit in the process

Let me interject here that in *most* cases, the houses that I buy from sellers get full asking price. Even if their house is worth more than what the market is willing to pay or says that it's worth.

In some cases they even get *more*, but we'll discuss more about that later.

First, let's go over some of the things you can do to help your home sell if you're still wanting to sell it in the traditional way using bank financing.

# Section 2

*What to Do When Your House Won't Sell*

## Chapter 3

*Price It Right*

There are hot sellers markets and slow buyers markets in real estate.

It's *your* job to know which market you're in *and* what to expect from it. Ultimately, it's best to assume that you won't sell your house quickly and to make your housing and moving plans based on that.

In the meantime, here are several tips and ways to get your house sold or at least temporarily off your back so you can move forward with your life.

We already talked about price in the previous chapter. But let me elaborate more on that here.

It’s a very common mistake for you as the seller to overprice your home.

Reasons can range from greed to just plain ignorance. Or you’re afraid you’ll sell it for too low and look like a sucker to all your friends, family and co-workers.

The truth of the matter is that it's very difficult to ***underprice*** a property. If the price is too low, buyers will bid it up to current market prices with multiple offers. Just like they do in a hot market. If your house is hot, it *too* will be bid up.

However, if you are going to drop the price, let me give you this advice.

One large price reduction is always better than lowering the price in small increments over time. Your pricing history is public record and you don’t want to look like you’re tip toeing around the market looking for bites. You want to look like a motivated seller looking to sell.

However, if you’re already there, I’ll touch on how to do this strategically later on in this chapter.

**How Do You Know If Your Home Is Over Priced?**

In an overcrowded housing market, overpriced homes won't get any showings.

Period.

So you’ll need to be strategic here.

Getting past the frustration of not selling your home is the *first* step.

Once you clearly state and accept the problem for what it is, you’ll be free to develop strategies and select the best option for you and your family.

It’s important to remember that money (and time) put into a house really won’t increase the purchase price much, *especially* in a down market.

The problem is, when the housing market is experiencing a glut of houses for sale, the price point where you can sell your home is likely to be far less than you’d like. In most cases, it could even be less than you paid for the house.

If you keep dropping the price hoping to get it sold, you really have to count the costs.

There is a real reluctance to sell a house for less than you paid for it and a greater reluctance to bring money to table as the seller.

I get that.

But you must also consider every month's payment that the house sits vacant as part of *that* cost.

**Houses sell for two reasons:**

**1) Price and**
**2) Quality.**

Part of that quality could be that the house is outdated or something is wrong (e.g. plumbing, roof, structural issues, etc.).

However, I don't want to get ahead of myself. We're focusing on price at the moment. We'll get to the quality of your house in just a little bit.

But remember, if you can't afford to sell your house for less than you paid, you're *not* without options. I've bought and sold houses over priced and over leveraged and *still* made a profit.

You just need to know what you're doing.

If you want to figure things out for yourself, here's a good place to start.

We all know that even the most obsolete home with the most terrible lot will sell if the price is knocked down *low* enough.

Since you're not funding a charity by giving your house away and aren't looking for tax deductions (more on this later), your goal and challenge is to find the sweet spot. The magic number between the ridiculously overpriced and the insanely under priced.

**Price Dropping Rule of Thumb**

1) If you have a house to sell, and you're getting showings but not offers, you should consider dropping the price of 3-5% to see if the perception of buyers changes.

2) If you aren't even *getting* showings, then you need to make a more drastic price drop.

A 10% price drop will expose you to a different group of buyers who couldn't previously afford your home.

The goal in mind when you drop your price is to look like the best house at that price point, rather than the average or below average house to a more affluent buyer.

The goal is to drop it so that someone will make you an offer. Someone that would have thought your house to be overpriced before, but now believes it to be a great deal.

**Price It to Sell, Not to Sit**

Like it or not, the market dictates how much you get for your home, regardless of how much you think you're home is *really* worth.

Buyers will be looking at comparable homes in your area and seeing how yours stacks up. If your asking price is much higher, it will work against you. But you already know that by now.

Remember, your house is *really* only worth what people are willing to pay for it. By the end of this book I’ll show you how to sell it for more than what it’s worth to willing buyers.

**Anything Will Sell, For the *Right* Price. You Just Have to Know How to Sell It the *Right* Way.**

Let’s return to our exercise…

How serious are you about making sure you have the right price? How much work are you willing to do?

The first thing you’ll have to do is to take a good look at *all* the properties that sold last year that were in *any* way similar to yours.

So if you have a 1,400 square foot home on a level lot with a two-car garage on half an acre, you’ll want to pull up every other home around your neighborhood with similar characteristics that sold in the last year.

Then look at each one, with all its photos and descriptive data including the original asking price.

What you’re looking for is the actual selling price and how many days it was on the market *before* it sold.

Once you have this level of detail, you will start to truly understand values in your local market for your kind of property.

**Keep Your Eye on the Prize**

Houses **sold** are the only successes in the marketplace. They're the most important metric to pay attention to.

I say this, because this is where *real* buyers stepped up with *real* money and went through the major hassle of signing documents, obtaining loans and performing the long list of tasks required to close a house.

This is *no* small matter.

For many, it's the largest financial transaction of their lives.

The **second** thing you need to do is pull the listing detail sheet on any *current* pending property that resembles yours in your neighborhood.

If you find a lot of similar properties to look at, you're in luck. If you find nothing similar at all, you may have a real challenge determining a price that the market will consider fair.

**Look at each listing in detail, including all the pictures, the description, the number of rooms, lot size, amenities, age, condition, views and number of days on the market.**

Pendings will tell you what kind of properties motivated actual buyers to go through the serious hassle of writing up an offer.

They tell you what the market is currently responding to.

These are the clues you must pay attention to if you're serious about selling your house in whatever market you happen to be in.

This is what I do when looking at a house to purchase as an investment for my company.

**How Bad Do You Want to Sell Your House?**

Do you want to keep every penny possible? Or is it not worth the hassle and you'd rather just keep lowering the price until someone bites?

**Even better…** *Get in the car, put your buyer's hat on and go see the competition. Drive around and investigate the other houses on the market.*

In any given marketplace, you'll see a wide range of houses, their condition and more important, their price. You'll say to yourself any where between,
*Wow-that-won't-last-long* to *Oh-my-goodness-what-is-that-seller-smoking?*

In all of this, you'll notice that properties **marked-to-market** move quickly. Properties **marked-to-fantasy** languish.

