



LOW DOWN PAYMENT OPTIONS



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Low Down Payment Options

The No-Money Down Myth

- Money is needed
- Doesn't have to be yours
- Rule changes require creativity



Low Money Down Real Estate
Strategies For Sophisticated Investors



The No-Money Down 'Myth'

- Legal
- Senior techniques
- Strategies and concepts



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Strategies For Sophisticated Investors



Notes:

The No-Money Balancing Act



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The No-Money Balancing Act

- Strains cash flow
- Higher return
- More risks




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Low Down Payment Options




Solving Problems

Property With A Problem



Investment Property Townhouse Condo	
Values In Area:	\$195,000 - 210,000
Mortgage Balance:	Free & Clear
Owner behind in condo payments. Condo board is foreclosing	

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Solving Problems

The Purchase

Purchase Price:	\$147,500
Renovations:	<u>\$ 20,000</u>
Total Purchase Price:	\$167,500

Low price, have to close quickly with all cash,
as is where is. Purchase and renovate
property top to bottom – 76 days

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Notes:

The Renovation- Before



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The Renovation- After



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The Renovation- Before



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The Renovation- After



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Notes:

The Renovation- Before



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The Renovation- After



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Money Partner #1

The Purchase

Money Partner:	\$167,500
Interest payable:	7.5% (Prime + 5%)
Interest per day:	\$34.42
Total Interest payable:	\$ 2,616

Investor made \$2,616, no work in 76 days.
Leveraged Line of Credit, secured against
another property. Balloon payment.



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The Total Investment

Total Investment

Purchase + Renovate:	\$167,500
Total Interest :	\$ 2,616
Misc. Holding Costs:	\$ 2,500
Total Investment:	\$172,616

After Renovation completed, appraisal,
and apply for mortgage.



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Notes:

Time To Get Paid... Exit Strategies



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Exit Option #1

Sell

Appraised Value:	\$207,000
Quicker Sale Price:	\$ 199,000
Additional Holding Costs:	\$ 2,500 -
Estimated Sales Commissions:	\$ 10,000 -
Net Sale Price:	\$ 186,500

Additional time to sell after renovation
completed- estimated 60 days



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Low Down Payment Options

Exit Option #1

Sell

Net Sale Price:	\$ 186,500
Total Investment:	\$ 172,616
Estimated Total Payout	\$ 13,884
\$ Investment	\$ 0

Repay Money Parnter #1, plus additional closing costs. Active Business taxes payable?
Total time for project, 136days



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Exit Option #2

Refinance

Appraisal:	\$ 207,500
Total Mortgage (80%):	\$ 165,600
Payments VRM (2.35%):	\$ 577.78
Payments Fixed (4.35%):	\$ 764.45

New mortgage, variable Prime - .15. Payment, 5 year fixed rate= 4.35%, 35 yr Amortization.
Additional \$186.67 principle reduction



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Notes:

Exit Option #2- Cash Flow Proforma

APPRAISED VALUE		\$207,000.00
Financial Breakdown		
Price		\$207,000.00
Down Payment	20.0%	\$41,400.00
First Mortgage	80.0%	\$165,600.00
(New Financing, Variable rate, 35 yr Amort.)		
Second Mortgage	0.0%	\$0.00
Income		
Market Rent		\$1,350.00
Vacancy Factor	5.0%	-\$67.50
Income (1 st Year)		\$1,282.50
Expenses		
Property Taxes		-\$95.00
Condo Fees		-\$200.00
Repairs and Maintenance Factor	5.0%	-\$40.50
Property Management (% of Actual Rent)	10%	-\$128.25
Insurance		-\$30.00
Total Expenses		-\$493.75
Cash Flow Before Debt Payment		\$788.75
First Mortgage Payment ***		-\$764.45
(4.35% interest + principle - 35 yr Amortization)		
Second Mortgage Payment		\$0.00
Est. Cash Flow		\$34.30

Annual
\$15,390.00
-\$5,805.00
\$9,585.00

*** Actual mortgage rate is prime minus .15 - (\$577.78) Monthly payment is set at 5 year fixed rate of 4.35% to maximize mortgage principal reduction.



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Exit Option #2

Refinance - Payback Investor

Total Mortgage (80%):	\$ 165,600
Payback Investor	\$ 170,116 -
Misc carrying costs	\$ 2,500 -
Your Total Investment	\$ 7,016
Estimated Equity	\$ 41,400

From the new mortgage funds, repay investor plus write a cheque for \$7,016



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Low \$ Down Purchase

Estimated Cash Flow Analysis
123-45 Ave, Economically Fundamental Ln.

APPRAISED VALUE

\$207,000.00

Financial Breakdown

Price		\$207,000.00
Down Payment	20.0%	\$41,400.00
First Mortgage	80.0%	\$165,600.00
(New Financing, Variable rate, 35 yr Amort.)		
Second Mortgage	0.0%	\$0.00

Income

	<u>Monthly</u>	<u>Annual</u>
Market Rent	\$1,350.00	
Vacancy factor	5.0% <u>-\$67.50</u>	
Income (1 st Year)	\$1,282.50	\$15,390.00

Expenses

Property Taxes	<u>-\$95.00</u>	
Condo Fees	<u>-\$200.00</u>	
Repairs and Maintenance factor	3.0% <u>-\$40.50</u>	
Property Management (% of Actual Rent)	10% <u>-\$128.25</u>	
Insurance	<u>-\$20.00</u>	
Total Expenses	<u>-\$483.75</u>	<u>-\$5,805.00</u>

Cash Flow Before Debt Payment

	<u>\$798.75</u>	<u>\$9,585.00</u>	
First Mortgage Payment *** (4.35% interest + principle)- 35 yr Amortization	<u>-\$764.45</u>	<u>-\$9,173.40</u>	***
Second Mortgage Payment	\$0.00	\$0.00	
Est. Cash Flow	\$34.30	\$411.60	

*** Actual mortgage rate is prime minus .15 - (\$577.78)

Monthly payment is set at 5 year fixed rate of 4.35% to maximize mortgage principal reduction.

