MIDDLE MAN INCOME
IMPLEMENTATION MANUAL

1. RENTAL AGREEMENT
   - EX- $1,200 PER MONTH
   - EX- 3 YEARS
   - EX- $0 RENT DOWN

2. OPTION TO PURCHASE AGREEMENT
   - EX- OPTION DEPOSIT: $500
   - EX- 3 YEAR OPTION TO BUY

3. NOTICE (OR MEMORANDUM) OF OPTION TO BUY
   - EX- RECORD AT COUNTY RECORDER OFFICE
   - EX-$25-$50

4. PURCHASE AND SALES AGREEMENT
   SIGNED AND DATED BY SELLER AND BUYER
   - EX- $150,000

1. C TENANT BUYER TAKES OVER A TO B CONTRACTS
2. C BUYER PAYS ASSIGNMENT FEE TO B INVESTOR
3. B INVESTOR RELEASES NOTICE (OR MEMORANDUM) OF OPTION
4. B INVESTOR NAME ON ALL CONTACTS ARE REPLACED BUY C TENANT BUYER

1. B INVESTOR MARKET TO FIND C TENANT BUYER
2. C TENANT BUYER IS INTERESTED IN PROPERTY
3. B INVESTOR ASSIGNS A TO B CONTACT 2 THE C TENANT BUYER
Middle Man Income: Implementation Manual

A Real Estate Made Easy eBook From Strategic Real Estate Coach

By Josh Cantwell
# Table of Contents

Introduction ........................................................................................................................................ 3
My Story ........................................................................................................................................... 4
Finding Success With Real Estate Investing .................................................................................... 6
Getting Started With Middle Man Income ....................................................................................... 7
Four Reasons Middle Man Income Works ....................................................................................... 8
Easy Strategies To Putting Money In Your Pocket ......................................................................... 14
Real Estate Wholesaling .................................................................................................................. 16
What Is A Wholesaler? ..................................................................................................................... 18
The Benefits Of Wholesaling .......................................................................................................... 18
The Disadvantages Of Wholesaling ................................................................................................. 19
How Does Middle Man Income Work? ............................................................................................ 19
Wholesaling “Pretty” Homes: Rent To Owns .................................................................................. 20
  The Opportunity .......................................................................................................................... 21
  Why Would A Homeowner Sell On Rent To Own? ...................................................................... 22
  Why Would You (The Investor) Want To Do A Rent To Own Deal? ............................................ 23
Where To Find MMI Deals .............................................................................................................. 24
  Investing Sweet Spot Defined ....................................................................................................... 25
The Lease Option Process Overview .............................................................................................. 25
More About Sellers ......................................................................................................................... 26
  Potential Lease Option Sellers .................................................................................................... 27
  Finding Lease Option Sellers ....................................................................................................... 28
  More About Working With Realtors In Rent To Owns ............................................................... 29
  Different Seller Motivations ....................................................................................................... 29
  Marketing To Sellers – Frequency ............................................................................................... 31
  Marketing For Sellers .................................................................................................................. 31
Avoid The Loan Modification Trap ................................................................................................. 34
  What is a Loan Modification? ...................................................................................................... 34
Difference Between Owner-Financing and Lease Option Strategies ............................................ 36
The Lease Option Documents (Contracts) ...................................................................................... 37
How Do I Find Buyers? ................................................................................................................... 44
  Buyers Who Would Like To Buy But Can’t ................................................................................ 45
The Closing ...................................................................................................................................... 47
Actual Lease Option Case Studies .................................................................................................. 47
Conclusion ......................................................................................................................................... 50
Introduction

From 2001-2006, the money-making opportunity in real estate was to wholesale houses that had loads of equity to other investors for a quick wholesale fee. Every house had equity, so these were easy to find. Or, you could have flipped houses to buyers who wanted to live in them who could easily qualify for a subprime, option ARM or Alt-A mortgage loan with little or no documentation. All you had to do was find someone willing to sell at 85%-90% of the market value, wait about 30 days and then sell it for a handsome profit. Another opportunity was to buy pre-construction or a spec home, hold it and wait for the property to appreciate in value. This was flat-out speculating that housing was going to go up in value, and it worked for a lot of people for over five years.

Then from 2006 until late 2011, the opportunity was to negotiate and flip short sales. Banks didn’t know how to handle the influx of pre-foreclosure deals, and it was super easy to find a house in foreclosure, make an offer to the bank at 50% of the market value, do the BPO, negotiate the short sale, and flip the house to a willing buyer who could get bank financing.

Today, those opportunities have changed yet again.

As a matter of fact, change creates new opportunities, which is why more people became millionaires during the Great Depression than at any other time in American history. When things change there are new opportunities, which is why you’re here now. When massive changes take place in the financial, bank and housing markets and in politics all at the same time, there are new opportunities that simply weren’t there in the past. That’s why now is the best opportunity you will ever have during your lifetime to double, triple, quadruple your income and create massive wealth for you and your family.

If you know how...

…and that is the million dollar question we will be answering here.
The first half of this report is about the state of the housing market, so you’ll have an understanding of where we are right now, how the markets are changing and are poised to change over the next 12 months.

In the second half of this report is where I am going to show you how I am positioning myself and my real estate investment business to take advantage of the opportunity, and how you can do the same. All I need from you is your time and your focus to read and finish this report.

People are drawn to real estate investing for one reason: Money. Buying and selling homes has never been more lucrative, nor has the entry point been this accessible. But like anything else, it takes time, a willingness to make mistakes and perseverance.

Can I have your time and your focus for the next 45 minutes? Ok great, let’s continue.

I want to let you know upfront that this report will take you about an hour to get through, but based on the feedback I have received so far about it, that will be the most valuable 60 minutes you will invest into growing your income, building your wealth and in the process, protecting your future financial security. So please turn off your television, close down Facebook, turn off your cell phone and give this report your undivided attention because what I am about to share with you here will have an immediate and massive impact on your financial future.

**My Story**

Before we dive in, most of you are already familiar with my story, but I’m sure there are a few people reading this whom I haven’t had a chance to meet yet, so I want to give you a quick bio so you’ll know more about me and my background.

I am 36 years old; I have an amazing family where I live in Cleveland Ohio. I have been married to Lisa Marie for 6 years; I have two beautiful daughters, Giuliana, 4 and Alessandra, 3 and a 1-year boy, Dominic. We call him “The Nooch!”
Back in 2003, I started investing in real estate part-time while I was a financial advisor. I held various securities licenses. I had a series 6, 66, 63 licenses to create and administer financial plans for people looking to grow and protect their wealth. I also had my insurance licenses.

I worked with some of the most savvy business owners in Cleveland, and in 5 other states, worked with many, many millionaires, and I helped these folks plan their financial futures. I was a financial advisor and had tens of millions of dollars under management.

In 2003, I started investing in real estate part-time. I started with no experience. I had no extra money. I had no extra credit available. From September 2003 until March 2004 I bought a few properties, fixed them up and tried to sell them. I really struggled to put the pieces together to make real estate a profitable business for myself. I could find deals but I didn’t know how to evaluate them. I didn’t know how to fund them or where to get money. I didn’t know if I was getting “screwed” by other investors so I really didn’t do many deals.

Oh, did I tell you I had quit my job in March 2004 and had almost no income for 9 months and I borrowed $60,000 from my brother’s mother-in-law to fund a deal but I was actually using her money to fund my personal and business expenses? I was over $80,000 in debt and needed a way out. Real estate gave me the way out.

Since August 2004, when I had my first big break-through and made over $100,000 in just a single month, I have focused all my time and energy building that business, to this very day. In 2006, I started a real estate brokerage office called Sharp Concepts Realty, which operates out of Parma Heights, Ohio. We out-perform almost all the major brokerages in the area because we close a tremendous amount of transactions.

Since 2003, I have bought and sold nearly 600 homes. I have partnered with other investors on deals in 30 different states. I’ve made nearly $6 million in profits since 2004 for my business partners and myself. In 2006 I partnered with a local attorney, a local mastermind group friend of mine, to test and create a new set of paperwork in order to buy and quick-turn short sales using a back-to-back closing. This was known as the Option Contract Method for flipping short sales. I was one of a small mastermind group of investors in Cleveland in 2006 to successfully use the option contract to legally flip short sales.
Today, thousands of investors across the US use this paperwork every day and many “gurus” have adopted the “option” paperwork as their own and sell it with their own courses and coaching programs. As a matter of fact, this paperwork is so popular and it’s been bastardized so many times that most short sale lenders will not even accept it anymore. But it worked for years until other investors crashed the party and ruined it for everyone. The reason I bring up the paperwork now is because much of what you are going to learn later is based off the fundamentals of a Letter of Intent and an Option Contract.

Also in 2006, I partnered with a grade school friend to create Realeflow. It’s the leading online software platform for real estate investors to manage their business. There are currently over 20,000 investors who use the software, and I personally use it every day.