**Think of It This Way: Everything Offered for Sale on the Market is a Failure Until it Sells.**

And right now, your house is a failure.

If your listing expires? FAIL.

Offer withdrawn? FAIL.

Falls out of contract? FAIL.

Still offered for sale at the end of each month? FAIL, FAIL, FAIL.

Sure, not everything sells. That still doesn't help you.

In fact, depending on which market segment you're in, it may be common for 85% of all properties to fail to sell in any given month.

Once you've taken a good, long, hard look at what sold recently, what's gone into escrow and what your competitors are asking for similar properties (keeping in mind that these are fantasy prices until somebody makes an offer that is accepted and closes), it's time to face reality.

That means if you're serious about selling, it's time to adjust the price and lower it. Or at least, that's what a Realtor® would tell you to do.

But why settle and take less. Even if the market is calling for it. There **is** a better way.

The other thing you should look at before making a price adjustment is the number of showings your property has received since it's been on the market.

**Showings are an Important Indicator of Buyer Interest.**

Think about it from the buyer's point of view.

It's kind of a pain to get in a car with an agent and go see a bunch of houses, especially if you're a buyer with a busy life and limited time. So when buyers pick houses, or when agents pick houses for buyers to see, they inevitably pick those that represent the best value.

Because nobody wants to waste time.

**If your house is perceived as overpriced, no amount of print, online or open house exposure is going to entice a buyer to walk through your door to take a look. It's not worth *their* time.**

So if your house has received few-to-no showings, that's the market telling you it's overpriced.

If you've had a few showings, but no offers, that's the market telling you that the house is interesting enough to come see, but not enough of a value to bother making an offer.

If you've had a lot of showings but no offers, you're getting close.

Maybe there's a simple problem that can be fixed, like installing new carpet for example. Or maybe you just need to bump the price down a bit to get one of them to act.

It all depends.

The bottom line?

Assuming you've done everything you need to do to get your house ready for sale, and assuming that you're doing the best job possible promoting your house online—where 96% of all homebuyers search for property—if your house isn't selling, you need to lower the price.

This is what every Realtor® would tell you is the case. They'll pressure you to do one of the following 3 things.

1. *Do nothing and let the property continue to languish*
2. *Take the property off the market and wait*
3. *Lower the price to meet the market's perception of value.*

There's another way they may or may not tell you about.

You can pay for an appraisal, usually around $400 depending on the type of property. Once you have a copy of the appraisal in hand, you have ammunition to help you sell it from a point of certainty.

If you're serious about selling, you can say to all interested parties in purchasing your house:

*"Frankly, we didn't know how much to ask for our house, so we had it appraised. Here is a copy of the appraisal. We didn't think it was fair to ask you to pay more for a home than it's worth, and we've decided not to accept less."*

By handing out appraisals, you retain a position of strength and reason, not emotion and defensiveness.

Even if you COULD sell your home for more than it will appraise for, you'll never get the purchase closed, because the buyer won't be approved for their loan. As we all know, loan approval is contingent on the full asking price and appraised value.

**But Wait!**

If you don't want to go through the hassle of it all, digging through hundreds of listings, cataloging pending sales, wasting countless hours, days and weeks scoping out houses for sale in your city or paying for an appraisal, there's another way to sell your house.

And for **full asking price** *too*.

There's an easier way assuming that you're at least within range of what the market is asking for, give or take a few ten thousand dollars.

This just requires some patience and flexibility on *your* part.

Interested?

I'll get to it and stop teasing you as soon as I finishing giving you other options to help get your house sold fast.

## Chapter 4

*Spruce It Up*

You need to think like a buyer here.

Do yourself a favor and head out and look at a few homes on the market. Take a real close look at how they look and what you end up telling yourself about each one.

Then think about your house. What might you be saying about these other houses that could be said about yours?

What's a quick turn off to someone looking to buy?

Do you need to put a fresh coat of paint in a few rooms? How's the carpeting?

Keep in mind that buyers look up more than they do down. Make sure that your light fixtures and fans are clean.

You may want to consider hiring a professional house cleaner or gardner to give your house that extra shine to make it stand out as a clean house.

**Where to Focus When Money's Tight**

If you can't afford to hire things out and don't want to do it yourself, the two main areas of focus are the front of the house and the entrance or entry way into your house.

The way the house looks from the street is referred to as *curb appeal.*

If your house has poor curb appeal, meaning that it looks like a junker, you're fighting an uphill battle.

Most people judge a book by it's cover and the same goes for your house too. If they think it's a dive, they'll end up walking away thinking they can get something *way* better for the same price.

If when they walk in and your house looks cluttered or if your house has a lot of junk, consider renting some storage space to de-clutter it. The cleaner the house looks and feels, the better it will be for you. Plus, it makes it seem bigger than it actually is.

When cleaning up the clutter, don't just throw it into a closet or cabinet either.

The whole "out of sight, out of mind" thing doesn't apply here. You want them to see that your house is organized, neat and tidy when they open up a closet or cabinet. Not that you just quickly threw every mismatched thing into the closet to get it out of sight minutes before they arrived.

Both of these first impressions can literally cause a buyer to drive on by and not get out of their car.

Also, if your home looks well taken care of, a buyer is more inclined to think that it's less likely for them to have to come out of pocket for a major expense than if your house looked like you let it go to pieces.

**Cleaning Up Rule of Thumb**

Rule of thumb to go by when cleaning and sprucing up your house for a quick sale: Take as much of **you** out of the house as possible.

Here's what I mean:

- Pick up your kids toys and have them out of sight. Not everyone's a parent.

- Paint over loud walls with neutral colored paint. Not everyone has the same tastes as you.
- Keep your dog outside. It'll reduce the smell and hair clinging to everything.

Be sure to let as much natural light in as possible. If you can, place a few flowers throughout the house to give it a very welcoming feel.

If there are windows that present a great view or allow for natural light to enter your house, be sure to have them cleaned. Also, as a side note, clean any smudges or finger prints off walls and doorways. A quick coat of paint can fix that too.

You might have become comfortable living in your house and have *put up* with certain things over the years that maybe used to bother you and now no longer do.

Have thick skin and be open minded about some things. Some people will tell you what they don't like about your house right to your face. Do not take it personally. Take it as feedback. If enough people mention the same thing, fix it.