Low Down Payment Options

Exit Option #3

- No Money & Can't Qualify For Mortgage?

–Yikes!

–Give up?



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Exit Option #3

Second Joint Venture- Long Term Hold

Property Value:	\$207,000
First Mortgage:	\$165,600
Required Investment	\$ 41,400+

Offer a deal to a second Joint Venture partner, \$35,000 investment, mortgage qualification, 50% share of a turn-key rental property.



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Notes:

Exit Option #3

Second Joint Venture- Long Term Hold

JV investment:	\$ 35,000
Your Cash investment:	\$ 7,016
Your pay day	\$ 27,984

Sell 50% of this property to a JV partner, you get paid, \$27,000 for your knowledge, and retain 50% of the potential future upside.



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Keys to Success

- Geographic specialist
- Act quickly
- Access to money or credit
- Qualify for a mortgage



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Low Down Payment Options

Keys to Success

- Analyse cash flow at full estimated appraisal price
- Renovation team available



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Obstacles?

- No Money Partner?
 - Look around
 - Offer higher ROI- \$50/ day (10.89%)
 - Prime +10%
 - Short term returns
 - Institutions – Calvert Home Mortgages



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Notes:

Obstacles?

- No Renovation team?
 - Resources available
 - Talk to PM's or Realtors
 - Networking, referrals



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Obstacles?

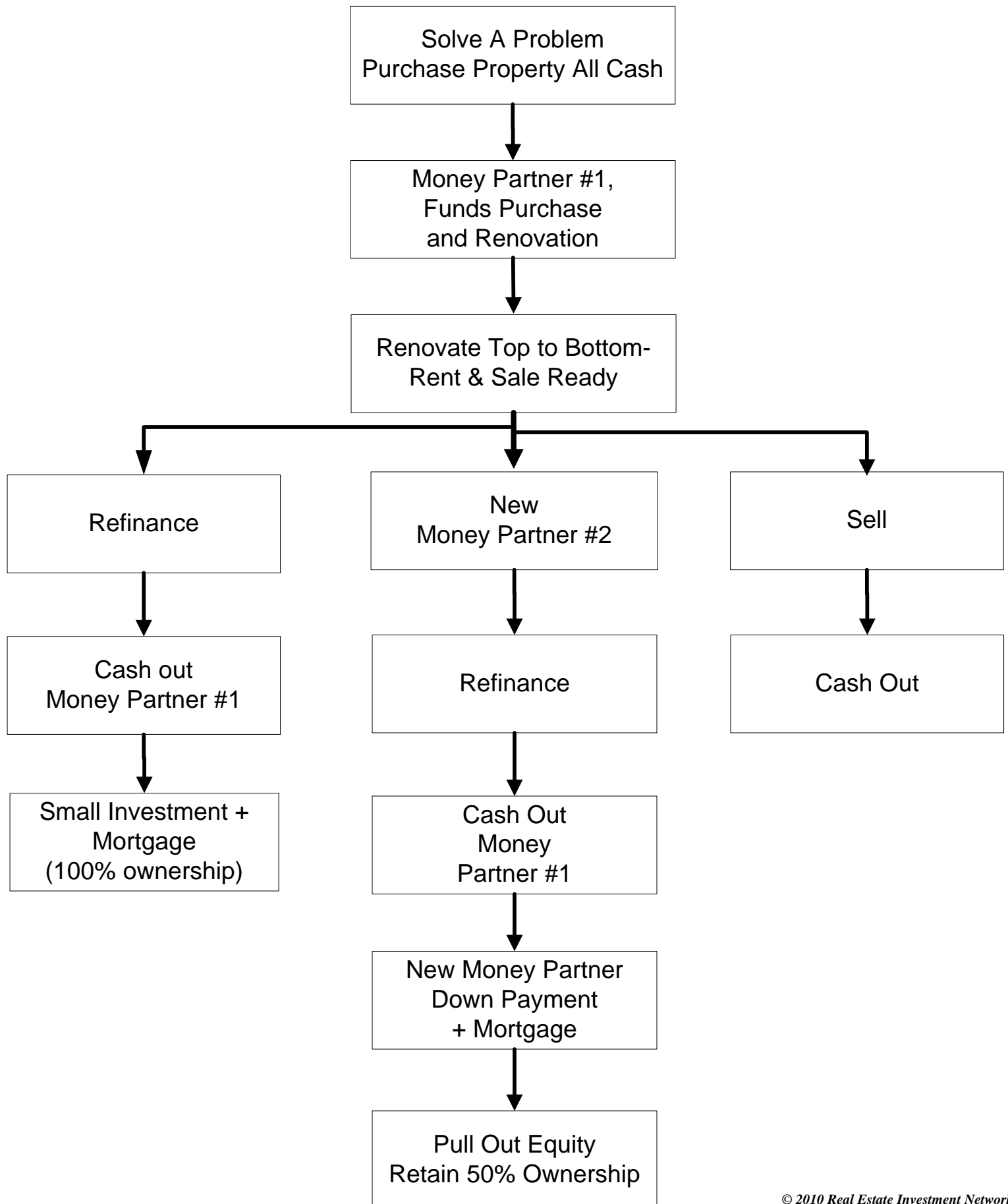
- Can't qualify for Mortgage?
 - After renovation- different partner
 - Ownership percentage for mortgage qualification.– not 50%



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Low Down Payment Options Strategy Flow Chart



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