QUICK AND EASY NO MONEY DOWN

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CASH FLOW GUYS
LEARN TO EARN

QUICK AND EASY NO MONEY DOWN DEAL SECRETS

BY TYLER SHEFF

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Real Estate is a great addition to your portfolio for a number of reasons. Purchasing properties gives you access to a stable source of income (if you keep them as rentals), provides you with assets that are highly valuable, and protects you against inflation. Real estate also enables you to create a more diverse investment portfolio. Buying and "flipping" property (or contracts) results in larger piles of cash as compared to smaller streams of income from rentals. Note the latter has lower taxation opportunities so be sure to consult with a CPA as a beginning step when entering into the real estate space.

There are a few drawbacks when it comes to investing in real estate though, including the fact that properties are not as liquid as other forms of investments. The market can fluctuate, and the initial investment is sometimes much higher than with other financial products. In this book, I hope to tweak your mindset a bit to change how you think about buying real estate by removing some of the limiting beliefs that are common regarding the need for tons of cash to get started.

Yes, it helps to have a sack of cash to be used to acquire investment properties, in fact, cash is a necessary ingredient however it does not need to be YOUR cash.

There are several strategies you can use to purchase real estate without money down or a large down payment. It is important to gain a solid understanding of these different strategies and put them to work while building your portfolio. There is no catch-all solution

The first strategy or deal you look at may not work out, but you will eventually build a solid real estate portfolio if you work hard, look for profitable opportunities, and use creative financing strategies.

"Buy Land, God isn't making any more of it"
- Walt Disney

Things to Know Before Getting Started

Just like with any other type of investment, it is crucial to educate yourself before getting started. Investing in real estate without understanding what you are doing or being able to recognize good deals can be very costly. Before investing any money in real estate, invest some time in researching the topic and educating yourself on creative financing, this book will be a great start to that journey.

These are the main things you need to be aware of before using creative financing to invest in real estate:

1. **Creative financing works best if you can find motivated Sellers since there exists a *need* to sell as compared to just *wanting* to sell.** Remember that unmotivated sellers are tough to negotiate with and often unreceptive to creative strategies. This is one of the most important tips you will ever learn, don't waste time dealing with unmotivated sellers!

2. **Be conservative when using creative financing.** A number of things could happen to reduce your profit margin. You might have to pay several thousands of dollars to have tenants evicted. You might encounter costly repairs, or see taxes and interest rates go up if you bought with an adjustable interest rate loan.

    - Always plan for the worst-case scenario so, if it should happen, you can avoid losing money on a deal by being prepared for the worst
    - Avoid loans with balloon payments if at all possible. Many Sellers want a "balloon payment" in a few years so they can get paid in full without having to wait the traditional 20-30 year term to get paid. Instead, educate the seller that they can sell the note at any time they wish to a note buyer for a cash lump sum payment if needed instead of waiting for all the payments to be made. A Seller can also sell a partial amount of the future payments to a note investor for some cash now if they needed it.

3. **Be ready to make sacrifices.** It's completely possible to buy real estate with little or none of your own money down, but in most cases, this doesn't mean you can get into real estate without extraordinary effort. What I mean by this is to complete creative deals, most people will need to adopt a completely different mindset about how deals can be structured.

    - You may have to invest "sweat equity" to complete renovations or to ready a property for rental or sale
    - You may need to delay your payday until you can first stabilize a property and get it making money to cover its own expenses
    - Friends and family who don't understand what you are doing may pass judgment on your methods due to ignorance. Always remember that people tend to fear what they don't understand when it comes to matters of money or finance.

- Although you don't need to invest your own money in a property, you will need to invest time and money into your marketing.

4. **Put some money aside.** You can get started with little or no money down, but you'll still have expenses to cover in the long-term. You might have to pay for repairs or make up for a loss of income if a tenant isn't paying their rent.

    - Save up some money, ask for a raise, or look for a second job so you can build a comfortable cushion that will protect your investment from unforeseen expenses
    - Marketing expenses will take some of your cash to some degree, how much depends on the type of method you choose.