In July 2007, I launched Strategic Real Estate Coach. At SREC, I teach the strategies I use every day in our real estate investment business. Since 2007, I have had the privilege of speaking to and teaching thousands of real estate entrepreneurs. I am personally working with investors and investing myself every day. I don’t say any of this to brag. I just want and hope you will understand I did all this starting with no experience, no money and no credit. I started with nothing. ZERO.

Actually I take that back. I started with $80,000 in debt.

Now that you know a little about me, I’d like to begin our journey by telling you exactly you are going to learn here.

**Finding Success With Real Estate Investing**

Like anything, finding success in real estate depends on several different factors that work together to achieve results. Your market is important, as is the skill set you bring in to the business. You need to be disciplined. Do you set goals and follow through or do you quickly lose attention and jump at the next thing? Are you willing to study, learn, risk, and work hard? Can you admit when you’re wrong and will you take the time to assess what parts of the business you do well, and what parts you need to hire someone else to do?
Here are the most important elements of success:

1. You.
2. Your market (understanding your market, prices and rehab costs).
3. Your marketing.
4. Your buyers.
5. Your systems.

What it really comes down to is this: you need leads so you need to know how to find them, and you need exit strategies so that you can develop a buyers list and turn as many buy calls as possible into contracts. Turn those contracts over to other buyers to create profits.

**Getting Started With Middle Man Income**

If you want (or need) to make money right now, then I’m going to show you the easiest, fastest and safest way to cash your next check in real estate in as little as 16-60 days, and repeat that process again and again. As you read this report, you’ll discover some very simple and very proven ways to make $500-$20,000 for every deal you do with about 2-3 hours invested per deal.

The best part is you won’t need...

- Money (or have to beg others to borrow it).
- Credit (or qualify for any bank loans, whatsoever).
- Real Estate Experience (this is easy, and you can start immediately).
- Sales Experience (there’s no sales skills needed).
- Time (2 to 3 hours average per deal is all it takes).

**These strategies are super simple; you can do this with zero experience:**

- If you can find a house with no equity– which isn’t hard to do... you can do this.
- If you can find a buyer who can’t get a bank loan– which isn’t hard to do... you can do this.
- If you can find a house headed for foreclosure – which isn’t hard to do... you can do this.
- If you can copy and paste and use Craigslist – which isn’t hard to do...you can do this.

Better yet...
You won’t ever need to take ownership of a property (you’ll never take ownership of a home if you don’t want to -- you make money by connecting the dots!). Yes, you read that right – and I’ll tell you all about it in this report. You can make a substantial and consistent income as a real estate investor and you’ll never need to buy or take ownership of a property. EVER!

Isn’t it great knowing you’ll have zero risk doing this? No sleepless nights worrying about how you’re going to cash out of the deal or how you’ll afford to make the mortgage payments on an empty rehab or rental.

If you need money, you need it now – and you need to get it as fast, safe and easily as possible.

It doesn’t matter if:
- You lost your job.
- You want to replace your current income and retire early.
- You need to pay off looming debt.
- You need to send your kids to school.
- Or just want to take more vacations.

You can’t wait 3–6 months to do a deal, and the money-getting process can’t be complicated. Fortunately, the strategies I’m about to show you were created as a direct result of real estate investing in today’s economy – and it works incredibly well to line your pockets in just 16–60 days, again and again.

I’ll explain all that in a second, but first let me explain the basics...

**Four Reasons Middle Man Income Works**

Here are four reasons why I’m sharing this information with you now:

1. **Today’s housing market and economy are a total mess.** You already know this. I’m not revealing some big secret. Turn on the news or open a paper and you’ll see we’re smack dab in a deep pile of you-
know-what. “They” (the overly optimistic politicians, bankers, newspapers and talking heads) say that the recession is over and we’re past the worst. I say look around.

People are hurting. Unemployment remains high hovering around 8%. In all actuality, when you consider all the people who don’t report they are out of work or are significantly underemployed the number is actually 20%. So some of the same reasons why you may be struggling in today’s economy are the exact same reasons why Middle Man Income works in today’s market.

Why Does Middle Man Income Make Sense in Today’s Market?

- 48% of all the houses on the market today are in some state of foreclosure – pre-foreclosure, default, delinquent, government-owned.
- 49% of houses on the MLS are “Expireds,” according to the National Association of Realtors.
- 39% of all home purchase transactions are in some state of distress, according to CoreLogic.
- The volume of seriously delinquent properties overshadows the number of actual foreclosures by 35:1. For every actual foreclosure on the market, there are 35 other properties that are seriously delinquent or in some state of distress.
- Property values seem to be ticking up slowly in some areas, but not much. The market has flattened out.
- 5.3 million properties are in shadow inventory – they are bank owned or the government has foreclosed on them, but they are not yet on the market, according to LPS – a market analytics firm.
- 90% of all foreclosures are not on the market, according to CoreLogic.
- In 2012, 1.2 million foreclosures happened.
- In 2013, 1.8 million more foreclosures are expected to happen.
- 2 million properties are seriously delinquent, but have not yet received a foreclosure notice.
- Banks are not starting the foreclosure process until homeowners are one full year behind on payments. The latest numbers from LPS are that banks are not starting the foreclosure process until homeowners are 387 days delinquent, so homeowners are able to stay in their homes for over a year and then the banks start foreclosure proceedings. In the past, the banks used to start foreclosure proceedings if a homeowner was just 90 days behind.
- There are 11 million homeowners with negative equity, and 16 million with less than 10% equity in homes – together that is roughly half of all housing units in the US, according to CoreLogic.
2. There are way too many houses on the market.

My mastermind buddies and I all say the same thing...

“The market is REOs, short sales, lease options and buyers that want them.”

Sellers can’t sell – at least for fair market value. Every buyer wants a deal. Foreclosures are everywhere and even though they’re at rock bottom prices – and still don’t sell because no one can get loans.

This just forces banks to drop the prices even lower, driving down values. According to LPS, there are 6 million homes waiting on the sidelines for the market to improve. Much of that "shadow inventory" is held as repossessed properties by banks, which will eventually have to release them back on the market.

Sellers without any equity can’t compete. Currently over 11 million homeowners have no equity in their homes, according to CoreLogic. These sellers can’t sell and are stuck. And forget it if you have negative equity and are underwater, like more and more homeowners today. Your options are to stay where you are if you can, short sale or face foreclosure.

But there is another option.

On top of the 11 million homeowners have no equity, another eight million have very little equity. They are 95%-100% Loan to Value. The total estimated is 16 million homeowners with less than 10% equity.

For example:

Perceived equity of 15%:

- House as-is value $200,000
- 85% equity $170,000
- Perceived equity $30,000

At Closing Example

- Realtor commissions @6% -$12,000
- Seller concession @3% -$6,000
- Closing fees and title @3%  
  -$6,000

- Payoff of property taxes  
  -$5,000

- Net proceeds $200,000 sale  
  $171,000

- **Net proceeds check at closing**  
  **$1,000**

Yippie!

Imagine thinking you have $30,000 of equity and then selling your house and walking away from the closing table with $1,000. Ouch, that hurts!

Here are a few additional statistics you should know about as you strategically position your real estate investing business in 2012:

“The average new foreclosure is not started until the homeowner is more than 365 days behind on their payments.” – Mortgage Bankers Association

This is a slick accounting maneuver by the banks. If they don’t start foreclosure proceedings, they don’t have to count that property as a non-performing asset, so their balance sheets look better than they actually are. This suspension by banks of mortgage foreclosure proceedings has actually worsened the underlying problems in the housing market.

“Distressed sales will become an even larger share of the market during the next year, as banks are now ramping up the foreclosure process, taking big losses, and cleaning up potential legal obstacles.” – CoreLogic.

Here’s a sad story reported in the Wall Street Journal a while back but it still resonates with me today: “The owners under pressure include Tasha McLaughlin, a 33-year-old mother of two in Sacramento’s South Natomas neighborhood. She and her husband, Steve, bought their two-bedroom house in 2004 for $256,000, intending to stay about five years. After 11 months of trying to sell it between 2006 and 2007, the family took it off the market. “Everyone is saying we should foreclose or claim bankruptcy, but I have a moral issue with that,” said Mrs. McLaughlin. “The more we try to pay the mortgage and pinch pennies, the more we get punished.”
She has 6 options, 5 of which are not good:

- Sell FSBO and bring money to the closing table.
- Sell with a Real Estate Agent and bring even more money to the closing table.
- Miss payments – Strategic Default – and try a short sale – 50% success rate and takes about 6 months.
- Try bankruptcy – freezes foreclosure.
- Lose the house to foreclosure and probably still end up with a deficiency judgment.
- Sell via “option assignment.”