**Fix What Needs to Be Fixed**

New buyers aren't as forgiving. If there are reoccurring complaints about something that doesn't bother you. Take it into consideration and fix it if you can. It'll save you time and money down the road.

On the other hand, your home might not be run down, but looks like it is. If there was a leak years ago and you fixed the roof, but the water damage or stains still look fresh, because you never took the time to clean it up, that may still set off alarms with potential buyers.

**You Have to Be Careful**

You have to know where and when to call it quits. Know when to sell your house in "as-is" condition. It's very easy to go overboard—instead of updating a few things, you could end up conducting a complete remodel.

Making improvements to your house can be helpful if you're not able to come down on the price.

However, do *not* fall into the disillusioned trap that just because you updated the light fixtures or put on a new coat of paint, that you'll be able to fetch tens of thousands of dollars for a few hundred dollars worth of work.

It doesn't work like that.

Most sellers fall into the trap that either their price is too high or their home is too out dated and that's why it hasn't sold yet. Truth be told, those might be the issues, but more than likely they're not. I've sold plenty of houses that needed to be remodeled or updated for *way* more than what they were worth.

One of the main culprits in today's economy and real estate market is that banks aren't writing checks like they used to, so buyers aren't out shopping like they used to either. And the ones that are out and looking have to be very, *very* picky because of what banks are willing to lend on.

**Remember Your Goal**

Your goal isn't to get the house in *enough* shape to get showings. It's to get it **sold**. You have to keep this goal in mind when contemplating repairs or upgrades.

Showings are a great way to gage whether or not your marketing is working. However, marketing isn't selling either.

But this key point should be made.

If you don't have showings, making home improvements isn't going to help you. Your problem isn't the condition your house is in, but a marketing one. No one knows your house is even on the market. I won't go into too much detail here about marketing, because I do so later on in this chapter.

**Home Inspections/Warranties**

I like to sell my houses in "as-in" condition. Meaning that I'm not going to do a lot of work to get them show ready. I've never had to offer a home warranty either.

However, some home sellers believe that offering a warranty to a new home buyer will give them peace of mind and push them over the fence to purchase their home.

This is an illusion.

A $400 home warranty isn't going to ease the mind of someone who isn't sure about the structure of your house, the neighborhood, selling price, etc.

Home inspections on the other hand are handy to know what needs to be done in the form of repairs before hand. If it's minor, you can do the repairs yourself or just point them out.

If they're major, well…

You're just pointing it out because you are selling your house in "as-is" condition. And trust me, there are many, *many* more buyers looking for a home just as I described than there are not. You just have to know how to market to them.

Yes, you will have buyers come and look at your house and think how much it will end up costing them. They're looking at the purchase price now and the cost of future repairs.

Many times, they will decide against your house because it's just too expensive with all things considered. And that's fine.

Your goal is to get your house sold and to move on. Not to cater to every one who walks through your door asking for you to fix your house up to their standards and liking.

It's true. Buyers will pay a premium to purchase a house that doesn't need a lot of repairs or redecorating. However, if you're reading this book. That isn't you or your house. Period. If it was, your home would have sold already.

There's a nasty little rumor running around out there that buyers are shunning "project" houses. Houses that need a little bit of work and aren't move-in ready.

That might be true for the Realtor® trying to sell your house and get a paycheck, but that's not the case for me and the houses I sell. In fact, almost all of them need a little TLC in one form or another. And yet, I'm able to sell them to a buyer for top dollar.

Another myth out there is that homes that need repairs will get low balled and have buyers who want to haggle over the price. Again, not true either in my world.

That's a marketing issue. You simply don't know how to find and attract the right buyer to your house.

## Chapter 5

*Rent It Out*

I know we're talking about getting your house sold. However, no one should have to put their life on hold for a piece of real estate. Just because you can't sell your house now doesn't mean that you should have to hold yourself back until you do.

It could take months for your house to sell, even years. I've seen people put their life on hold for 2 years or longer just waiting for their house to sell.

What a shame!

By renting out your house at least you're able to move on and not have the burden of that payment on your back as you *currently* do.

Now, keep in mind, you're not in the clear. The home could go vacant or worse… need major repairs.

So those are some things to consider when jumping into the world of being an *accidental landlord*. Because that's what you are. You're having to become or are forced into becoming a landlord because your house won't sell and frankly, you're inexperienced at it.

You never planned on becoming a landlord, but here you are. Because this was never in the plan, it's also the most expensive learning experience you'll ever have. You'll make so many mistakes that will end up costing you hundreds, if not thousands, of dollars in the *first* year alone. Compound that, if you're not going to be local and have to be an absentee owner.

Renters don't care for a house the same way an owner does. There's no pride in ownership. In many cases, they want a perfect working house for as *little* rent as possible. Let's face it, this is not the ideal situation to find yourself in.

**Consider Vacation Rentals**

You might not have the stomach for renters, but might live in an area that's common to tourism. If that's the case, you might consider doing vacation rentals or short term stays by listing your house on AirBNB.com or VRBO.com.

By renting out a room or the house for a weekend might not cover your entire mortgage expense, it could take a large chunk out of it for you each month. But then you have to deal with the seasonal traveler. Your area might only have peak times like summer or winter and the rest of the year your stuck with a vacant house not producing any kind of income for you whatsoever.

**Costs of Landlordship**

If becoming an accidental landlord is your only option there are some costs you need to consider.

**Homeowner's Insurance** - Having homeowners insurance isn't the same as having landlord's insurance. Because there's more risk and renters don't care for a house the same way an owner would, landlord insurance is more expensive. So your insurance premium will go up. Plan on about a 25-30% increase in your premium.

**Note:** Even if you're not planning on renting our your house, if your house stays vacant for more than 30 days, your homeowners policy may be cancelled. You can have it changed to protect just the structure and the land, but it will no longer protect any belongings left in the home while vacant. The risk is too high for theft or vandalism.

**Property Management** - If you're not going to be in the area and even if you are, you may want to hand over the managing of your property to someone who's in the business. Who knows all the ins and outs to help you manage your property with ease.

Now with that being said, all property management companies are NOT created equal and don't care about your property as much as they care about getting paid. Remember, they get paid only when your property is rented. Period.

So there will be times that they will rent your house to someone you would *never* rent your house too **ever**. They just want to get paid and like you don't want your house to sit vacant.

In addition to the cost of a property manager there's also the cost of maintenance.