5. **Learn as much as you can about real estate.** There are plenty of resources available to you, including books, classes, seminars, and online material. Take some time to learn about the market, how to discover opportunities, how to negotiate, and gain a better understanding of different creative financing strategies.

6. **Should you invest in a property that's ready to move into, or look for one in need of repairs?** This is an important question to ask yourself before you get started.

    - A move-in-ready property is usually more expensive but you'll be able to start renting it right away. Turnkey opportunities usually don't last long on the market if they are priced right, therefore know your numbers and take action as soon as possible.
    - A property in need of repairs should be more affordable, but you'll have to invest time and money in repairs before you can rent it out. On a seller finance deal always try to delay the payments until the renovations are complete and the property is rented. Yes, it is "legal" provided your written arrangement with the seller reflects this. Consult with a qualified Real Estate Attorney in your area for help in drawing up the forms to allow for a delayed payment arrangement.

"You ought to be able to explain why you're taking the job you're taking, why you're making the investment you're making, or whatever it may be. And if it can't stand applying pencil to paper, you'd better think it through some more. And if you can't write an intelligent answer to those questions, don't do it."

- Warren Buffett.

Borrowing Money

Buying real estate without putting any of your money down means you might have to borrow money or use an investment partner.

Mortgages are a popular financing option for new homeowners, but consider these creative ways to finance a real estate purchase:

1. **Traditional loans can be a good way to finance a real estate investment if you have a good credit score and regular income.** Banks are currently offering low-interest rates to individuals who meet their lending criteria. Mortgage Brokers are paid on commission (unlike Bank Loan Officers) therefore, I find Brokers more willing to work hard for you in gaining loan approval and better loan terms and pricing.

    - It is possible to obtain a loan that covers most of the value of the property with interest rates between 3% and 7% if you can come up with a 5% to 20% down payment and have a credit score of 640 or better. In many cases, the down payment can come from an investment partner. When an investment partner provides the down payment many mortgage underwriters will require that person to be on the loan. A good mortgage broker can assist you in navigating these scenarios.

2. **A two-step mortgage is an alternative to a traditional home loan.** A two-step mortgage typically lasts forty years. The interest rates are fairly high during the first five to ten years but rates are adjustable after that and the payment schedule is usually flexible. *CAUTION: Adjustable rate mortgages can be "cashflow killers" during a market downturn. I strongly suggest you avoid adjustable-rate mortgages if at all possible unless you have fully reviewed all of the documentation and terms and fully understand and agree with them.*

3. **Borrowing from a portfolio lender is a good option if you already have a few properties.** This type of loan allows you to consolidate your current mortgages into one loan. In many cases, very favorable terms can be had by using this solution. Be sure to have a clause written in to allow a "substitution of collateral" in the event you want to sell one or more of the properties in the future. This clause will allow you to remove the debt lien from whichever property you intend to sell and replace it with a different property. Without this clause written in the lender may require as much as 100% of the sale proceeds to be applied to the current loan amount.

    - Portfolio loan providers will finance your projects if you have a good track record of investing in real estate. Tip: Always keep good financial records on both flips and rentals to provide to a potential lender. These records show financial responsibility which means lower risk to the lender. Lower risk means lower interest and reduced loan costs.

4. **Look for low or no money down government programs.** The USDA offers home loans with no money down as long as the property you are interested in qualifies and your income and creditworthiness meet certain requirements. The Veterans Administration (VA) offers no-money-down home loan programs for qualifying veterans. VA Loans are assumable which should be explored as an option, by assuming the loan (if you qualify) that portion of the purchase price does not need to be negotiated. FHA loans require only 3.5% down but do incur PMI (Private Mortgage Insurance) which will increase loan costs and the monthly payment. Both FHA and VA loans have a residency requirement which means you must reside in the home for a period of time as your residence in order to qualify. Every so often the FHA modifies this requirement, therefore, check with your lender for details.

   - Remember a "no money down" VA loan means no down payment, but it does mean there are closing costs. You should understand that a great deal of the closing cost is negotiable.

5. "Private" money is a very popular form of creative financing, although often misunderstood. Private money refers to money you get from private individuals, such as a friend, family member or their Self Directed IRA (retirement plan). Many people confuse "Private Money" with "Hard Money" which is often used interchangeably although should not be.

