

HOW TO SELL YOUR “FOR SALE BY OWNER” HOME

Dear Home Seller,

JT Positive Cash Flow Consulting is a private based company that specializes in helping homeowners sell their house through non-traditional means. We are not a home buyer or realtor. Instead we can offer you a unique way to sell your house. This process, called a simultaneous closing, has been proven thousands of times nationwide by us and other companies and is by no means new.

You most likely decided to sell your house as “For Sale By Owner” (FSBO), hoping that you would find a homebuyer who qualifies for a traditional bank loan or can pay all cash. Additionally, you hoped to find this homebuyer on your own, without the aid of an expensive realtor. Perhaps you have found that it is not as easy to sell your house as a FSBO, as you originally thought. This is where JT Positive Cash flow Consulting can help you.

One of the most significant problems selling your home as a FSBO is the length of time it can take to find the right buyer. Your ideal situation would be in finding a homebuyer who pays your full asking price and pays cash. Perhaps an equally ideal situation would be to find a homebuyer who qualifies for a traditional bank loan and also pays your full asking price. Of course you would want to find these people on your own, in order to avoid an expensive realtor. The question is how long are you willing to wait for the ideal homebuyer. Most likely your FSBO is not receiving the same advertising exposure as a similar home that is listed with a realtor. Because of this your house may not sell very fast. When the ideal person, who can pay cash or qualify for a loan, decides to buy a house, they usually call a realtor. Ideal homebuyers typically call a realtor to make their house hunting process fast and easy. They are not concerned with the realtor’s commission. It is not their expense. Once a homebuyer starts the house hunting process with the realtor, the realtor will of course stay away from your house because he or she will not receive a commission.

The question is, who buys the FSBO house. The answer is usually; people who have been turned down by the banks and have no other place to go. Most people in this situation will ask you if you will owner finance them. Most home sellers say no to this question because they need money now and can’t wait 30 years to collect. This is where JT Positive Cash Flow Consulting can help you.

JT Positive Cash Flow Consulting can help you arrange what is called a “simultaneous closing.” This means that there will be two closings that occur back to back, in order for you to sell your house. The first closing is between you and the homebuyer whereby he signs an owner-financed mortgage(s) payable to you. The second closing occurs just minutes after the first. At this second closing you sell this mortgage to JT positive Cash Flow Consulting, and walk away with the cash you are wanting.

For the purposes of this letter we will assume that a homebuyer cannot get a loan. We will look to this homebuyer as a candidate for a simultaneous closing. The underwriting requirements for simultaneous closings are more liberal than for a traditional loan. We will be glad to explain the deeper aspects of the underwriting details, however, in an effort to keep this letter simple we will only touch on a few of the basics. The homebuyer might have bad credit, weak credit, an unverifiable down payment, no down payment, a weak job history, unverifiable income, or a dozen other problems that could prohibit him from getting a loan. With a simultaneous closing, all of these problems can be dealt with. Thus, the simultaneous closing will open your home to more buyers than you ever dreamed of.

The following questions/answers will inform you of the process in greater detail.

HOW ABOUT SOME NUMBERS?

As you know the typical bank loan to the perfect borrower can be as high as 95% of the sale price. The industry term is 95% “loan to value” or LTV for short. Interest rates for the nice 95% loans are usually in the 6-7% range. Simultaneous closes are handled in a different manner than loans, thus the LTV and the recommended interest rates are different. This is due to the payers generally being a higher risk.

