

THE INVESTOR BASED SHORT SALE SOLUTION FOR REALTORS

Investor Based Solution

- Investor can put a “cash” offer in with the listing, so that negotiations with the bank can begin immediately....a great selling point for your prospects to bring a buyer upfront and for you to get the listing.
- Some short sales, handled by agents in the traditional manner end up being foreclosed on!

Investor Based Solution

- Property is actively marketed only “after” the bank counter-offers, so we know exactly how to price it, and if the “spread” is not enough for the Investor to close, but to “Step Aside”.
- Property can now be marketed as a “bank approved short sale”
- Buyers that are identified later in the process are much less likely to “walk” as their wait time to purchase is normally less than 30 days.
- When set up properly, commissions are almost always a full 6%

Process

- Homeowner = Party A
- Investor Buyer = Party B
- End Buyer = Party C
- Initial contract is the A>B. The homeowner grants the investor an “equitable interest” in the property allowing them to negotiate if needed with their bank, lien-holders, etc.
- In addition, they are granted the right to list, market for sale, and sell the property while negotiating and prior to purchasing from owner of record. (See TRN Amendment to Listing Agreement).

Process

- Entire process and each possible scenario is fully disclosed upfront in writing to ALL parties...including the banks
- Any offers that come in are presented to the investor/buyer as they are now the ones legally selling the property (B>C) via their equitable interest as granted to them by the owner
- Once the approval letter is in-hand the decision is made whether to purchase (A>B) and re-sell (B>C) or to use one of the following exit strategies

Process (A>B, B>C Exit Strategies) ...and Realtor Compensation

- A>B, B>C...Immediate buy/sell (Realtor may be paid on both transactions....earning double commission)...sometimes on the same day but normally after 30 days. See TRN Buyers Broker Addendum for full details.
- A>B, B>C...Buy/Hold/Rehab (Realtor may be paid on 2nd transaction no matter how much time goes by during the waiting and/or rehab period) (See TRN Buyer Brokers Addendum for Full Details when a Buyer Broker is representing TRN).

Process (A>C)

- Bank short sale approval letters sometimes includes language that prohibits the re-sale of the property for 30, 60, 90, or even 120 days making it better for investor to “Step Aside”.
- If there is already a “C” buyer lined up and ready to go, it normally makes more sense for the investor to “release” their interest with the owner of record so that the “C” buyer can purchase directly from the owner of record.

Process (A>C)

- The Listing Realtor maybe compensated by getting their full commission (whatever the bank agreed to pay) - (For Buyer Broker compensation see TRN Buyers Broker Addendum)
- The investor is compensated from the buyer by getting a “Release of Contract” fee.
- This fee is the difference between what the bank accepted and what the “C” buyer was under contract to pay while buying from the investor.

Process (A>C) Example

For example:

- If the B>C contract was for \$160k
- And the bank approval was for \$150k
- The amount of the release would be \$10k
- The buyer would then contract in place of the investor for the \$150k that the bank approved
- The total price therefore did not change and was still the same \$160k

Process (A>C)

- The possibility of the transaction going A>C was already fully disclosed to the bank and to the “C” buyer once the offer comes in.
- Bank knows upfront that this could go A>B, B>C or simply A>C, but regardless the end price will not change, or be decreased 1 penny due to the investor involvement.
- We have the option to give back some of our equity, through reducing the purchase price to the end buyer, making it a even a sweeter deal for them and selling the property faster as well.

Process (A>C)

- The Release & Termination of Contract Fee is a separate transaction and has nothing legally to do with the new contract between the owner of record and the new end “C” buyer
- Therefore it does not have to be on the HUD-1 and this complies with RESPA and ALL bank approval letters
- Should the approval letter state that the fee must be both disclosed and approved, it can be on the HUD-1
- If in the event the buyer needs to “mortgage” that amount as they do not have the cash on hand, it can be added on the HUD-1 as a buyer side closing cost as long as it is OK with their lender

Conclusion

Realtors working side-by-side with Investors in this model will:

- Increase their amount of listings as they can attract more sellers via an immediate offer, which requires a Listing Agreement.
- Close more deals and focus on the things that make you money...which is buying and selling homes

Additional Notes

- Instances where the investor/agent is not acquiring the property, and/or not receiving a release fee, a 30% Referral Commission to be paid to the investor/agent, as the subject property has been prepared and ready for sale faster to the “C” buyer, do to the investor/agent involvement.
- Agents representing TRN will have an additional Buyer Broker Addendum along with their standard Buyer Broker Agreement with the terms of these transactions thoroughly explained and the compensation thereof.
- On some “qualified” transactions the investor may sign an unsecured note “signing bonus” with sellers, allowing sellers to receive some “net profit” from the sale, if allowed by lender, or on the subsequent resale of the property, if any.