The term "private money" or "private capital" should be used to describe low-risk long term investments that are funded by regular people. Quite often, private money investors tend to focus on the short term high returns common to a "hard money" arrangement. The reality is that those types of arrangements are often high risk and difficult to remain invested in without some sort of interruption of earnings between deals.

Take time to educate your investors properly, if you do, they will usually lean more in favor of a long term arrangement that is consistent with private money investing. The private money investor should understand that if their money is not working, it is not earning.

The private money investor focusing on short term, high return arrangements needs to always be working to find another deal to invest in which can take many months while consuming much precious time out of their day. Instead, you can offer them a nice long term arrangement that keeps their money out in the field working without having to invest a lot of time looking for the next investment opportunity.

6. Hard money lenders can provide you with the money you need to invest in real estate as long as you are willing to pay high fees. However, it is possible to make a profit by having your property re-appraised and then refinanced. The downside of hard money loans is that you do not have much time to pay the loan back. You may want to:

- Borrow enough to purchase a home and the cost of repairs. Some hard money lenders will let you borrow 100% of the home value and enough to cover repairs on top of that.
- Be mindful of prepayment penalties that are often written into hard money loans. The intent of these “penalties” is to guarantee a certain amount of profit for the lender. The “penalty” just means you will have to pay a predetermined fee if you pay off the loan early.
- Look for ways to make the property more valuable, pay for renovations, then have it appraised, you can then refinance and obtain lower cost, longer-term financing.
- Use your chosen refinancing option to pay back what you borrowed from a hard money lender.
- Plan a good exit strategy in case the after repair appraisal is not as high as you hoped. In many cases, an appraiser will give you a before and after renovation appraisal for a small added fee. It is well worth a few hundred dollars to be more certain of the value in which you base your exit strategy.

7. Home equity lines of credit use the equity in your home as collateral. Once you are approved for a line of credit, you will be able to pull money at any time without explaining what you will be using it for. Please be sure that every dollar goes towards an investment if you use your home equity.

The investment you choose should be able to cover the increased monthly mortgage payments on the new line of credit. Buyer Beware! When using this option be sure to look closely at the closing costs. Lenders often try to charge a fortune on closing costs and use low “teaser” interest rates to hide the exorbitant fees they are charging to process the loan.

8. **Credit cards are an option if you want to buy and flip a house in a short time-frame.** This should be a last resort option *and only used for very short term situations*. Use credit cards to get cash advances to cover a down payment or repairs. Many credit card companies offer zero interest opportunities for 12-24 months. Before you take advantage of any of these offers be sure to read the fine print and know all the in’s and out’s of the offer.
    - This strategy will allow you to avoid paying interest for at least the first year or more.
    - Look for cards with a good reward program to get the most out of this creative financing strategy. In many cases, you can receive cash back, airline miles or lots of other perks.

9. **Business Lines of Credit loans are often unsecured and very easy to obtain.** They use the credit profile of a business and its owner(s) to determine credit worthiness as compared to using a personal credit profile. Generally speaking, many of these business lines of credit programs are very expensive and result in very large monthly payments due to the revolving nature of the lines of credit. The investment opportunity you are considering should be heavily scrutinized to prevent bankrupting yourself in the process.

Some lines of credit programs use Tax ID numbers in place of social security numbers for the borrower in an attempt to dupe the credit card companies into instant approval. I strongly urge you to avoid these types of scenarios when the facts of your situation are being manipulated. The last thing you would want is a big credit card company coming after you for fraud or misrepresentation. When in doubt, seek the opinion of another investor by having them review your deal.

"Use what you have, to get what you need, so that you can earn what you want"
- Peter Fortunato

Using General Equity As Collateral

You can use your current portfolio or assets as collateral for creative financing. This means you are taking the risk of losing your current portfolio or assets in the event of non-payment but it might be worthwhile to take this risk if you come across a good deal that can cover the cost of the loan.

You can use your current equity simply as a pledge of collateral until the property you are buying is repaired and profitable. Equity from property owned by a friend, family member or partner can also be used with their consent. Keep in mind that in the event of default, they risk losing their assets to foreclosure.