The credit rating and job history of a homebuyer is always important in qualifying for a loan, or for a simultaneous closing. Simultaneous closings can also fit at 95% LTV, however they must be structured in a unique way. The amount funded or “Investment to Value” (ITV) on a simultaneous closing transaction ranges between 50% and 77% of the sale price of the house. The 77% ITV transactions are for homebuyers that are right on the edge of qualifying for a loan but still fall short. The less than 77% ITV transactions are for the homebuyers who have underwriting weaknesses and stood a minimal chance of qualifying for a loan. For the purposes of this letter we will assume 75% ITV is the standard level for your homebuyer. In this example the sale price of the house is \$100,000 and the homebuyer has \$5,000 for a down payment. Once we have looked at some of the basic aspects of your potential homebuyer, we will come to you and suggest a structure. In the example we have outlined we may suggest that you structure the transaction in a manner known as a 90/5/5. Meaning a 90% first mortgage, a 5% second mortgage and a down payment of 5%. Inserting numbers would mean the first mortgage that you would take back would be for \$90,000, the second mortgage that you would take back would be \$5,000 and the down payment is \$5,000. These are the figures for the first closing that we mentioned earlier. The second closing would be JT Positive Cash Flow Consulting buying that mortgage from you. Please read the next section that contains the details on how much this mortgage will be purchased.

HOW MUCH DO YOU RECEIVE FOR YOUR MORTGAGE?

All mortgages are bought at a discount. Meaning, that you will not receive the face value of the mortgage. The amount that you receive will depend on many factors. We at JT Positive Cash Flow Consulting know that you are trying to sell your house for as much as you can possibly get. Thus we know that it would be counter productive for the discount to be very large. We will suggest to you, the terms on your owner financed mortgage that will result in the highest possible offer from us for your mortgage. We will suggest an interest rate and an amortization length that will result in the highest offer. The terms are only suggestions. Since we are not making a loan to your homebuyer, we actually do not care what the interest rate is. If you decide to offer the homebuyer a 1% interest rate, you will not receive as much from the sale of the mortgage as if the interest rate were 10.5%.

Continuing the example from above, the first mortgage is \$90,000; our offer would be approximately \$75,000. As for the second mortgage, you are welcome to set the terms with the homebuyer. Therefore you will be receiving payments on a \$5,000 mortgage according to the above example. You of course will also receive the homebuyer’s down payment of \$5,000. In this example you will receive at closing, \$75,000 from the sale of the first mortgage, and \$5,000 from the down payment, for a total of \$80,000. You will also receive payments on the \$5,000 second mortgage. This is only an example, for there are many factors that might change this structure.

WHAT ARE THE BENEFITS TO DOING A SIMULTANEOUS CLOSE?

Most home sellers expect homebuyers to try to “talk them down” on the sale price. Thus you as the home seller might actually be willing to take \$90,000 even though your asking price was \$100,000. With a simultaneous closing, **homebuyers expect to pay the full asking price.** They usually will not try to talk you down. They understand that your willingness to do owner financing should be rewarded by them paying your full asking price. This aspect alone usually outweighs any discount taken on the sale of the first mortgage. Additionally, it is possible to find a buyer faster. Also, if the house has any minor repairs that are needed, these homebuyers typically are willing to do the repairs themselves. The time it takes to reach a closing date is typically shorter with simultaneous closes than a traditional loan. There are several other benefits that might occur in your particular circumstance.

Though a simultaneous closing is not a simple process it is also not a difficult one. A simultaneous closing is a methodical process that we are very familiar with. If this simultaneous closing process interests you please consider calling us and asking us to explain in greater detail, any of the following questions or other questions you might have:

1. Why should you consider taking back a second mortgage as previously described? Answer: This puts more money in your pocket at closing. It reduces the mortgage purchase discount.
2. How long does it take to close once a homebuyer is found? Answer: Typically 3-4 weeks.
3. What paperwork is involved in selling the mortgage? Answer: A few documents in the beginning, and of course the closing documents.
4. Am I responsible if the payer defaults on the first mortgage? Answer: Absolutely not.
5. Will a full, inside and out appraisal be needed on the house? Answer: Yes.

For additional information or questions please call JT Positive Cash Flow Consulting

Best wishes for your success,

JT Positive Cash Flow Consulting

Phone: 206-202-0896

Company Site: { HYPERLINK "<http://www.positivecashflow.com>" }

Email: { HYPERLINK "<mailto:jt5000@positivecashflow.com>" }