3. Banks aren’t lending, even to qualified applicants. Banks aren’t giving loans. The credit markets are still restricted. There are 80–100 million people who have good credit, have money for down payments, have stable income and want to buy. But because of strict requirements, they won’t qualify for a home loan. Sounds crazy doesn’t it – but it’s true. Eighty to 100 million people – that’s roughly 30% of our entire population - cannot qualify for a traditional bank loan.

According to a study by Fannie Mae, the housing crisis hasn’t quenched the homeownership thirst. More than 54% of people said the housing bust did not change their willingness to buy a home, and an additional 27% said it actually made them more likely to do so. Average credit scores for a new FHA loan was over 700 for the first time ever in 2010 and are expected to continue through the end of 2013, according to the Federal Housing Authority.

And as we mentioned before, 23% of borrowers are now underwater on their mortgages, another 30% have “near no equity at 90% LTV,” which means they can't sell to move up into new homes, either. (But don’t worry, I’ll show you how to help these people and make a fast profit doing it.)

Oh, and if you’re a real estate investor, forget borrowing money the traditional route – from a bank - it’s practically no longer an option. Did you know Fannie and Freddie at one time would allow you to get up to 10 loans in your name? Sure. All you had to do is have 20% down on every property. Plus the properties must be cash flow positive even though the bankers will only allow 75% of the rent to be used for rental calculation purposes. So you’re upside down before you even start.
Today they will only allow you to have four loans in your name.

Given the glut of foreclosures that will continue to hit the market, "at a time when you need more borrowers, you actually have less," says Laurie Goodman, senior managing director at Amherst Securities Group LP.

4. The strategies for making money in real estate take too long. If you’ve been in this business for any amount of time or followed what’s happening in the marketplace, you’ll know there’s some trouble brewing in D.C. and other agencies. This has made it tough to be a real estate investor today, especially if your main strategies are flipping, rehabbing and/or short sales. You can still do them and make a lot of money – I do even today - but if you’re a brand new investor without the experience and the resources, you’re in for a ride.

If you’re new, I’m going to show you a better way to get started and put some cash in your pocket so you can move on to bigger deals later. I strongly believe ethical real estate investors are needed now more than ever to help reduce the strain on the market. It only makes sense – the more houses off the market, the more people in homes, the greater the chances of everything balancing out.

So to summarize what we’ve just learned:

1. Today’s housing market and economy are a total mess.
2. There are way too many houses on the market with no equity.
3. Banks aren’t lending, even to qualified applicants.
4. The strategies for making money in real estate take too long.

So, how can you and I take advantage of this situation? I’ll give you a couple hints, so pay close attention:

*In order to infuse your life and your real estate business with cash, you’ll be forced to work with sellers who have little or no equity and buyers who cannot get or don’t require bank loans.*

*Based on the information I just showed you, I’m sure you see how things have changed.*
I’m also sure that you see the opportunity. If you and I can simply work with sellers in default, distress or foreclosure or have little to no equity who want to sell, and buyers who want to buy but cannot get bank loans (buy on terms) or don’t need bank loans (like investors), we can make a killing by connecting the dots.

The fact is if you need money now, you need it now! Not six months from now, and not in 10 years.

**Easy Strategies To Putting Money In Your Pocket**

Since 2004, I’ve been perfecting these easy strategies you can put into action starting today. Anyone can do this, from anywhere, with only a few hours of time each week, starting with nothing, no money, no credit – just connect buyers and sellers and you will regularly cash $500-$20,000 checks.

You can be well on your way to filling your bank account so you can focus on reclaiming your financial future, and be well on your way to building long term wealth. Before I tell you what these strategies are, let me tell you what they are not:

1. **These strategies are not about making a million dollars a year without doing any work.** You can do this in your spare time and still make a decent income, even six-figures. But my goal isn’t to show you everything you need for a full real estate business – my other mentoring programs do that. My goal in giving you these strategies is to put cash in your pocket right away so you can pay off debt or reclaim your time and life. After you do that, if you want to expand your business, by all means – I’ll be here to help. There is work involved just like anything worth doing. But not much – it only takes a few hours. When you do this right, you won’t break a sweat.

2. **These strategies are not about creating a real estate business with a large staff.** You can do this on your own and make a very substantial income. I have students with full real estate investing offices who do very well for themselves. I have an entire team of people that supports my own real estate investing business. But again, that’s not my goal for you. The goal in giving you these strategies is to get you started and get you your first check, plain and simple. After that first check, you repeat the process until
you have the money you need to get comfortable, replace your income, or pay off debt or whatever your goals may be. Then if you want to grow your business from there, we are here to support you.

3. **These strategies are not about building rehabbing and renting properties.** That takes too long, and who wants to deal with contractors, swinging hammers, rehab costs, toilets, etc. You want cash right now – and I’ll show you how to get it. If you want to move into doing full rehabs later, I can help with that, too.

4. **These strategies are not about spinning wheels as a real estate investor, chasing the wrong type of buyers and sellers.** I’ll show you how to turn every motivated seller lead into a potential $500-$20,000 pay check.

I’ll also show you how to make even the buyers who don’t qualify for traditional loans your *TARGET*.

I was finally able to make money on almost every single lead that came in to my real estate business (no matter what kind of deal) by stumbling on an old, but little-known method that’s:

- Much faster and easier than rehabbing.
- Less competitive than short sales.
- More fun than any other investing technique.
- Only takes 60 days or less if you do what I teach you.

This is probably the simplest way to make money quickly that I’ve ever found, where you can make real money right now. I understand it’s frustrating! The most frustrating part of real estate investing is doing your very first deal without having money or credit. Listen, everyone and their mother claims you can do real estate with no money and no credit. Does anyone REALLY ever show you, step-by-step, exactly how to do it? To date your only real options stunk. (Pardon my language)

**Here You Are, Working Your Tail Off...**

Spending countless hours hitting the streets and networking with investors in your area.

- *Hopefully* find a deal with enough equity where the spread was worth your time.
- *Hopefully* find a buyer that could qualify for a bank loan.
- *Hopefully* have a title company that wouldn’t screw the deal.
Good Luck!

All the while, you let potential deals pass you by because you don’t have the money to play the game.

They say it takes money to make money. That’s the old way. Don’t worry it’s not your fault. It’s not any better for experienced investors, either. You’d think they’ve got everything going for them:

- Experience marketing for deals.
- Money.
- Have done deals before.

But they are tapped out, over leveraged, running out of reserves, and can’t wait six months for the next big hit. Even these expert investors are feeling the heat; they’re looking for new strategies. Short sales and REOs aren’t working consistently for them either because those strategies require a buyer who can get a bank loan as the exit strategy. So don’t feel bad that any of your efforts may seem fleeting and you haven’t seen the results you’ve been looking for because the old rules no longer apply. Thankfully, I’m going to let you in on a little secret.

**Real Estate Wholesaling**

Wholesaling properties is a fantastic way to get into real estate investing with little or no money. On paper, the process is simple: find a bargain property, get it under contract and sell to a bargain buyer. That buyer will either buy the property to rehab and sell, or buy the property to rehab and use as a rental. By learning how to wholesale, the new investor will learn many essential skills that are crucial to building a successful real estate investing business.

As a wholesaler, what kind of money can you make? Remember, you’re finding the lead, locking up the property and finding a buyer. What you’re not doing is taking the risk of owning the property, along with the risk of rehab, managing contractors, finding tenants, or taking a risk betting on the market. For your role in wholesaling property, you will be paid anywhere from $500-$20,000 per transaction. Count on making about 3-10% of the value of the property you are wholesaling, depending on your market and
the quality of the deal. At SREC we’ve seen plenty of transactions where we made less, but plenty where we made more, but this is an accurate range.

For those investors who focus on wholesaling properties full time, it is a volume business. The numbers add up quickly, and if you put the right system in place, you can easily complete multiple deals month after month.

Here’s an example of how this can be done:

- Wholesale 3 properties per month.
- Earn $5,000 per property.
- Gross $15,000 per month before expenses.
- Expenses equal $3,500 for marketing.
- Net profits equal $11,500 per month.

Investors who focus on selling wholesale properties do so for any number of reasons. As mentioned above, it’s a great way to learn about real estate investing while building a business that will lead into doing more sophisticated and lucrative deals. It’s also the best way to make fast cash in real estate. Depending on your buyers, you might be able to close transactions in as little as seven to 45 days. If you have a big advertising budget or other business expenses that need to get paid, wholesaling is one way to make sure you get that covered, plus make profits. If you are a rehabber and a wholesaler, then you have a strategy for quick cash (wholesaling) and a strategy for big checks (rehabbing).

Moreover, many experienced investors wholesale properties that they don’t want to buy because they already have too many properties. In other words, their marketing is churning out leads and they are able to cherry pick those cases that they want to pursue. The leftovers get wholesaled.

Finally, understanding how to wholesale properties keeps your business agile when considering different exit strategies. The more ways you know how to make money off of every buy-call that comes into your office, the better your chances are of building a business that supports the lifestyle you want.
What Is A Wholesaler?