Below are 5 different ways to use equity for creative financing:

1. **Use proceeds from a bank refinance:** This strategy works if you have equity in your other properties and are willing to refinance it. You can then use the money to purchase an investment property. I have often used one or more of my current properties as partial collateral for seller-financed deals. The benefit to the seller is that the rest of my properties have lots of equity because they have been professionally renovated and managed.

Additionally, they all produce great monthly cash flow income which means that if I were to default on the Promissory Note, the seller could get their hands on my highly coveted monthly cash flow. This sends a message to the seller that I am a safe bet because I stand to lose big time if they have to foreclose on me.

2. **By borrowing against your family's equity:** Find a family member who is willing to help you by having them refinance their home. You might be thinking, "Why would anyone allow me to do this?" The answer is because it is a great way for someone who does not have the cash to invest themselves to still get into the investing game by investing current equity instead of cash. You simply "cut them in" on the proceeds of the deal as repayment for them allowing you to pledge their equity.

3. **By investing through a self-directed IRA:** If you have one of these retirement accounts, you can invest in property with it. Use the money you put away in your IRA to make a down payment and have the rent or sale proceeds deposited in your IRA later. You can also use someone else's self-directed IRA as a means of investment capital. This can be structured as a debt or equity arrangement depending on the needs of the IRA account holder.

4. **By taking a loan against your 401K:** Many employer-sponsored retirement plans allow you to take a loan against the balance you have in your account. In many cases, the terms are much better than you could get by borrowing money from a bank with a traditional loan. When I worked for the US Government, I could borrow from my 401k (called a TSP or Thrift Savings Plan) for less than 1%

interest. The investments I bought paid back the loans so I did not have to. This strategy also helped me save money on my taxes.

NOTE: If you lose your job for any reason, you will usually be required to put the borrowed money back in the 401K within a short time-frame or face expensive IRS penalties.

5. **By taking a security-backed (stock-backed) loan:** If you have a portfolio of stocks and other financial products, you can sometimes borrow as much as 80% of its value. The interest rates will vary depending on the lender. The downside is that you cannot sell your portfolio until the loan is paid off but you will get your original portfolio back once you are done making payments.

"Real estate investing, even on a very small scale,
remains a tried and true means of building an individual's cash flow and wealth."
- Robert Kiyosaki.

Using Seller Financing

Finding sellers who are willing to help buyers with financing may seem unlikely, but the opposite is true. It is definitely worth it to put time and effort into making offers that include seller financing. The seller will benefit from the transaction, thanks to fees and interest, but can also enjoy tax savings in many cases (check with your favorite CPA for more on this).

Pro Tip: Only seek advice from a CPA that owns an investment property because they are more focused on knowing 100% of the tax advantages to owning real estate if they themselves are owners of investment property.

For seller financing to be a loan, the seller would first have to give you money right? Instead, the seller is simply deciding to accept payments for their equity.

Note: Always remember that the seller is NOT doing you a favor or making you a loan. If your mindset is that the seller is doing you favors it will negatively impact your negotiating power. Don't underestimate the great benefits a seller can take advantage of by choosing to seller finance a property purchase.

Did you know that for hundreds of years most properties were seller financed? It's true!

Some of the seller benefits are:

- Potentially deferred taxation by only paying tax on the money received in that taxable year (confirm with your own CPA)
- Higher sales price
- Higher net yield from the sale
- The ability to outpace inflation with a good solid return backed by real estate by collecting interest on the loan
- The ability to sell the note (or a portion of it) at any time if a lump sum of cash is needed

Fun Fact: When Elvis Presley bought Graceland in Memphis, TN back in 1957, he bought it with $1,000 cash down and payments on the balance! The original note is still on display inside the Graceland Museum.

The three most common seller-financing strategies:

1. **Traditional Seller Financing:**

    - Interest rate, the term of the loan and amount of down payment are all negotiated between you and the seller
    - You will get the deed or title to the property at the time of closing
    - The seller gets a lien position against the property to protect their interest in the property. This can mean a first, second or third position lien depending on the structure of the deal.
    - There is usually a down payment, however, the amount can be negotiated to be much lower than a traditional bank would require. I have traded items of value instead of having to give cash for a down payment. Example: I once traded a shotgun, two rifles and two pistols for a down payment on a house. I have also chosen to not take a real estate commission on a sale in exchange for a credit that was considered a down payment.

