

Letter from the Editor

We hope your April is off to a wonderful start. March was an incredible month for originations for us. We originated ten loans for a loan volume of 2.877 M - WOW! We originated nine First Trust loans and one Second Trust loan. Seven of the loans were in Virginia, two were in D.C., and one was in Maryland. It was a very productive month, and April looks similarly productive. We're definitely keeping busy!

CHUCKLE'S CORNER

"Never lend money to a friend. It's dangerous. It could damage his memory." - Anonymous

FOOD FOR THOUGHT

Thank you to those who heard us speak at the THINK REALTY conference in Baltimore, MD, on April 14. The presentation was successful, and also very interactive. The audience listened intently, asked thought-provoking questions, and was very appreciative.

We are new sponsors of the Northern Virginia real estate investment club TRACTION REIA. Beginning in June, we will be the only hard money lender sponsor. TRACTION REIA has monthly meetings that average 100 attendees each, most of whom are new to the investment space. We speak for about five to ten minutes at the meetings.

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5 Real Estate Investment Strategies with No Money Down

Real estate investment can yield an impressive return on investment. This month, we'll explore options for those who wish to begin investing in real estate, but don't necessarily have a large amount of money to put down. These strategies include wholesaling, taking title "subject to existing financing", lease options, "soft" private money, and "hard" private money. Let's dive in:

1. Quick Flipping - Wholesaling

This is the classic buy low/sell low strategy, and it's the best way to make fast cash. You find a seller who is motivated, negotiate a low purchase price, and you both sign a purchase contract. Now you can "assign" your contract to another buyer. For example, you contract to buy a house worth \$250,000 for \$150,000. You "assign" your contract to your new buyer for \$25,000. You never actually "owned" the house, you never used your own money, and your credit was never an issue.

2. "Subject To" the Existing Mortgage

With this strategy, you use the seller's existing financing, taking title "subject to the existing financing." You agree to make the seller's mortgage payments, and the seller gives you the deed. This may sound a little bit crazy, but it's not. Motivated people who need to get rid of their house do it every day.

3. Lease Options

A "lease option" couples a real estate "option" with a "lease" on the property. A real estate "option" is the right to buy a property at a specific price within a specified period of time. But even though you have the right to buy, you do not have an obligation to buy the property if you chose not to exercise your option. With a lease option, a tenant is placed in a position to ultimately own the property they are renting. The tenant makes a non-refundable deposit (called "option consideration") for the right to ultimately buy the home. The lease option tenant also makes monthly rental payments and handles minor maintenance.

4. "Soft" Private Money

"Soft" private money is usually a lot less expensive than hard money, though it may be tougher to find. Do you know people (like your family and/friends) who keep their savings in CDs getting less than 2% interest? They're the perfect candidates for private money. At 6% interest, they're tripling their yield.

5. "Hard" Private Money

Hard money is much more expensive than other private money. The lender looks solely to the property for repayment, so credit is not an issue. The maximum loan amount can be from 65% to 75% of market value, the interest rate is very high, and you have to pay 3 to 5 "points" for the loan. Each "point" equals 1% of the loan amount. It is expensive money. But it can really serve a purpose, and has launched many successful real estate investing careers.

I hope you find the strategies outlined in this feature to be clarifying and helpful. Have a great rest of your month!

No Name-Changers

There are a lot of legitimate reasons to use a hard money lender. Compared to traditional lenders, hard money lenders can offer faster funding, flexible construction draws, no prepayment penalties, and a willingness to look beyond a borrower's specific credit blemishes. This might lead you to ask, "Why would a hard money lender turn down a deal?"

The most common reason we turn a deal down is because we don't believe in the borrower's projection of repair costs or their After Repair Value estimate. If something else seems amiss, we have to spend a lot of time figuring out what is going on with the transaction. Assuming that we have a shared understanding with the borrower of the meaning of draws, plans, and prices – we look further. Here is a short list of our "rules of thumb" for turning down deals and examples of each:

- **Not Allowing a Title Review by a Third Party:** A title company told us that the title report was not subject to our third party legal review, and that all titles have problems, which is why they sell insurance. **NO DEAL.**
- **No Name-Changers:** We realize that the prospective borrower who we're talking with is someone with whom we have previously spoken, and they are using a completely different name. **NO DEAL.**
- **No Borrowers with Outstanding Warrants:** We become aware that the applicant is likely to be incarcerated during the term of the loan and will be unable to conduct business. **NO DEAL.**
- **No Houses of Cards:** The borrower has many properties in many company names and wants to cross-collateralize all of them to raise more money to keep the deals going. **NO DEAL.**
- **No People who Think They Can Outsmart Municipal Inspectors:** The borrower insists that they can do their construction without permits and that it is perfectly legal. **NO DEAL.**

We might view 20 deals before we find one that we want to lend on. This is usually because the values won't work, but sometimes the borrower is more than a little fishy. It adds a bit of detective work to our workflow, and some interesting stories to our days!

March Deals



258 33rd St., NE



1098 Swan Point Rd.



7147 Academy Rd.



13116 Haddock Rd.



1840 Cherri Dr.



301 Braehead Dr.



5502 Sumerduck Rd.



7389 Greenwich Rd.



320 West Rd.



827 51st St., NE