A wholesaler is an investor that buys properties at a discount and sells them quickly (within 5-45 days) to other investors (rehabbers and landlords) and/or buyers, making a profit from either an assignment fee or the spread between the price they paid and the price they receive for a particular piece of property. Most beginning wholesalers learn the business by assigning contracts to an end buyer for a small fee.

Advantages to this method include limiting risk because the wholesaler is not going to buy and hold the property. Likewise, it allows the new wholesaler to focus on acquiring leads, getting contracts and finding buyers.

Those three things are all it takes. A wholesaler who buys and holds, even for a few days, takes on more risk and potentially more complications. A wholesaler’s profit is generally smaller in comparison to the profit made by the investor who buys from the wholesaler and makes necessary repairs to resell or keep the property as a rental. Like any other business, investors get paid for the risk they take. The attractiveness of assigning properties is that it limits the risk of the investor, but then it also limits profit to a degree. Don’t plan on making $50,000 on a wholesale deal, if you catch my drift.

The spread is the profit made by a wholesale investor. This spread can range anywhere from $500 per transaction or more depending on the property, the equity in the property, the disposition of the homeowner, and the results of the negotiations between the wholesaler and the homeowner. The wholesaler is the front-end guy, which means they are the ones marketing for and finding prime investment opportunities, which they can assign to other investors for a profit. The philosophy around wholesaling involves marketing, finding prime investment opportunities, getting a property under contract, and assigning or selling the property to another investor.

The Benefits Of Wholesaling

The following are the prime benefits of becoming a wholesaler:

- Limited amount of cash needed to get started.
- Limited risk exposure since a wholesaler’s ultimate goal is to sell to another investor/rent to own buyer who will then assume the risk of taking on the property.
• The ability to make a quick sale to a group of regular buyers.
  o Rent to own buyers are “hyper buyers.”
• No tenant issues or headaches because a wholesaler is not keeping the property.
• No contractor issues because the wholesaler is not making repairs.
• No credit needed, but wholesalers do need to have access to enough cash to tie up the property.

Wholesaling is a GREAT way to get into the real estate business!

The Disadvantages Of Wholesaling

There are a few disadvantages to be aware of to becoming a wholesaler:
• There are fewer tax advantages than other investment types; therefore, there is not much available in the way of tax shields. To learn more, consult with your tax advisor.
• The amount of profit made on each transaction is generally smaller because a wholesaler is not taking on the property; therefore, they are not taking on the entire risk.
• There is no long-term wealth-building residual income or equity accumulation.

How Does Middle Man Income Work?

There are four main elements to making Middle Man Income work, including:

1. Buyers
2. Contracts and Paperwork
3. Sellers
4. The Closing

We’ll get into more detail about each section throughout this report, but let’s take a quick overview look at how it all works together to ultimately put money in your pocket.

It all starts with “The Magic Document” – the Letter of Intent. You’ll hear me talk about this document a lot because it is the fulcrum for the entire process. Without this document, the whole process would not
be possible (or would be a lot more complicated). You will be able to use this document with sellers to get the property locked up and agree to the terms.

The Letter of Intent consists of 10 lines and covers everything from the purchase price, rent rate, rent credit, down payment, and more. The important thing to know is it is not a contract. It does not bind the buyer and seller to you. It is simply an intent to enter into a contract.

Once you complete the Letter of Intent, you will want to hand it off to a qualified real estate attorney, who will take over and do everything else from that point. My advice to you is to not mess around with the contracts and paperwork yourself, let an attorney handle it. Don’t worry; this is not an added expense for you – the buyer and the seller pay the attorney’s fees (in my case the fee is $500 – half of which is paid by the seller and half by the buyer). The buyer and seller pay when the transaction closes. This is at zero cost to you.

The real estate attorney will meet with you and the seller and draft the rest of the documents that connect you and the seller. He or she will make sure everything is compliant in your state. These documents include:

- Rental agreement
- Option to purchase agreement
- Addendums
- Disclosures

We’ll review each specific document in more detail a little later. Once this set of paperwork is complete, you are now under contract and you can wholesale the house to a buyer.

**Wholesaling “Pretty” Homes: Rent To Owns**

Wholesaling does not just have to be about selling houses that are in need of rehabbing. Wholesaling “pretty” houses – ones that are in great shape, in good neighborhoods and don’t need any work – can be a very lucrative strategy. The key is to lock up the properties and wholesale them to rent to own buyers.
In today’s market, this is an effective real estate investing strategy because there are a lot of sellers who want to sell their home but can’t, and buyers who want to buy but can’t. This is where lease options, or selling on rent to own, helps both sides.

**The Opportunity**

We’re talking about retail houses – ones where there is no rehabbing needed, are in blue/white collar neighborhoods – this works with homes ranging from $80,000-$1 million. You are able to make money on properties that have loans on them, with 90%-110% loan-to-value.

**Case Study – Strongsville, OH - 3 bed, 2.5 bath**

- Upper-middle class neighborhood in SW Cleveland suburbs.
- Monthly lease = $1,250
- Price $186,000
- Homeowner owed $179,000
- When someone owes that much and wants to sell for $186,000? What will happen if they try to sell the property with a realtor? They are upside down, when you factor in closing costs and commission. Short sale? That will damage their credit. Bankruptcy? They still have to figure out what to do with the house payment. They could do a FSBO and get full asking price – slim chance in this market – every buyer wants a deal.
  - Down payment of $6,000
  - Assignment fee of $4,750
  - 30 days from time we got the contract to selling and collecting the check

As a reminder, here’s a quick overview of the opportunity in today’s housing market:

- 48% of all the houses on the market today are in some state of foreclosure – pre-foreclosure, default, delinquent, government-owned.
- 46% of all home purchase transactions are in some state of distress.
- The volume of seriously delinquent properties overshadows the number of actual foreclosures by 50:1. For every actual foreclosure on the market, there are 50 other properties that are seriously delinquent or in some state of distress.
- Property values won’t be going up any time soon – to any degree. The market is flattening out.
• 5 million properties are in shadow inventory – they are bank owned or the government has foreclosed on them, but they are not yet on the market.
• 90% of all foreclosures are not on the market, according to CoreLogic.
• In 2012, 1.2 million foreclosures happened.
• In 2013, 1.8 million more foreclosures are expected.
• 2 million properties are seriously delinquent, but have not yet received a foreclosure notice – banks are not starting the process until homeowners are 1 full year behind on payments.
• There are 11 million homeowners with negative equity, and 16 million with less than 10% equity in homes – together that is roughly half of all housing units in the US, according to CoreLogic.

The market is perfect for owner financing and lease option strategies. There are a lot of people with no options for selling their house.

**Why Would A Homeowner Sell On Rent To Own?**

There are many reasons why a homeowner should consider selling their home on rent to own, including:

1. They have tried everything and nothing is working. Any offers they are getting on their house are below what they owe, and they don’t want to do a short sale.
2. To avoid foreclosure, credit damage or missing payments. The homeowner can’t afford to have damaged credit due to their job, for example.
3. They have tried FSBO, the MLS, and have an expired listing (According to the National Association of Realtors, 40% of houses on the MLS are “Expired” listings). They could not get an offer on their house using any of these methods.
4. They are making double payments.
5. The homeowner is an out of town owner.
6. The actual owner is a frustrated landlord.
7. The homeowner needs to relocate.
8. The homeowner has experienced a divorce or separation.

In general, why do homeowners sell on rent to own? Because they have run out of other options. You can make this a business of flipping pretty houses in good neighborhoods. You can even do this as a side business on the deals you get by default.
Let’s look at a quick comparison between a retail sale and a rent to own/lease option sale:

**Scenario #1: Sell A Property - Retail**
- The seller will put the house on the market for $150,000, and try to find a buyer.
- Final sale price is $135,000, after negotiations.
- If 6% agent commission - $8,100.
- Seller pays closing costs, pays buyer closing costs - $16,150
- Seller nets $119,850 – give up $30,000 of equity.
- If they owe $125,000 or $135,000, they think they have equity. When you factor in all costs, they are actually upside down.

**Scenario #2: Owner Financing or Rent to Own**
- House is worth $150,000.
- You step in and find an end buyer.
- The house will sell for full asking price – don’t negotiate the end price. If buyer can’t get a bank loan, they pay full price.
- Buyer takes care of the house, makes a down payment of 3-5% (you keep the majority of that).
- Minimal closing costs, no agent commissions.
- As the homeowner collects money from the buyer (on-terms) – pay down mortgage over time and create a small amount of equity each month.
- Seller has little or no maintenance, buyer pays expenses.
- The seller nets more money – full asking price, no agents involved, no expenses, no concessions.

When comparing the two scenarios, the choice is clear which is the more advantageous option for a seller who needs to sell their home.