This strategy is ideal for rental properties. The monthly income from the rents received pays the mortgage payments, you keep what remains. Be sure you only commit to a payment amount that is equal to or less than what the property can afford after covering all expenses and leaving profit in there for you. Don't be in a rush to pay off the mortgage, longer-term financing means higher monthly cash flow in your pocket!

If buying a residential property that you intend to occupy, you may fall under the regulation of the Dodd-Frank Act depending on several factors. Take the time to go over the deal with a Real Estate Attorney to ensure the terms you negotiate with the seller are legal and comply with the Dodd-Frank Act.

2. **Blended Approach:** This option is similar to seller financing but it combines seller financing with a traditional loan. These are the steps to follow for this strategy:

    - Get approved for a traditional mortgage that covers most of the value of the property. Look for a loan that allows for a second mortgage to be attached to the property at the time of purchase. Many banks will reject this, smaller banks are more likely to be ok with it.
    - Bring in a second mortgage to cover the down payment. These are easier to accomplish with small local banks primarily in rural areas.

For the second mortgage, you can use a private lender instead of a bank, to best protect the person bringing cash to the table consider giving the private money person a 1st position lien and the Seller a 2nd position lien. The reason for this is that cash is often more coveted than equity, therefore the private money person is better protected. You can assure the seller that even if you did fall behind on payments, they could foreclose on you and take the house along with all the improvements you paid for.

As another option, the seller can hold a second position loan for the remaining portion needed to buy the property.

3. **Contract For Deed:** This strategy is just as it sounds, the buyer and seller enter into an agreement that the seller will receive payments for the property and once paid in full, the seller will transfer the deed.

This arrangement is different than a lease in most states because it addresses the deed being held by the seller and is treated as a sale by the IRS. A lease does not address the title or deed to the property, instead, it covers the use of the property and occupancy.

"Real estate cannot be lost or stolen, nor can it be carried away.
Purchased with common sense, paid for in full, and managed with reasonable care,
it is about the safest investment in the world."
- Franklin D. Roosevelt.

Buying "Subject To" Properties

"Subject to" is short for "subject to existing financing." ***A subject to property can be purchased as long as both parties agree that the existing mortgage will stay in place.*** Purchasing a "subject to" property means you will have to finish paying off the previous owner's mortgage besides making a small down payment in most cases.

Look for pre-foreclosure properties, since sellers usually want to get rid of these properties as quickly as possible and therefore are often very motivated. Keep in mind that you will need to make up any missed payments currently due on the loan.

Because you must catch up on these payments to the bank to avoid foreclosure, you may be able to use that fact to prevent having to give the buyer a large down payment. If the seller insists on a big down payment, remind them that if the past due payments are not paid, the bank will foreclose. Ask the seller if the down payment they are getting would go directly to the bank, often, you will find this not to be the case. If you are pushed for a large down payment in a low equity scenario, insist that you will instead need to catch up *their* arrears in order to protect *them*.

Before purchasing a "subject to" property, go over the loan terms carefully. The loan terms on most residential mortgages often include a "due on sale" clause. This means that in the event the property is sold and the deed is transferred, the seller agrees to pay the current loan in full. Remember, this is NOT law, instead, its an agreement between the parties (seller and their lender).

One strategy to avoid triggering the Due on Sale clause is to transfer the control of the property using a Land Trust. A Land Trust can be named the same as the seller's name, even though the seller is no longer a beneficiary of the trust or the owner. To fully explain how a trust works, you would need to hire a lawyer for this or take a course on the topic.

If the due on sale clause is triggered, the lender can demand the loan be immediately paid in full. If not paid in full, the lender can begin foreclosure proceedings on the property, even if the deed is in your name! Although cases like this are not commonplace, it still could happen to you.

Hire a qualified Real Estate Attorney to help you with the Subject To purchase agreements to best protect yourself and have a backup plan if something goes wrong. Trust me when I tell you that this step is one of the most important on your first and every Subject To deal.