If you're not going to be sticking around locally you'll need to have someone on hand to take care of any issues, from clogged drains, to routine maintenance, to deadbeat tenants. It all happens whether you choose to believe so or not, you're going to need to do repairs on your property sooner or later.

**Capital Gains** - You might not have thought about this. Your tax burden will likely change when you become a landlord.

For example, one potential tax worry is your possible loss of your capital gains tax exemption. As long as you live in your home for two of the five years prior to the sale of your home, you do not have to pay taxes up to $250,000 of profit ($500,000 for married couples) from the sale of your house.

However, if you end up renting out your house for more than three years after your move and then sell for a profit, you will owe money to the federal government on that profit. Even if you've owned it for 15 years and have lived there for 12 of the 15 years.

It sucks, but… Hey, that's the law.

So you need to really think hard about how long you think it'll take for it to sell. Or for the market to return to get what you want out of it before you jump into the landlord game.

**Potential Tax Benefits**

**Claiming a Capital Loss** - One flip side to the concerns about the loss of the capital gains tax exemption (especially in a down market) is that renting out your home and then selling it at a loss means that you can claim the capital loss against your income.

That can be a huge tax break, and for this reason it’s often a great idea for sellers in a down market to rent out their home before selling, as they can actually recoup some of their loss through taxes.

Now, I’m not a tax advisor, attorney or CPA. You’re going to want to seek out your own financial guidance here. I just share this with you as an alternative to having to pay capital gains tax when you sell, if you do sell.

**Tax Breaks** - In addition to claiming your capital loss against your income, there are other tax breaks available to homeowners who rent out their houses while they are landlords. Landlords can deduct virtually *any* expense related to the maintenance and marketing of their rental property, such as insurance premiums, repairs, advertising costs, landscaping services, property management services, mortgage interest, and even travel expenses related to the rental.

Still *none* of this helps you if your original plan was to sell your house and not have to worry about the hassle.

So now that we’ve talk a bit about some of the pros and cons of becoming an accidental landlord let’s talk about how much you’re to charge for rent and how to find tenants for your property if you’re not going to use a property manager.

Why you wouldn’t use one is beyond me. Some people just like to make things difficult in life, I guess. But to be fair, let’s say you might have a mortgage that is more expensive than others and doesn’t have enough room after rent is paid for you to hire a property manager.

**Setting Your Rates**

It can be difficult to know an appropriate amount to charge for rent. The general rule of thumb for investment properties suggests that you need to charge at least 1% of the amount of the mortgage in order to generate a positive cash flow. However, this rule is a little trickier when you are renting out your existing home. Especially because mortgages on primary residences tend to be lower than investment ones.

If you follow this rule of thumb, you’d be advertising your house for rent *too* low and sending the wrong kind of message and attracting the wrong kind of tenant.

You must first determine how much rent is typical for your neighborhood. It can be as easy as jumping on to Craigslist to see what people are renting their houses for.

At this point, you’re going to want to talk to property management agencies to learn more about rates, and search for similar rentals online. Craigslist, Rentometer, and Rent.com are also good resources to check.

You also have to factor in your vacancy rates in order to get an idea of how much money to expect over a year of renting. You can plan on your house being vacant for *two or more* months a year as you advertise or get your property ready to be rented. So set your rent accordingly to cover those two months of vacancy.

**Example:** So if your mortgage is $1,000/mo. That's $12,000/yr. You'll need to rent your home for more than your mortgage of course to cover the cost of vacancy along with other costs like property management and maintenance.

Which means that there will be a $2,000 gap that needs to be accounted for in the rent.

$2,000/12 months is $167. So you would need to rent your house for at least $1,167 to cover the two month vacancy plus what ever other expenses the property will cost you monthly.

Once you have that number you can then start to shop around and see what the going rents are in your area.

Even if you find that the amount of rent you could charge (minus the associated carrying costs and vacancy rate) would not be enough to cover your monthly mortgage bill, it still may make sense to rent out your house, rather than attempt to carry the mortgage *all* by yourself.

Though not attractive, it's still a better option than letting your house go back to the bank if you indeed really need to move and get out of it.

**Finding Tenants**

Then there's the issue of finding tenants.

One of the toughest aspects of renting out your home is finding reliable tenants. You need to make sure you advertise in highly visible locations: Online, both on rental sites like Rent.com and Craigslist, as well as on social networking sites like Facebook.

You might also want to consider posting your house with local relocation firms, HR departments, local universities and of course with an old-fashioned "for rent" sign in your yard.

Once you have applicants, it's imperative that you put them through a screening process.

You can find boilerplate applications and lease agreements online, but you must make sure that they're compliant with your state's tenant/landlord laws. Each state has different rules and laws. Some states are pro landlord and others are pro renter and can be the worst financial nightmare you encounter.

If you have your property management company do this for you, remember that they're in the business of renting out your home to make money and won't be as strict in their screening process.

They want to get paid.

This means that they might rent to someone who you wouldn't rent to. Someone that might damage your property and cause you to have to pay more to bring your property back up to par in order to sell it or rent again. At which point, you might be losing money on the deal.

There are many downsides to renting to bad tenants.

For example, in the state that I do the majority of my business, South Carolina, I can not garnish wages for tenants who do not pay their rent or destroy my property. The career or professional rent scammers know this and will use it to best of their ability to not pay and live rent free for as long as they can.

I've had to take over property from a landlord who was so fed up that they had renters living there for 4 months without paying and couldn't get them out.

When screening potential renters make sure that you ask about their income, employment history, and rental history – and call **all** of their references. This will save you.

In addition, remember that you can request Social Security numbers for background and credit checks through a website like E-Renter.com. These background and credit checks cost a nominal fee (usually around $25), but could spare you a number of headaches and end up saving you hundreds if not thousands of dollars.

## Chapter 6

*Give It Away*

Most people *never* think of this option because they want to sell it for a profit. You can still make money by giving your house away, temporarily that is. You can temporarily donate it to a non-profit charity that could use it for offices or temporary housing. The charity could use your house for a couple of years, protecting it from sitting empty and you could get a tax deduction for the charitable donation.

Of course, if you do lend your home out for a few years, you'll have to be prepared to spend money on cleaning and repairs before you put it back on the market.

## Chapter 7

*Say Good-Bye*

Say Good-Bye… Temporarily

This will be harder to do than it seems, especially if you have young children. But if you're not willing to rent your house out or give it away in the short term, this option might be the best thing for you.

Consider leaving your family behind until it sells.