**Why Would You (The Investor) Want To Do A Rent To Own Deal?**
1. You can do deals with no money down.
2. You don’t need private, transactional or hard money at all.
3. You won’t have to take ownership of a house.
4. You get all the rights of ownership without the risk of buying or owning the house.
5. You will do deals no one else will do.
6. You help people get out of a tough situation.
7. Houses sell fast; finding the seller is the key.

**Case Study: Norton, Ohio - 3 bed, 1 bath**
- *Monthly lease* = $800
- *Price* = $95,000
- *Owed* = $88,000
- *Down payment* = $7,000
- *Assignment fee* = $4,500
- *25 days to paycheck*

**Case Study: Avon, Ohio - 4 bed, 2 ½ bath**
- *Monthly lease* = $1,800
- *Price* = $275,000
- *Owed* = $259,000
- *Down payment* = $9,000
- *Assignment fee* = $5,400
- *60 days to paycheck*

One deal a month can fix any immediate cash flow problems you may have. You also have the satisfaction of knowing you are helping a seller out of a difficult financial situation, allowing them to move on with their life.

**Where To Find MMI Deals**

There are two different market types – buyer and seller markets. In a buyer’s market, real estate is not selling, sellers are including incentives to sell their homes and houses are on the market longer and longer. Sellers are more open minded and more creative to selling, which is key to the MMI system. Buyers can’t take on as much new debt because financing is more difficult to get, and they are essentially hoarding their money. So our strategy will work and will last for many years to come.
The best place to start with MMI deals is by focusing in on your real estate investing sweet spot.

**Investing Sweet Spot Defined**

Your sweet spot is the area where an investing strategy works best. It is important to understand what areas of your city will create the best types of leads. Knowing your sweet spot will help you determine what types of marketing you will use, types of seller and buyer leads you will get and how to approach the seller with a solution.

**The Lease Option Process Overview**

1. **Locate a motivated seller** with little or no equity. Finding sellers is super easy, and they can be found from a variety of resources. More on that in a minute.
   a. You get the right to market their property – need to get an interest in the property – equitable interest in the home because you don’t own it. Or you need to be the listing agent.
   b. You don’t need to negotiate the terms – just ask what they need out of the deal.
   c. The Letter of Intent has all the details of the deal in one place.
3. **Hand the Letter of Intent to the attorney/title company.**
   a. The attorney will generally charge about $500 for the work (paid by the buyer and the seller).
   b. You can find a good attorney if you talk to any local title or escrow company. They all know real estate attorneys.
   c. **The attorney will do the rest**, including preparing the rental agreement and option to purchase.
4. **Find a buyer.** You have to be sure and qualify the buyer. This means running a credit, criminal and employment check. You can even have the buyer pull his/her own credit scores and provide them to you.
   a. Craigslist.
   b. “No Bank Qualifying” signs.
   c. Your buyer’s list.
d. Tell buyer you have a pre-negotiated agreement with the seller.

5. **Tell the buyer the terms** that have already been agreed on.

6. **Have the buyer meet with the attorney to handle the “assignment.”**

7. **Close the deal:**
   a. Escrow assignment, auto draft summary, disbursement settlement, broker’s lien, and investor assignment.
   b. Seller, investor and buyer meet at attorney’s office to sign all the paperwork.

---

**More About Sellers**

Let’s take a few minutes to talk a little more about sellers. When looking for lease option sellers, your best bet is to find someone who is frustrated and is very motivated to sell their house. They don’t have the time or the money to wait much longer, and are open to hearing about creative solutions. This is where you can come in.

Sellers who are facing a situation where they have little or no equity left in their house have many options – I’ve identified nine:

1. Do nothing
2. Pay arrears
3. Bankruptcy
4. Deed In Lieu
5. Refinance
6. Bring money to the closing
7. Repayment plan/loan modification
8. Sell with a realtor
9. Sell it on their own

While there are different options, obviously some are more advantageous than others. That’s where you can play a big role in guiding them to make the decision that will give the best result – the win-win – for everyone.
Potential Lease Option Sellers

The best groups to target with a lease option solution? It’s a long list, which is the good news, because that means there are plenty of opportunities for you. Carefully consider the following:

- **Out of town landlords** – They just don’t want to be burdened with the property any longer and are ready to get out from under it.
- **Out of town homeowner** – Perhaps the house is an inheritance or second home, and they are ready to get rid of it.
- **Frustrated landlords** – They no longer want to deal with the property and no longer want to be a landlord.
- **Frustrated FSBO** – These homeowners have tried to sell their houses “For Sale By Owner,” on their own, without any luck. They need to sell the house and want to be able to move on to their next opportunity. Explain the advantages of selling on rent to own.
- **Expired listings** – These people have had their house listed on the market with a realtor and did not have luck in selling, but are still interested and motivated to sell. If you don’t have access to the MLS, you will need to partner with a real estate agent. This is one of the hottest ways to find properties for a lease option assignment. Do a standard search for Residential and Rental properties, search for only “Expireds” (for the last 90 days). You will be able to set your price range, sweet spot cities, number of bedrooms and baths and style of home.
- **Notice of Default (NOD) lists** – These people are missing payments and are about to go into foreclosure
- **Notice of Default filed** – The NOD has already been filed and the owners are facing foreclosure.
- **Double payments** – Someone has two homes and can no longer shoulder the burden of making two payments.
- **TRied to sell and can’t** – Similar to the FSBO or expired listings, these homeowners have tried to somehow sell their home but have not been able to.
- **Deferred maintenance or code violations** – The property needs work done but the homeowner is not able or can’t afford to have the work done.
- **Job transfer** – A new job has forced a move and now they need to sell the home, often so they can afford to purchase another one in their new location.
- **Divorce** – In this situation, the property needs to be sold to help settle the divorce.
Finding Lease Option Sellers

So how can you find Lease Option sellers once you’ve identified where they are? There are a lot of places to look, including:

1. **Lists:**
   a. **Notice of Default (NOD)** – Search for your county Clerk of Courts in Google – usually in the Civil Case Dockets; there may be a Foreclosure Property Search option. Search by date range. There may be different types of foreclosure codes (CV = civil, bank foreclosing on the property). Copy and paste the information into a spreadsheet. Will have name, property address, city, and date of filing. You can then remove cities that are not in your sweet spot and set up a mailing.
   b. **Free and clear**
   c. **Foreclosure**
   d. **Probate**
   e. **Bankruptcy**
   f. **Building code violations**

2. **Realtor referrals** – Partner with a real estate agent and have him or her send you properties that are expired, or if they encounter an opportunity for a lease option deal from one of their clients.

3. **Attorney referrals**

4. **Friends and family** – Spread the word about what you do! Ask that, if they know anyone who is interested in selling their house on lease option or they know someone who would be interested in buying a house on lease option, they should let you know.

5. **Partner with real estate agents** – The agent can network for you with other agents, or can generate a list of Expired listings for you (more on that in the next section).

6. **Craigslist/Backpage** – This is a great place to locate FSBOs and Landlords.

No matter the situation, the types of sellers above will be ready, willing and motivated to sell. They will, in many cases, be extremely frustrated. The more frustrated they are, the more they will be open to different, creative situation like the ones that you can offer. Those are the sellers you want to target.
More About Working With Realtors In Rent To Owns

What if you’re working with a real estate agent? How can a real estate agent be successful with lease options? There are so many sellers who have listed their properties but the listing has expired and the house remains unsold. Those expireds are the ones to whom you want to market directly. If, however, a seller is still under contract with a realtor, you will have to work through the realtor to avoid any conflict or breach of contract.

When dealing with an agent, there are certain hot buttons on which you can focus. With a traditional rental situation, there are the traditional rental headaches: fear of the tenant leaving, damage, maintenance, repairs and such. With a rent to own, the seller has an advantage, and the house can be marketed as “No Bank Qualifying Rent To Own.” This will attract more interested buyers.

There will still be great monthly income to the seller, with no maintenance calls and they will be able to receive their full asking price. The process is simple:

- Sign a contract with terms or a letter of intent.
- Find a tenant buyer or have a “Dream Sheet” buyer waiting.
- Close the transaction with an attorney.
- Collect a closing commission or assignment fee.

For the realtor, he or she can still get their full commission for structuring the deal (paid by the buyer).

If you come across a home that the owner is marketing because their agent is not doing their job, ask if they are still under contract with the agent – wait until the listing is expired or have a sign-off from the realtor – be very transparent; you don’t want the agent to come back after the homeowner for breaking their contract.

Different Seller Motivations

It’s important to understand the psychology of the seller in a lease option situation – to understand their motivation for selling and the timing. This will help define whether a lead is cold, warm or hot, which will
determine how much time and attention it receives. It will also point to which marketing strategies to use.

Finding sellers for rent to own homes is more difficult than finding buyers. You will spend 70-75% of your time marketing for good sellers with good homes in good areas.