Using a Lease Option or Rent-To-Own

A lease option, also referred to as rent-to-own, is a transaction that includes two agreements:

1. **The first agreement, the Lease, is a rental agreement between you and the owner.** If possible, have the seller agree on having a portion of the monthly rent apply as a credit towards the balance you owe on the property, if allowable in your area. If you are planning to immediately lease the home to someone else, make sure your lease has language that allows you to do so. The owner must fully understand that you intend to lease the property to another party, do not try to hide this! Also, be sure to read the lease fully and obtain clarification of anything you do not understand.
2. **The second agreement, the Option, states that the owner agrees to sell you the property at a specific price within a certain time-frame.** The owner cannot sell the property to anyone else until the time limit is up, or change the price of the property. For an option contract to be valid, there must be "consideration" which is basically a deposit. The consideration is what you would lose if you choose to not buy the home. Be sure to state in the option agreement that both parties agree that in the event the home does not appraise at or above the agreed price by an FHA appraisal that the buyer has the option to cancel the contract and be refunded their option consideration.

Sandwich Lease Option

The sandwich lease option is similar to purchasing a rent-to-own property. ***However, with this strategy, you are the middleman instead of the buyer.*** This is an ideal strategy if you do not mind handling the paperwork and are not interested in purchasing a property.

Follow these steps to use the sandwich lease option strategy:

1. Look for a seller offering a property for sale that has been on the market for a while.
2. Negotiate a rent-to-own solution with the seller in order to help them take the property off the market and cover the existing holding costs they are paying
3. Secure the agreed-upon option and the lease from the seller or seller's attorney.
4. Look for a tenant who wants a rent-to-own property at a higher monthly rent than you have agreed to pay the seller. The difference is your *monthly* profit (cashflow)
5. Collect an option consideration from the rent-to-own tenant that is more than you paid the seller. The difference, is your *lump sum* profit.
6. Collect the total balance on the property when the tenant is ready to buy, which is usually a few years after they moved in. This can be accomplished by the buyer either paying cash or obtaining a loan from a bank, or private money lender. The difference in the amount you sell the option for and the purchase price you negotiated with the seller, is your *capital gain.*

The sandwich lease option is ideal if you want a low-risk strategy and are just getting started.

Finding the right seller and tenant can take time, but this is one of the best ways to get started in real estate with little to no money down. Maintaining a list of qualified tenants is a big step toward fewer headaches when using sandwich lease options as a strategy.

Wholesaling

Wholesaling is somewhat similar to the sandwich lease option since you assume the role of a middleman. The difference is that with wholesaling, the purchase and deed transfer happens on the “front end” of the transaction instead of the “back end” in a lease option scenario. This is another great way to get started in real estate with no money down, but you will have to put time and hard work into putting this strategy in place.

Below are the steps to follow to use wholesaling as a strategy to get started with real estate:

1. **Look for an interested buyer.** Once you have found a serious buyer, make sure they are qualified to buy and can prove it with a proof of funds letter for any cash being brought to the table or a bank pre-approval letter if buying with a mortgage. Then, invest time in fully understanding their buying criteria. This is essential in order to negotiate great deals for them.
2. **Look for a property that fits the buyer’s criteria where the Seller is super motivated to sell their property.** This strategy works best if the seller simply wants to get rid of their property and they do not want to invest time or get help from a real estate agent to find a buyer.
3. **Sign an assignable contract with the seller.** The purpose of the contract is to get a specific price and terms in writing and, ideally, to enable you to assign your rights in that contract to your buyer.
4. **Assign your rights in the contract to the buyer.** An assignment agreement is necessary and must include you fee for the service you provided as a wholesaler.

The downside of wholesaling is that looking for good deals and buyers takes time.However, you can get started with wholesaling even if you don’t have much experience.

Wholesaling doesn’t require you to invest any of your money in the deal and will help you develop excellent negotiating skills and connections.

Exchanges

The old saying "cash is king" is not really true in every case. Items of value can often replace cash if you take the time to learn about the seller and their needs. On many occasions, I have traded physical goods for down payments without any cash ever changing hands between the seller and myself.