While this option may be emotionally difficult, it makes it easier to keep your house in tip-top shape for showings and allows you to avoid the increased costs of insuring an empty home.

BUT you ~~have to~~ **must** consider the costs. The emotional strain on your family can end up costing you your family if things don't pan out well or quickly.

At this point, you're running out of financial options that won't damage or hurt your credit. We'll get to the more damaging options here shortly. Because they are good options in some cases.

## Chapter 8

*Wait It Out*

If you don't have to sell and aren't selling because of a job offer in another area it might be best for you to sit tight and wait it out. You'll save moving costs, Realtor® fees and all the headaches involved with a move.

No one wants to put their life on hold because they can't sell their house. I'm sure you don't want to either. However, if you're not moving because of employment, you have some flexibility.

If you are moving because of work and aren't willing to rent out your house or leave your family behind, you might consider just turning down the offer and wait to see if the market will turn to your favor or not.

No one knows how long that'll take. This last financial and housing crash was a doozy. It could take a decade or longer for you to see anything close to what the market was like before the crash.

Before the crash, relocation wasn't an issue. After the crash, it's been the number one thing holding people like you back from being able to make your move.

Something to keep in mind is if you're planning on waiting things out and haven't had a lot of showings or offerings, waiting things out won't help you much. You have other issues that you're ignoring and not willing to see.

# Chapter 9

*Sell It Short*

Up to this point, we've talked about ways to get your house sold that don't affect your credit.

I don't recommend what I'm going to share with you.

In fact, these are ways that never need to be employed. There are other ways to sell your house that don't require you to have your credit ruined in the process.

I know a lot of well meaning lawyers and Realtors® who will tell you that if you can't get your house sold by some of the traditional means I've laid out here that it's okay for you to do a short sell.

Some of them will even ignore the fact or hide from you that it does severely damage your credit and jeopardize the likelihood of you getting a loan in the near future.

If your credit is already shot then this isn't as much of an issue then.

In order for your house to be considered for a short sale, you **have to be** behind on you payments.

In other words, your house has to be in jeopardy of being foreclosed upon. Another word for short sale is pre-foreclosure. Your house is in the default stage, but not actively being foreclosed upon.

**What is a Short Sale?**

When you sell your house short, you're asking the lender to take less for the property than what is owed. You're asking them to let you come up short. In some cases, they will forgive the debt that's not covered. In others, they will not.

You'll need to seek professional and financial guidance based on your specific situation to see how this will affect you now and in the long run.

You make no money on a short sale and very well could be owing money to the lender or IRS in the event of one. The same goes for a foreclosure.

The money the lender forgives or that isn't covered by the short sale will be considered income by the IRS. The lender will send you a 1099 at the end of the year with the dollar amount that wasn't satisfied by the short sale. The IRS looks at this money as income to you since it wasn't satisfied as debt and was a gift from the lender.

Your neighborhood might be riddled with foreclosures and short sales. This might be why the property value isn't there. Banks have taken back homes and sold them for far less than what they owed on them. And now you're looking to add to the problem and hurt your neighbors in the process.

These options should be avoided at all costs.

Especially, if you're military and have to retain a security clearance. Having your credit affected by a short sale or foreclosure can jeopardize your security clearance and cause a loss in income.

I understand that some people are just fed up and can't deal with it any more and rather than finding an alternative way, they just walk away.

Honestly, they might not even know of another way. Which in part is why I'm writing this book.

To show you that there's a better way to get your house sold even when it won't sell and you can't get it sold. Even if you owe more on it than what it's worth.

**Deed-in-Lieu of Foreclosure**

Some times a lender will reach out to a home owner who's fallen behind on their payments and ask for a deed-in-lieu (DIL) of foreclosure. This is a voluntary act where you give the house back to the lender. This has the same affect as a foreclosure would on your credit.

A DIL just saves the lender money by not having to file at the court incur all their legal fees and wait for the process of foreclosure to happen. This means they're able to save months of unpaid mortgage payments.

With a DIL, the lender is able to get the property back sooner and typically in better condition. They can turn around and sell it sooner and get it off their books.

**Best Option**

Now that we've talked about all the other options out there, there's still one more option. This is what I would call the best option. It allows you to sell your house for your *full* asking price in most cases. Because it's such a good option, I'm devoting an entire chapter to it.  But first let me touch upon a few more things in this chapter to help you get your house sold.

## Chapter 10

*When All Else Fails*

When you've done all you know how to do and you still can't get your house sold, you might want to look for some divine intervention or rely on grandmother's superstition.

There's been for decades the far-fetched belief that if you bury a statue of St. Joseph in the yard of your house, it'll sell faster.

Generally, it's believed that the seller should bury a statue of St. Joseph upside down and facing away from your house.

From there, exactly where to place the statue is open to interpretation.

Some say it should be near the "for sale" sign. You can place it in just about any location in the yard of your house. The general belief is that, once your house is sold, the statue should be exhumed and placed in a position of honor in your new house.

This practice has become popular enough to spawn companies willing to sell you St. Joseph kits.

For as little as under $5.00, a statue and burial bag can be purchased to help you sell your house. Don't hold your breath if it doesn't work.

Everyone's looking to make a buck on the sell of your house.

## Chapter 11

*Better Ways to Market It*

Your problem more than likely is a marketing one. Your house hasn't sold because **no one** knows that you house is even for sale. This can be for numerous reasons.

If you haven't been showing your house a lot, that's because your marketing isn't effective. You're not letting the world know what you have to offer. Also, it's not your price or the condition your house is in either.

It's your selling *terms*. These terms are what cast a wide or narrow net in the market place when fishing for buyers.

Consider this example: *"I'm only interested in a cash buyer for my house. If you don't have cash, don't come looking."*

This seller has limited the market place to a very specific buyer. One of the rarest forms of buyers out there.

How does that marketing message compare to: *"Flexible terms and financing. No bank qualifying or credit check needed. Come take a look and we'll see if we can help you afford this house."*

How many different people does this kind of marketing appeal to? A LOT more than seeking for *only cash* buyers.

Now, does this mean that we're going to have all kinds of people who might not be eligible or qualified looking at your house? Of course it does.

Why would you want to do that?

Simple. This kind of marketing works for two reasons.

1. You don't know who they know that might be qualified and want to purchase the house you're trying to sell and
2. They don't know what they're able to qualify for in reality.

**True Story:**

I had a buyer call me.