It’s important to first identify your type of seller and the situation you’re facing. Let’s look at a few different scenarios:

1. **You Are Already The Trusted Advisor.** The seller knows you and trusts your advice. In this case, the seller is...
   - Looking for you to take control and give them advice.
   - Willing do almost anything you tell them.
   - Easily convinced to sell and agree on a price.
   - Views you as the expert.
   - Just waiting to be told what to do next.
   - Typically will not want anything.
   - Just wants the house to be sold so they can forget about it.

2. **The Seller Needs Some Convincing.** They understand you’re the expert, but are not 100% ready to commit. In this case...
   - Your sales skills are needed to convert the seller.
   - The seller has some ideas of their options.
   - May be already talking to their lender or a real estate agent.
   - May be already speaking with an attorney about bankruptcy.
   - The house may be listed.

3. **Competitive Situation.** In this case, the seller knows the available options and just needs to make the decision.
   - Your sales skills are essential to closing the homeowner.
   - The seller is educated about foreclosure process.
   - Asks a lot of questions.
   - Has a preconceived idea of what they want.
   - Extensive talks with their attorney.
• Extensive loan mod talks with lenders.
• Knows they have time.
• May have saved some money.
• May ask for moving money.
• House is most likely listed with a real estate agent.

Marketing To Sellers – Frequency

If the seller is not motivated – This is a cold lead. This seller wants top price for the house because they do not have an immediate need to sell.

  a. Contact them every few months.
  b. Spend a minimum amount of time on these leads.

If the seller has some motivation – This is a warm lead. You will want to market to this group every few weeks, just to keep in touch and keep your name in front of them. They do not need to sell immediately, but would be interested. On average, 20% of these will convert to a hot lead.

  a. Email.
  b. Phone call.
  c. Postcard.

If the seller is very motivated – These are HOT LEADS! This seller will have a vacant home or have to sell due to job loss, divorce or some other sort of special situation. They don’t have the luxury of waiting for top dollar before selling.

  d. Attack these leads; 15-20% of people you will contact are hot leads.
  e. Your main hot lead will be someone with an extra house.
  f. Spend the majority of your time talking to these sellers.

Marketing For Sellers

As mentioned earlier, the biggest challenge in wholesaling rent to owns is going to be finding sellers. But by using effecting and consistent marketing, you will be able to keep your pipeline full and keep money coming into your pocket.
How do you find more of the motivated sellers, the “hot leads?”

The best approach is to market using a variety of techniques: “consistently throw up a bunch of balls” using some of the following techniques:

- **Insurance agents** – These people can be your secret weapon, specifically property and casualty agents. These agents will know when a house is vacant. Insurance rates on a vacant house can increase 2x or 3x. The agent will have to go to the house and let the homeowner know about the rate increase. Tell the agent that you can handle the problem by putting another buyer in the house. You’re going to be solving a problem for someone who is stuck paying on an empty house.

- **Contractors who go into homes every day** – carpet cleaners, plumbers, electricians, etc. They can be bird dogs for you, and receive a referral fee from you.

- **Real estate agents with a property that is expired** – 1-90 days – Can door knock or send direct mail to the seller or:
  - **Call the former listing agent and ask:**
    - Do you still have a relationship with the seller?
    - Is the seller still interested in selling?
    - Was the seller interested in renting?
    - If you could get me in contact with the seller, I could probably save your commission – are you still interested in getting paid on that listing?

- **Craigslist and Backpage** - Look for homeowners selling “For Sale By Owner” OR Landlords who are renting but may not want to be landlords. They are just doing it by default.

- **Internet Marketing**
  - Your websites. You can check out mine at [www.rent2ownconnection.com](http://www.rent2ownconnection.com)

- **Notice of Default list** – These people are behind on their payments, but that can be cured. Market your services to them through:
  - Direct mail (yellow letters)
  - Postcards
  - There will be some investment here, but the payoff of selling a house through this process will more than justify the expense. Your objective is to get the phone to ring. Check out [www.yellowletterscomplete.com](http://www.yellowletterscomplete.com) to manage your entire direct mail campaign.
for a very small investment. You provide the list and message, they do the mailing. Below is a sample of a direct mail post card that I use:

![Direct Mail Post Card](image)

- **Newspaper ads** (credit card sized ads) in the local papers announcing what you can do for homeowners, “We buy houses.”
  - When you place advertising, remember to be concise, direct and to the point. This is the best way to get across the message and to inspire confidence, which is important in any business, but especially real estate. Mention keywords such as:
    - We buy houses.
    - We pay cash.
    - Any condition.
    - Any location.
    - BAD credit OK.
    - We can take over your payments.
    - Foreclosure, divorce, probates OK.
  - Place an ad: “I’m looking for a certain type of house.”
  - Referrals – These are hand-held leads given to you.
    - Can be from past buyers and sellers, accountants, attorneys, etc.
    - Be sure to tell people – everyone – what you do. You never know who they are going to be talking to.
Call the phone numbers on traditional yard signs, rent, for sale. Once you have an interested seller, you’re able to offer a solution for them and will want to get a signed letter of intent. Emphasize to them the advantages of a rent to own situation:

- No vacancy rates to worry about
- Find a buyer who will pay full retail price
- Great monthly income
- No maintenance/calls

**Avoid The Loan Modification Trap**

Most loan modification programs focus on making payments affordable for the short term instead of reducing the borrower’s principal to eliminate the burden of negative equity (when what is owed on the house is more than its value).

Banks may reduce payments using gimmicks similar to sub-prime loans, such as ARM and temporary rate reductions that defer principal (ex. setting new adjustable rates for 2 years). Such rate reductions will lead to balloon payments in as little as two years, as interest rates reset. Moreover, salaries and property values would have to double in that time to make the new adjustments affordable.

Meanwhile, homeowners making payments on the loan modification will be unable to refinance the mortgage or sell the home because too much is owed.

Should the home need to be sold because of life changes (job loss, transfer, illness, divorce), borrowers will find themselves unable to sell (unless they sell via short sale) because what is owed on the house is more than what the market will pay.

*Borrowers will be trapped in prison of debt, and go further into foreclosure.*

**What is a Loan Modification?**

According to HUD, a loan modification "is a permanent change in one or more of the terms of a mortgagor’s loan, allows the loan to be reinstated, and results in a payment the homeowner can afford."
Loan modifications can lower monthly payments by extending the loan term, or by reducing the interest rate or the mortgage’s outstanding balance, or by a combination of practices.

Cutting the amount of principal owed — an option that could be of more help to borrowers — is rare because it means homeowners pay less money back to the bank over time. Banks have to write off the principle reduction amount immediately. The government recently launched its “Making Home Affordable” program to stabilize the housing market by incentivizing banks to approve loan modifications. The program focuses on making loans affordable through lower interest rates, but delinquent amounts and late fees are typically tacked onto the mortgage balance. “Making Home Affordable” does not compel lenders to reduce mortgage balances. Between 65%-75% of modified mortgages may re-default after 12 months, according to a new report from Fitch Ratings (May 2009).

Overall, there is scant evidence of effectiveness concerning the ability of loan modifications to keep borrowers in their homes. The evidence does suggest that most homeowner that receive a loan modification will go into foreclosure at some point during the next 12 months.

**Why is the Failure Rate So High?**

First, traditional modifications only add the delinquent payment to the unpaid principal without changing other terms of the loan. The amount of debt increases and often results in higher monthly payments. This type of modification is likely to lead to higher re-default risks in the long run, especially when higher debt burdens are accompanied by declining house prices.

Second, most modifications do not bring mortgage debt in line with declining home values or reduce mortgage payments to an affordable or sustainable level. To bring debt into line with declining home values, lenders need to reduce the principal owed so that the home is affordable for the long term. Few lenders are willing to do this because it reduces the income they receive from borrowers.

Third, a high debt burden (credit cards), increased unemployment and a decline in property values continue to add to the growing default rates.

So as the trusted advisor, steering away from loan modifications will benefit the seller in the long run.
When you’re meeting with a potential seller, it is important – whether it’s your first meeting or you have been working with them already – to outline that you will be able to sell their home fast, for top dollar and with the least amount of hassle. You need to emphasize that you will be able to sell their home for the best price possible due to the marketing resources you have at your disposal. In our complete Middle Man Income training program, I even give you scripts to use when talking with potential sellers so that you can hit on every point and present very solid reasons for putting their house in your hands.

**Difference Between Owner-Financing and Lease Option Strategies**

So what is the difference between owner financing and lease option strategies? With owner financing, they have enough equity to sell the property, transfer the deed to someone else and carry back a mortgage. They become the bank. This strategy fits when someone has equity and is willing to sell the property and carry back a note/mortgage.

Lease options work with little or no equity or when slightly over-leveraged; the seller has a big mortgage with their bank, can still sell on a rent to own, can assign the contract to someone else.