Example One:

You have no cash for a down payment on a deal. In speaking with the seller, he wants $20,000 down, you discover the reason he wanted a $20,000 down payment was so he could buy an RV to travel with his wife.

He finds a $20,000 RV at a local dealer and you make him a deal that you will buy that RV for him in exchange for him not getting cash down payment from you. Next, you go to the dealership and negotiate that deal down to $15,000 and trade a boat you bought 6 months ago for $15,000, but don't use. "POOF" you just did a no money down deal because you decided that earning monthly cash flow is more important than a boat you don't use.

Example Two:

The seller needs $5,000 cash in order to pay off medical debt. You don't have $5,000 in cash. You negotiate with the doctor to assume liability for the seller's $5,000 debt and agree to a payment plan to pay it off. This removes the liability of the debt from the seller and gives you the opportunity to buy the property without having to produce $5,000 in cash.

Using a Real Estate License as an ATM Machine

If you are a Licensed Real Estate Agent, you will get to keep the commission on the properties you buy provided the property is listed on the MLS. Instead of taking a commission on the deal, you could negotiate with the seller for credit in the amount of the commission towards the down payment.

If you are NOT a Licensed Real Estate Agent, make a deal with the listing agent to give them a sweet investment return on their commission if they loan you their commission in the form of a credit on the deal.

How this works is that at the closing table, the agent gives you their commission (as a loan) and you give the agent a note and mortgage to secure that loan. You pay the Realtor principal and interest every month just like you would a bank.

Why would any agent/realtor consider this you might ask? A savvy agent/realtor will jump at this arrangement because it means bigger commissions for the agent and a predictable stream of income (which most agents/realtors lack.)

I have used this strategy many times myself with great results. This strategy can also be used to bring the agent in as a partner in the deal if you see fit to include them. By making the agent your partner, they have an incentive to bring you more great deals.

Partnering With Another Investor

Partnering with another investor will give you access to more capital, especially if you are just getting started. It is important to choose someone who is trustworthy and who has goals similar to yours.

There are lots of people out there who have money to invest, but no idea how or where to invest it. By partnering with you, they are able to leverage your experience, your time or your access to deals which is a big deal for someone who does not have those things currently. You might be thinking that you don't have enough experience either, however, if you have the other ingredients, such as time and access to deals, that may be enough. Another value proposition to consider bringing to the table is your team. Don't have a team? Get on the phone and build one!

Be sure to get everything in writing if you decide to invest in a property with someone else. You need to agree on everything with the other person and get a legally binding contract that details what you and your partner own and what each of your responsibilities are.

Put together a list of what you are bringing to the table to help find the right partner. Assess how much you can invest (time or money) and ask yourself what your strengths are. For instance, you could bring experience or negotiating skills to the table. You could bring value to the partnership by handling repairs, taking care of the paperwork, or being in charge of finding the ideal property.

"Ninety percent of all millionaires become so through owning real estate. More money has been made in real estate than in all industrial investments combined. The wise young man or wage earner of today invests his money in real estate."

- Andrew Carnegie.

Conclusion

There must be a million ways to acquire a property with little to no money, yet none of those strategies will ever work for you until you believe in them. It's easy for us to sit back and say "that won't work" or "They wouldn't agree to that" yet until you put forth the effort to make offers including these strategies you will never know for sure.

For many years, I was a "doubting Thomas" myself, until I started asking better questions and making offers that solved my seller's problems. Once I learned to be a problem solver, many more profitable deals got done, deals which helped both the seller and myself.

It is best to get started with a simple strategy and then use more advanced financing methods once you have more experience.

Always use common sense when looking at real estate deals and financing options. Stay away from deals that sound too good to be true and remember that knowledge is your best friend when investing in anything.

If none of these strategies work for the property you're interested in, look into combining different creative finance strategies. For example, you could use seller financing for a part of the property's value and rely on a partner to cover the rest.

Regardless of the method used to finance your investment in real estate, remember the golden rule when selecting a property: location, location, location!

If you found value in this book or want to provide feedback or ask questions, you may accomplish this by heading over to CashFlowGuys.com/Contact

If you have questions that require a phone call, you can book time on my calendar by visiting CashFlowGuys.com/AskTyler