The house he was living in was just inherited by the daughter of the previous owner. She wanted to sell it and get out from under it.

He was already living there and wanted to purchase it. He had seen some of my marketing and thought I would be able to help him.

He told me that he had some credit issues that had been following him around since his early 20's. He also told that to his new landlord.

She immediately kicked him out and told him that she only wanted to sell it to a *qualified* buyer.

So he left and just out of curiosity went to a lender to see what kind of shape his credit really was in.

Guess what?

It wasn't as bad as he thought it was. He was able to get qualified and purchased the house just down the street from where he *used* to live.

At the time of this writing, he's been in his house a few months and the other one is still on the market.

The chances are, it'll remain on the market for a few more months, if not a year. It's always better to have a bird in the hand than to have two in a bush.

The moral of the story is that you don't want to limit your buyers in any way. You, and in many cases they, don't know what can be done.

I can't tell you how many times I've had a seller tell me that they only want to deal with certain kinds of buyers.

I used to be flexible and work with them on it, but it would always end up the same. Their property would just sit and sit. I could not find a suitable end buyer for me to sell it to based upon the way that *they* wanted to sell it.

I've had houses sold many times over with multiple buyers only to turn them down because the seller only wanted a cash buyer.

When I hear this now, I just move on. There's no need to waste my time trying to convince someone that their way of marketing their house isn't going to work.

Does their way work?

Of course it does, every once in a while. Even a broken clock is right two times a day. But for me and my business, we do what works every day, **all** day long.

**Another Marketing Note**

If your home isn't getting shown, it's not going to get sold. Period.

You might need to be a little more flexible.

This means that you stop showing your house by appointment only or stop requiring only *bank qualified* buyers to view your house.

You don't know what buyers are capable of when it comes to buying your house and what kind of resources they have at their disposal either. By placing restrictions on them, you're limiting the number of people that can come view your house and fall in love with it and want to purchase it.

Remember the story of the renter who wanted to buy the house he was living in and didn't know what kind of credit he had?

Yep, that happens all the time in my world. Someone sees one of our houses and believes their credit is shot from past mistakes. Because they've fallen in love with the house they go to a lender to see how far away they are from qualifying to find out that in reality do qualify.

And even then, that's not the real problem.

Someone's credit *can* be fixed. We have a wonderful company that we work with that helps people do that. The real problem is will the house appraise for the value that *you*, the seller, need it to in order for the buyer to purchase it.

We have ways to sell your house for more than the appraised value as well.

**Take Better Pictures**

A lot of the time if your home hasn't had a lot of interest it's because its online presence leaves something left to be desired.

If you aren't a photographer or much of a writer, you may be giving your potential buyers an underwhelming idea of what it would be like to live in your house.

On the flip side, you don't want your photos and prose to blow away homebuyers too much. Especially if your house can't live up to what you're posting online.

**Photo Tips**

Many times when I look for at a house online I see blurry, dark pictures. Or pictures with junk and clutter in them.

I cannot emphasize enough just how important good, clean pictures are.

In the age of Pinterest, Instagram, Facebook and Tumblr, mediocre photos are a huge drawback, a disability even.

If you or your agent post a bunch of crappy-looking photos online, people may actually pass on seeing your house. I can't tell you how many times I did when I was shopping for my family's home.

You do it too.

Don't let this happen to your house.

Open up some window and allow for some natural light to enter into the room. Clean it up or take a picture at an angle that flatters the room and house. This is your first impression to the world and will, in a large part, decide if they want to see more of your house or not.

I *always* lead with my best picture first. Even if it's not a picture of the outside. I want to lead with my best foot forward.

Some basic things to consider when taking pictures of your house:

- No people or pets in the pictures
- Toilet seats are down
- Beds are made
- Cars aren't in the driveway
- Clutter from the corners are cleaned up

You're selling a dream to the home buyer and if your pictures don't match that dream, you've lost the battle and they will move on to a better looking house. Your pictures are to sell them on the fact that with your house, their dreams *can* come true.

As a side note, videos are becoming more and more popular these days. In addition to having high quality pictures available of your house I also take a high quality video walk-though of *both* the inside and outside.

**Fire Your Real Estate Agent**

Let's face it, sometimes you can just get stuck with a sucky Realtor® who doesn't do much of anything to advertise your house for sale other than putting their sign in the yard and posting the listing on the MLS (Multiple Listing Service) and wait for your house to sell.

You should never leave the fate of your house sale in the hands of your Realtor® even if that's what you're paying them for.

You might want to consider firing your Realtor®. Not all real estate agents are created equal. Some just put a sign in your yard and wait for someone else to bring their buyer to it.

Understand that I'm not bad mouthing real estate agents here. There are just some that are more aggressive in getting your house sold than others.

One of the problems with listing agents in general is that they get paid when your house sells, regardless of if they found the buyer or not.

And who pays them? You do, of course.

When I work with a seller, my services are free to them. It doesn't cost them anything to have me purchase or market their home. I get paid by the buyer. So my motivation is to sell the house as fast as I can, so I can get paid.

**Outdated and Inefficient Ways to Promote and Advertise Your House for Sale**

There are ways to market your house that work and ways that don't. Yet, when people get desperate and can't sell their house they start doing all kinds of things to get their house sold.

**Open Houses**

Open houses are outdated and inefficient. They were created in a time when there was no internet. It was a way to let someone know that a house was for sale and what it looked like on the inside.

Open houses today attract neighbors looking to see how much their house could be worth and people contemplating buying a house at some point in the future. If they were pre-approved ready buyers, they probably would have an agent and would have already seen the house online if it was a good match.

Today's buyers decide for themselves which houses they want to see. They search on websites that list *all* of the houses for sale, preview interior pictures, video tours and satellite maps and *then* give their agent a list of houses they want to see.

**News Paper Ads**

Another inefficient and outdated way is advertising in the newspaper. Rarely does anyone read the news paper classified ads to find a house for sale. They look online *first*. It's faster *and* easier.

One of the main reasons why newspapers are so inefficient is that they limit you to one grainy picture of your house. You have to choose the best picture and hope that it's also the best feature that the buyer will want to see as well. Versus online where you're not limited to how many pictures or videos you want to post in reference to your house.

***Ultimately, your house will sell when a buyer decides that your house is the one with the <u>best features</u> in the <u>best condition</u> in the <u>area</u> for the <u>money</u>.***

Here are some sites to use when posting your house for sale online:

- Realtor.com

- Zillow.com
- Craigslist.com
- Backpage.com
- Postlets.com
- ebayclassifieds.com and
- the MLS if your local one allows for non-agents to post.