**Case Study – Strongsville, OH – 3 bed, 2 ½ bath**

- Monthly lease = $1,250
- Price = $186,000
- Down payment = $6,000
- Assignment fee = $4,750
- Total time to paycheck = 30 days
- Lead source – friend
- This area has a great school system; beautiful home in great shape; not a renter mentality
- 3 year deal
The Lease Option Documents (Contracts)

The documents in a lease option/rent to own transaction are vital to the successful completion of the deal. In order to navigate through the process, it is important to understand what each document is, what it does and who does what with it. By each document is a sample of what it looks like.


![Letter of Intent Template]

The Letter of Intent allows you to get control of real estate without having to fill out complicated documents or paperwork. When you meet with the homeowner and they decide they want to sell on a rent to own, you get this letter of Intent signed and pass off to title company or attorney. This summarizes the terms under which you want to lease the property from the homeowner. It spells out that you are assigning the property to someone else for a specific term, at a specific rent rate (dollar amount), including a specific security deposit. It also specifies a date of possession, the option to purchase price, option money, representations, warranties, covenants and provisions, legal effect, and notice of intent to assign. Once completed, this is signed and the process is underway.
Once you have the Letter of Intent over, your attorney will do the rest of the paperwork that is necessary between the seller and the investor.

2. **Rental Agreement** – The attorney will complete the Rental Agreement (you can complete this once you have more experience). This is one of the documents you need in order to obtain an equitable interest in a property. The document spells out all the specifics of the rental arrangement, including the rent amount, rent payments, appliances, late charges, bad check servicing charge, property use, pet policy, non-assignment of lease agreement, maintenance, property use, landlord access, and much, much more. It is a very comprehensive document that outlines the boundaries and use of the property, responsibilities and what can and cannot happen.

You now have an interest in the property that you can now assign to a third party.
3. **Option to Purchase** — This is a document that you bring to your attorney, along with the Letter of Intent. This outlines what you and the homeowner are agreeing to for a price, that you will then assign to a third party. This is what gives you an equitable interest in a property that you can then assign for a fee. Just getting a Letter of Intent is not enough to signal an equitable interest in a property. Includes the amount for “option money,” option period, guidelines for exercising the option, application of option money, notice of option consideration, credit towards option purchase price, and much more. Once it’s filled out, the document is signed and gets notarized to make it official.
4. **Investor Assignment (Agreement of Option to Purchase)** – Completed when you find your end buyer, allows you to assign the property to the end buyer and allows you to get paid. Outlines what the buyer pays you for the rights to your contracts. Includes any terms specified in the transaction.

**INVESTOR ASSIGNMENT OF OPTION TO PURCHASE**

FOR VALUE RECEIVED, the undersigned ASSIGNOR (herein below) hereby assigns, transfers and sets over to ASSIGNEE (herein below) all rights, title and interest held by the ASSIGNOR in and to the following described contract: Option Purchase Agreement and Lease for the property located at [PREMISES] (herein below) in the City of [LOCATION] (herein below), in the state of [STATE], for the consideration of the amount defined in the option agreement between ASSIGNOR and ASSIGNEE. SELLER (herein below), agrees to the assignment, as well as the following terms:

1. **GRANT OF ASSIGNMENT**: ASSIGNOR does hereby transfer unto the ASSIGNEE the exclusive and irrevocable assignment of ASSIGNOR’s interest, equitable or legal, in the attached Option Agreement and Option to Purchase Real Estate, which are attached herein as EXHIBIT A and Exhibit B. This Assignment is subject to all terms and conditions of said Option and Option to Purchase Agreement for the real estate located at.

2. **PAYMENTS**: ASSIGNEE agrees to pay ASSIGNOR the sum of $______ as consideration for this Assignment, which is to be paid as set forth below in section entitled PAYMENTS.

3. **ASSIGNOR** agrees to accept this assignment and further agrees to perform all obligations of ASSIGNOR in the attached agreements.

4. The ASSIGNOR and SELLER warrant and represent that said contracts are in full force and effect and are fully assignable.

5. All parties agree to the insertion of all parties to ASSIGNOR and the assignment of ASSIGNOR’s interest in this Assignment, with payments made to a third party, Avalon Bookkeeping, LLC (hereinafter "Avalon") to ensure the timely payments of option payments, taxes, insurance, and mortgage payments.

6. The assignment shall be binding upon and inure to the benefit of the parties, their successors and assigns.

7. ASSIGNOR and SELLER do not warrant the property in any way, unless specified below under WARRANTY.

8. ASSIGNOR agrees to hold ASSIGNOR harmless for any claims on the condition of the property, as well as any action of SELLER.
6. **Lead Disclosure Form** – Lead-based paint disclosure form that is required in some areas. Includes buyer and seller acknowledgements on the lead-based paint assessment. It is a standard disclosure form. Be sure to find out whether such a form is required in your state.

7. **Ohio Property Disclosure** – Residential property disclosure form – the homeowner discloses anything they know that is materially wrong with the property. Ask any Realtor or title company for the form for your state.

8. **Escrow Agreement** – Used in the collection of money from the buyer, and pays the mortgage each month. Outlines how the funds will be disbursed – who gets what.
9. **Auto Draft Summary** – Authorization for direct payments – for ACH debits – money is automatically withdrawn from the checking account, put into an escrow account to pay the mortgage.

   ![Authorization Agreement for Direct Payments](image)

   a. Ensure the buyer gets money drafted out of their account each month (rent).
   b. Buyer pays a monthly fee on top of the rent to make sure this gets done. The attorney’s escrow company keeps the fee. If they don’t pay, will be charged another fee to try and obtain money. If unable to obtain money within 10 days, will file an eviction notice.

10. **Disbursement Summary** – Outlines fee disbursement for the buyer and seller in summary form. Outlines the benefits to the buyer and to the seller. Eliminates any potential disputes regarding the monies involved in the transaction.

   ![Disbursement Sheet](image)

   a. There is no HUD-1 because there is no transfer of the deed.
b. This is like a HUD-1 for rent to own properties.
c. Includes a list of benefits to the buyer and the seller.
d. Solves the problem of collecting rent, making mortgage payments.

11. **Affidavit for Broker's Lien** – When a real estate agent is involved in a lease option assignment, the agent is supposed to be paid a lien and commission on a future transaction. If the buyer buys the property, the real estate agency will get their commission in the future. You can also use this document to get referrals because they will see that you’re working in their interest – to protect their commission.

12. **Investor assignment.**

   a. Buyer writes a list of non-refundable payments and fees - protects your transaction.
Case Study - Brooklyn, Ohio – 3 bed, 1 bath

- Monthly lease = $950
- Price = $128,000
- Down payment = $6,000
- Assignment fee = $4,800
- 45 days total time; under contract in 2 weeks.
- Craigslist ad, 1 ad in local newspaper
- Got the property from a seller worked with before.

How Do I Find Buyers?

Finding buyers and building your buyer’s list is easy, and can be done with relatively little expense out of your pocket. Below is a quick overview of some of my favorite ways to find buyers:

- Craigslist – Use Rent to Own, No Bank Qualifying ads
- Backpage - Use Rent to Own, No Bank Qualifying ads
- Postlets - Use Rent to Own, No Bank Qualifying ads
- Sellpoint - Use Rent to Own, No Bank Qualifying ads
- Yard signs – “Lease To Own, No Bank Qualifying” Include address and phone number – These get a lot of phone calls, so drive them to a 1-800 number. 10-20% will have some money to put down, so you want to sort through those.
- Directional signs – Similar to yard signs, but just say, “Lease To Own” with the property address
- Referrals

You’ll want to stay within your real estate investing sweet spot. This is the area where your investing strategy works best, and is usually geographically near you. This will help determine the types of marketing to use and the types of leads you’ll get.

- 1st tier/ring suburbs
- 2nd tier/ring suburbs
• Avoid “tough areas” and areas where a lot of other investors work.
• Good areas have good schools.
• Blue and white collar neighborhoods.
• Pride of homeownership and nice yards and landscaping.
• Homes are older and have long term owner who have paid down the mortgage balance.
• Homes where REOs may have driven down the prices but neighborhoods are stable.
• Prices between $70,000 and $200,000 in most states (California and New York being the exceptions).

Characteristics that disqualify the property:
• Large liens on the property or significantly overleveraged.
• Someone else has “clouded” the title.

**Buyers Who Would Like To Buy But Can’t**

If you’re currently a real estate investor and looking to add cash to your regular monthly income, you need to look at these properties that can be acquired and sold on owner financing or lease option strategy.

There is a huge opportunity to work with buyers today. There is a big demand for rent to own. You have the opportunity to discuss this option in a way that they are comfortable with it. Be transparent – if they have a good job, can make a down payment and want to be a homeowner, then rent to own is a great solution. It’s important to have a win-win situation for both the buyer and the seller.

A major advantage of rent to own to the seller is that a rent to own buyer will treat the house as if it were his/her own. They will take better care of it, knowing the end-goal is to purchase it. They will be responsible for the maintenance, repairs and upkeep of the house. The rent to own mentality is vastly different than the renter mentality.

