



LOW MONEY DOWN REAL ESTATE



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Low Money Down Real Estate

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

- Strains cash flow
- Higher return
- More risks



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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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The Renovation- Before



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Notes:

The Renovation- After



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The Renovation- Before



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The Renovation- After



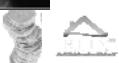
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The Renovation- Before



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Notes:

The Renovation- After



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Money Partner #1

The Purchase

Money Partner:	\$167,500
Interest payable:	8.0% (Prime + 5%)
Interest per day:	\$ 36.71
Total Interest payable:	\$ 2,790

Investor made \$2,790 (net \$1,744), 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 :	\$ 2,790
Misc. Holding Costs:	\$ 2,500
Total Investment:	\$172,790

After Renovation completed, appraisal, and apply for mortgage.



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Time To Get Paid... Exit Strategies



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Notes:

Exit Option #1

Sell

Appraised Value:	\$207,000
Quicker Sale Price:	\$ 199,000
Additional Holding Costs***:	\$ 3,000 -
Estimated Sales Commissions:	\$ 10,000 -
Net Sale Price:	\$ 186,000

Additional time to sell after renovation completed- estimated 60 days



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Exit Option #1

Sell

Net Sale Price:	\$ 186,000
Original Investment:	\$ 172,790
Additional Interest	\$ 2,203
Your Pay Day	\$ 11,007
\$ Investment	\$ 0
Repay Money Partner #1, plus additional closing costs. Active Business taxes payable?	
Total time for project, 136days	



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Exit Option #2

Refinance

Appraisal:	\$ 207,000
Total Mortgage (80%):	\$ 165,600
Payments VRM (2.25%):	\$ 632.12
Payments Fixed (3.8%):	\$ 768.82

New mortgage, variable Prime - .75. Payment, 5 year fixed rate= 3.8%, 30 yr Amortization. Additional \$136.70 principal reduction



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Exit Option #2- Cash Flow Proforma

<u>APPRaised VALUE</u>		\$207,000.00
Financial Breakdown		
Prin.		\$207,000.00
Down Payment	20.0%	\$41,400.00
First Mortgage	80.0%	\$165,600.00
New Financing, Variable rate, 30yr Amort.		
Second Mortgage	0.0%	\$0.00
Income		
Market Rent	Monthly	\$1,350.00
Vacancy Factor	5.0%	\$67.50
Income (1 st Year)	Annual	\$15,390.00
Expenses		
Property Taxes		\$95.00
Condo Fees		\$200.00
Repairs and Maintenance factor	1.0%	\$40.50
Property Management (% of Annual Rent)	2.0%	\$128.25
Interest		\$220.00
Total Expenses		\$483.75
Cash Flow Before Debt Payment		
First Mortgage Payment ***		\$298.75
(3.8% interest + principle, 30 yr Amortization)		\$9,585.00
Second Mortgage Payment		\$768.82
		\$9,225.84
Net Cash Flow		
		\$0.00
		\$0.00
		\$29.93
		\$359.16

*** Actual mortgage rate is prime minus .75 - (\$632.12) Monthly payment is set at 5 year fixed rate of 3.8% to maximize mortgage principal reduction."

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Notes:

Exit Option #2

Refinance - Payback Investor

Total Mortgage (80%):	\$ 165,600
Payback Investor	\$ 167,500 -
Investors Interest	\$ 2,790 -
Misc carrying costs	\$ 2,500
Your Total Investment	\$ 7,190
Estimated Equity	\$ 41,400

From the new mortgage funds, repay investor (170,290 plus write a cheque for \$7,190



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Exit Option #3

- No Money & Can't Qualify For Mortgage?
—Yikes!
—Give up?



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Low Money Down Real Estate

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

<u>APPRAISED VALUE</u>	\$207,000.00	
<u>Financial Breakdown</u>		
Price		\$207,000.00
Down Payment	20.0%	\$41,400.00
First Mortgage	80.0%	\$165,600.00
(New Financing, Variable rate, 30yr Amort.)		
Second Mortgage	0.0%	\$0.00
<u>Income</u>		
Market Rent		\$1,350.00
Vacancy factor	5.0%	<u>\$67.50</u>
Income (1 st Year)		\$1,282.50
		\$15,390.00
<u>Expenses</u>		
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>
<u>Cash Flow Before Debt Payment</u>	<u>Monthly</u>	<u>Annual</u>
First Mortgage Payment ***	<u>\$798.75</u>	<u>\$9,585.00</u>
(3.8% interest + principle)- 30 yr Amortization		
Second Mortgage Payment	<u>-\$768.82</u>	<u>-\$9,225.84</u>

Est. Cash Flow	\$29.93	\$359.16

*** Actual mortgage rate is prime minus .75 - (\$632.12)

Monthly payment is set at 5 year fixed rate of 3.8% to maximize mortgage principal reduction.

Low Money Down Real Estate

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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Exit Option #3

Second Joint Venture- Long Term Hold

JV investment:	\$ 35,000
Your Cash investment:	\$ 7,190
Your pay day	\$ 27,810

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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Notes:

Exit Option #4

Sell to A Rent To Own Tenant

Selling Price (3yr term; 5%/year):	\$ 239,900
Upfront deposit:	\$ 10,000
Your initial investment	\$ 7,190
Your pay day	\$ 2,810

Sell property to RTO tenant, receive \$2,810, and retain 100% ownership. Second pay day in 3 years ~\$75,000 (\$239,900 - \$153,500 - \$10,000)



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Keys to Success

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



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Keys to Success

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



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Obstacles?

- No Money Partner?
 - Look around
 - Offer higher ROI- \$50/ day (10.89%)
 - Prime +10%
 - Purchase + improvement mortgages
 - 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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