**NOTE:** Sites like Craigslist, Backpage and eBay Classifieds (where ads get pushed off the front page pretty quickly), you MUST renew these ads on a regular basis in order to stay in front of people. If you're not front and center, you won't be seen by the masses. However, be careful not to post *too* frequently. These pages also hide posts that are duplicates, which will make your house invisible to anyone searching online.

# Section 3

*How to Sell Your House for Top Dollar*

## Chapter 12

*The Lease Option is Your BEST Option*

Okay, I've teased you long enough that there is a better way to sell your house for top dollar. This is true. This isn't the only way that I buy and sell houses, but it is the best and most profitable way that I do it in this economy (2015).

As times change and the economy improves and banks start writing checks like they used to and more and more people can start qualifying for loans again and property values return, this option will fade away and other options will become better suited to help you sell your house. As you can see, there are a lot of things that need to happen to make this option go away. Until then, lease option purchases are solving the problem.

Lease options work so well because they're the perfect tool to solve the problem of banks not writing checks like they used to and property not being worth as much as it once was. It allows for you to sell your house and still collect a monthly income from it *without* all the hassles of being a landlord.

### The Perfect Solution

Buyers aren't able to get qualified for one reason or another so they lease until they do. Sellers can't sell their house for what they want, so they lease it until they do. It's a win-win solution.

But what if you don't want to be a landlord leasing out your property? Then don't. What I mean by that is that you don't have to be a landlord. When someone leases the property in a lease **purchase**, they’re purchasing the house from you and are responsible for **all** maintenance, repairs and upkeep. That’s the beauty of this type of deal, because they’re purchasing it from you. You’re not responsible for the typical landlord type things.

Now, lest you think it’s that easy… just slapping together a lease purchase agreement after reading about it here or online, it’s not. There are some very crucial things you need to consider to protect yourself before you do one.

For example, another less classy name for lease purchases are rent-to-own. This is an ugly term and attracts the wrong kind of buyer to your property. So be careful when advertising your house as a a lease purchase not to use the term rent-to-own.

However I’m getting ahead of myself, let me explain a little bit more about how it works.

So you've had your house on the market for months and not a single home buyer has decided to make you an offer. You've spent a lot of money on marketing, made a number of price reductions and repairs or improvements and nobody’s called you.

As explained, lease purchases are appealing to borrowers who, for a variety of reasons, might not be in a position to purchase a home through traditional means or conventional financing. Make sure your lawyer reviews all documents before you agree to a lease purchase. Lease purchases can hurt you if you’re not protected in your contract.

Typically, lease purchase payments are higher than a regular rent payment, which might eliminate negative cash flow for you. This is a huge plus. A tenant who has a stake in the home might take better care of the home and lease purchase agreements make the tenant responsible for all repairs.

These are some of the reasons why I like lease purchases — positive cash flow and not being responsible for repairs. Another reason I like lease purchases are because I get a down payment upfront. It helps me know that the person is serious about purchasing the house.

So in essence, I get paid up front, over time and in the end when the home sells.

Another variation of the lease purchase is seller financing. This is a way to make a whole lot more money than what you’re asking for when selling your house.

Seller Financing is a tool that can be intimidating to some. It really shouldn’t. I’ve found it to be **by far** the most powerful money-making tool in my toolbox.

This is such a powerful money making tool because, it allows me to *make a lot more money* from the exact **same** sale price and allows me to *create multiple streams of passive income* for years into the future.

Your goal is to sell your house to make money, right?

Don't limit yourself to just one way of doing that. Look at all the options that are available to you and pick the right one to help you make money and move on.

While I'd like to give you an example of the lease purchase or seller financing contracts that we use, it wouldn't be in your best interest. Each state has specific laws that might not be conducive to the contracts that I use in the states I operate in. For example, at the moment, Texas does not allow for lease purchases.

So you want to make sure you're working with a professional investor who knows the laws and has attorneys who know the laws and are compliant with them.

With that being said, I wish you well and hope this book has helped give you some ideas to help you get your house sold fast and for top dollar.

If you live in my area and aren't interested in doing *all* the work that this book entails to help you get your house sold, you can contact my office to see if your house qualifies as one of the types of houses that we're looking to buy.

Call us at **435-632-9783**

## Chapter 13

*Frequently Asked Question*

**What If I Don't Want to Sell My House By Myself Anymore?**

You can call our office at **435-632-9783** to see if your house qualifies as one of the houses that we're currently purchasing right now.

**What If I Owe More on My House Than What It's Worth?**

What you owe isn't as much an issue as is what the terms are on what you owe and the type of property that it is.

**What Does It Cost for Me to Work with You?**

Unlike working with a real estate agent who charges you, the seller, for selling your house, it costs you ***nothing*** to work with us. We get paid by the buyer.

**What is Your Process for Buying My House from Me?**

Being an investor, we're smart with our money. What that means is that we're not going to put our money at risk. We're going to let the market speak to us.

If your house meets the criteria for the type and kind of house that we're looking to buy, we'll put an option to purchase in on your house.

Once we've put an option to purchase in on your house we'll immediately begin to market your house to our list of buyers who have told us what they're looking to purchase.
We have over the years generated thousands of buyers who have told us what they're looking to purchase and how much they're willing to purchase it for. We'll put your house in front of them and wait for one of them to make an offer on it. We'll also market it to the entire world via several marketing channels. This is how we let the market speak.

All it takes is for one person to fall in love with your house and want to purchase it. Once we know we have it sold, we'll purchase it from you and sell it to our buyer.

In most cases we'll have multiple backup offers on a house in case one of the buyers falls through.

**How Long Does it Take for You to Buy My House?**

Because we don't have a crystal ball and know who will fall in love with your house and want to purchase it, we make the option for 90-180 days depending on the type and condition of property.

**What Happens If You Don't Find a Buyer?**

We won't buy your house. We have let the market speak and they've told us that they're not interested in your house.

With that being said, the only time we have not purchased a house from a seller isn't because we haven't been able to find a buyer. It's been because the seller wasn't willing to work with us and our buyer who was interested in a lease purchase.

In most cases the buyer might have only needed to do a lease purchase until they sold their other house or qualified for a loan. Usually only 6 -18 months, but the seller *only* wanted cash for their house.