The majority of people don’t want to be renters or live in apartments. Rent rates are at an all-time high; equity in homes has evaporated over the last five years, and many people who used to have equity in their homes now do not. They owe what the house is worth.
I got into this type of investing by default – over the last eight years this is the #1 lead source I have received in my office. This will be your #1 lead source if you’re doing any sort of marketing.

When you have a property under contract with the letter of intent, you then need to connect the seller with the right buyer. You should be constantly marketing for buyers using a variety of methods:

- Newspaper ads
- Internet
- Craigslist ads – here are a couple of examples of ads you can place:
  - $30k Profits, After Repaired Value 100k, Needs 13k, Asking 55k, Great Area, Must Sell This Weekend. Make Offer. Won’t Last Call now for details: 440-555-1234
  - $32,500 Profit, Just waiting to be had, ARV 125k, needs 22k repairs, Asking 65k, Prime Location, Must sell, Make Offer. 440-555-1234. Call Now. Won’t Last
- Signs
- Referrals
- Lead capture systems or CRM (Client Relationship Management)
  - Instant Customer
  - Buyers on Fire

When someone expresses interest in buying a house, let them handle some of the initial leg work. Have them drive by the property before talking with you – put as much emphasis that your time is valuable.

- Show pictures, do a video, have them call you back if they are interested.
- Ask for down payment earnest money.

If a property is vacant and the seller doesn’t mind, do a reverse investor auction – advertise an open house, rent to own, come to the property between 4-6pm. Post signs around neighborhood, put an ad on Craigslist, set appointments during that period; create a feeding frenzy mentality to get maximum prices.

When you find the right fit, have the buyer sign the lease purchase agreement. As mentioned earlier, turn everything over to the attorney at this point. The attorney will handle all the necessary paperwork, leaving you out of this step. The attorney will handle the transaction between the buyer and seller directly.
What fees do you pay?

- Attorney fee ($250-$500) – majority the fee is split with buyer and seller
- Monthly escrow - $25-$50 – insurance, taxes paid, property is current

Once the whole process is complete, you can collect your assignment fee - $4,000-$8,000 per deal – and move on to your next deal and payday.

**Case Study – Avon, Ohio – 4 bed, 2 ½ bath**

- *Monthly lease* = $1,800
- *Price* = $275,000
- *Down payment* = $9,000 ($6,000 down, note for $3,000, $200 mo x 15 mo)
- *Assignment fee* = $5,400
- *Total time* = 60 days (over the holidays)

The Closing

Once you have the seller, the signed Letter of Intent and the buyer, now the Assignment Contract is used to assign the contract between you and the seller and assign it to the buyer. Again, your attorney will redo contracts for the new buyer and the attorney will close the transaction. The best part for you is that it is spelled out in the paperwork exactly how much you are to be paid, and when.

**Actual Lease Option Case Studies**

Finally, let me tell you about two different lease option deals that I’ve done recently. These perfectly epitomize the benefits of these types of deals for investors.

**Bristol Avenue:**

I put this property on the market for $215,000 and couldn’t sell it with a realtor, even though it was during the easy credit times. There were no buyers who wanted it with bank financing. Instead I found a buyer through black and yellow “No Bank Qualifying” signs. The buyer put down $18,000 and paid...
$1,500/month for 2 years from winter 2006 to summer 2008. They fell behind on their rent, left and I kept the $18,000 option deposit.

I marketed the house again in summer 2008 with a realtor and found no one who was interested. No showings, no buyers, the market was crumbling, housing prices were going down. It wasn’t until I started marketing the house “No Bank Qualifying/Rent To Own” that I found another buyer.

The new buyer put down $5,000 and paid us $1,000/month for rent. After 18 months in the house and getting their credit fixed, they bought the house outright for $165,000 in August 2010.

So what were the benefits?

We made $19,000 in net profits between what was owed and what we sold it for, plus $23,000 in option deposits. What did we learn? Selling on “terms” or “rent to own” was much easier than selling with bank financing. There are simply more buyers, especially today. And the buyer can and will “take down,” eventually take ownership of the house, and if they don’t, we keep their option deposit for ourselves and just resell the property again.

The buyers also took care of the house for nearly five years. I didn’t have to do a thing to it - fix it up, cut any grass, shovel any snow or anything at all since 2005. As a matter of fact, I only went into the house twice in 5 years.

Here’s another lease option/rent to own example: Ridge Road

I took the house over in summer 2005 and put it on market with a realtor immediately thereafter, but could not sell it. I finally sold it on terms/rent to own with $20,000 down and $1,500/month from the buyer. They stayed there for two years. The reason they wanted to live there was because the buyer was a Cleveland firefighter and by city law, he was forced to live within the city limits. But he wanted to live in a better school district because he had two girls who were in high school and wanted them to get a better education.
After two years, they decided to move to Arizona and start over. Their house in Cleveland went into foreclosure, as they made payments to me on the house on Ridge Rd. and not to their personal house they owned in Cleveland. So I marketed the property with a realtor and couldn’t sell it.

In fall 2007, I resold the home again on lease option assignment, with $11,000 down and $1,300/month in payments. The tenant-buyer stayed there for 15 months, eventually got a job in Florida and moved – I kept the $11,000.

So I marketed the property again with a realtor and couldn’t sell it.

I resold the home again in spring of 2009 with $5,000 down and $1,000/month. The buyers stayed there for 16 months and again eventually moved out, citing they found another home they wanted to buy instead and forgave their down payment of $5,000. So this time instead of marketing it with a realtor, I simply put up a Rent To Own sign in the front yard.

Again I secure a “tenant buyer” who handed me $5,000 and is paying $1,200/month towards his purchase.

So after collecting $41,000 in deposits, putting those into my bank account, and the tenants have been paying on the mortgage for me through their rent payments. I have a minimal fix up of $3,000 over the past five years, and I have netted $38,000 from the deposits.

I am excited to sell and resell again and again because they take care of the house, they paint, mow the grass, fix the lights, fix the problems; the home is basically theirs.

So the total profit from this one house over the past five years has been:

- $41,000 deposits
- Minus $3,000 expenses
- Total $38,000
Conclusion

Every time you use one of the strategies above, you can get paid between $500-$20,000 or more just by connecting the dots and putting sellers and buyers together. You won’t need any cash, any money, any credit! You may need a few dollars to buy signs, and also need to know how to post an ad to Craigslist. With the craziness that’s going on in the economy and real estate market, most investors are confused about what to do, where to invest and how to get money.

But imagine this...

- What if you never needed money from anyone?
- What if the sellers and buyers you were going after were everywhere, were looking for help and looked at you as their last source of hope.
- What if your buyers paid you a fee (from $500 - $20,000) and simply started making monthly payments but NEVER HAD TO QUALIFY FOR A BANK LOAN.

I feel strongly that you need to know this, which is why I made this report in the first place.

We have made a lot of money in real estate with all kinds of sellers, but making money quickly and easily is today’s biggest challenge, especially for beginner investors who haven’t done their first deal yet and for investors who need to make money fast and increase their monthly cash flow now.

I read a study the other day on YAHOO.com that said 98% of Americans just want to be comfortable in today’s market, and just 2% are looking to build wealth. So let me help you get comfortable. Let me help you make money in the next 16-60 days. (If you want to build wealth later, I can help you in my mentoring programs – but let’s get you paid first!)

These strategies are super simple you can do this with zero experience:

- If you can find a house with no equity– which isn’t hard to do... You can do this!
- If you can find a buyer who can’t get a bank loan– which isn’t hard to do... You can do this!
- If you can find a house headed for foreclosure – which isn’t hard... You can do this!
The strategies we share are proven from in the field, in-the-trenches, real world deals in today's market... and not just from my own personal experience, but from the experiences from all our coaches and top students nationwide.

Think of the power and confidence you'll have knowing what you're doing is proven to work again and again -- not just a one-time anomaly.

Let me ask you, how was this year for you? Anything different happening for you or just the same old, same old empty bank account?

Do you want this year to be different? Our economy and the financial markets have created this unique window.
Imagine doing deals without banks, connecting sellers and buyers together and getting paid very well for being a middle man.

If this isn’t your opportunity to make your income and your life different, what is?

Here’s to your success!

Josh Cantwell & the Entire SREC Team

Follow me online:
SREC Facebook Fan Page: www.facebook.com/Srecnow
Strategic Real Estate Coach – YouTube: www.youtube.com/SRECvideo
Josh Cantwell Facebook Fan Page: www.facebook.com/josh.cantwell1
Josh Cantwell – Twitter: www.twitter.com/joshcantwell
Josh Cantwell – LinkedIn: www.linkedin.com/in/joshcantwell
SREC App & Podcasts On iTunes: Search for “Strategic Real Estate Coach”