There are sellers that we have worked with, whose house we had sold with *multiple* offers and didn't want to accept the lease option presented to them, who still have their house on the market for sale.

The *really* sad part about this, is that several of the buyers who wanted to purchase their house were put into other houses and have now cashed those houses out and paid off both us and the original seller.

Is this the case with all of our buyers? No. However, it does happen more often than not.

**Is a Lease Purchase or Seller Financing the Only Way You Buy Houses?**

No, it happens to be the most common way in this economy. However, we don't know what resources the buyer has at their disposal when they fall in love with your house. They might be qualified for a home loan or have cash. It all depends on who falls in love with your house.

**If I Were to Let You Purchase My House as a Lease Purchase, What Happens If You Don't Make the Monthly Payments?**

If there's a loan in place, this will affect your credit. We understand that this requires some level of trust on your part.

In order to protect you and give you peace of mind, when we go to closing with our attorneys, we have them draft up a document that states that if in the unlikely and rare event that payments weren't made on your house resulting in foreclosure proceedings that your house would revert back to you immediately.

We do want you to know that this would damage our business and reputation, which is why it would never happen. Not to mention that it would affect the way that we would get paid.

If there is a buyer in place, our incentive is for us to get them ready to cash the loan out so we can get paid. Our business model revolves around us being able to get buyers qualified for a loan in order to pay off the existing debt and cash us *both* out (you and me).

**If I Were to Let You Purchase My House as a Lease Purchase, What Happens If You Don't Pay Me?**

If there was equity for you in the deal then we would put a mortgage in place and pay you monthly. If we don't pay you, you have the right to foreclose on us and take back the property. However, we don't get paid until we've sold your house and cashed both you and the bank out. It's in our best interest to ensure that this *never* happens.

Not to mention that word of mouth would destroy our business. We rely heavily on our happy clients to spread the word about what we were able to do for them.

**If I Sell My House to You on a Lease Purchase, Do I Get Some of the Down Payment?**

No, in most cases this down payment is to ensure that the buyer is serious about purchasing your house. Remember that we get paid by the buyer for all of our marketing, time and administrational expenses. What that means is that we have to sell your house for more than what we're purchasing it from you.

The down payment that the buyer pays us goes toward the purchase price and comes off the final purchase price of *our* part of the deal.

If by chance the buyer comes to the table with money that exceeds our offer price *and* the money that is owed to the bank or to you if there is equity in the deal, then we'll pass the excess on to you immediately.

However, in most cases the down payments are small and don't even cover the marketing expenses to get your house sold. This is where our motivation comes in to get the buyer qualified as soon as possible to help us make our money back.

**What Happens If the Buyer Doesn't Pay You?**

This happens every so often, which is why when we sell each of our houses, we make sure that we have *multiple* backup offers on them.

We immediately go to work to find another buyer to put into your house and start the process all over again to get them qualified to cash us both out.

Usually when this happens, we've already committed to purchasing your house from you and will continue to make the payments to both you and the bank whether there's a buyer in place or not.

In all reality, you'll never know that the buyer has been replaced with another one, because we continue to make the payments no matter what. This is in part why we collect an up front down payment from the buyer.

This ensures us a smooth transition from one buyer to another in the event that they do stop paying.

**What risks are there?**

The risks to you are that the loan could get called due or the buyer could stop making payments and your house ends up in foreclosure, thus ruining your credit in the process.

Of course this might sound scary. However, if you're facing foreclosure or just need to sell your house fast, it's one of the better options for you to take in order to sell your house quick.

**Are Lease Purchases Legal?**

Yes, except for in the state of Texas. In Texas, the same thing can be accomplished with a bond or contract for title.

Most of the younger attorneys aren't familiar with all the more creative ways to buy and sell real estate. Mainly because they haven't been used for over 30 years. The economic climate hasn't called for it until recently.

In the late 1970's and early 1980's, when interest rates were 15-20% and people couldn't qualify to purchase a house, it was very common for a seller to sell their house with owner financing or as a lease purchase.

**Will this Trigger the Due on Demand Clause and Have the Bank Start to Foreclose on My House?**

There's always the fear that this might happen and most uninformed attorneys will tell you that you're running the risk of this happening.

The Due on Demand clause in your mortgage states that if ownership changes the loan will have to be paid off in full.

The lender does this to protect themselves from non-payment. In most cases, where the payment has been made on time, this is never an issue.

Keep in mind the loans that this would apply to are on houses where the mortgage is for more than what the house is worth and usually with an interest rate higher than the going market rate.

No lender in their right mind would call *that* loan due, especially when the house can't be sold for a profit. The lender would end up losing tens of thousands of dollars in legal fees, lost interest and principle payments.

As the economic and housing markets change and the houses increase in value and interest rates rise, then lenders might begin to look at these houses.

However, there's no way for them to know which houses have been sold with owner financing or lease purchase *without* researching each property on their books and comparing the deed on file with the deed filed at the county court house.

This would take thousands upon thousands of man hours to accomplish. Not to mention that if the economy and housing market have rebounded to that extent, the buyer in place would've already been qualified to cash out the existing loan.

**How Come More People Don't Know About This or Do This?**

Most real estate investors jumped into the market when the economy was booming and the housing market looked like it had no end in the early 2000's.

Most of the creative ways to buy and sell real estate that were used in the 1970's and 80's went away when the economy and housing markets improved in the 1990's and 2000's.

There are very, *very* few investors today who were investing then *and still* investing today. I've been fortunate to have learned these techniques anc continue to use them today.

**Can I Do this Myself?**

Of course you can.

However, before you jump online, do a little research and think that in order to successfully pull this off, you need to consider the costs. You could end up making a simple mistake that you would have to live with for the rest of your life.

How do I know? Because when the economy shifted on me and before I met my mentor, I too thought I could do this. Heck, I'd been investing for 5 years already. I ended up losing everything because I didn't know what I was doing and didn't fully comprehend all the pitfalls associated with it.

I'm not trying to scare you off, just to warn you that it's not as easy as we've made it sound. It's easy for us because we've been doing this for a number of years and have systems in place to ensure that everything happens when it needs to.

If you don't want to have us purchase your house from you, or do not want us to help you with this process, or your house doesn't qualify, or you don't live in our local market, you can call our office and we can put you in touch with those Agents who can

If you want to learn more about the call -

**Steve Gallagher - Direct: 435-632-9783**
**Licensed Real Estate Consultant**