SUBTO

HOW TOP PERFORMING REAL ESTATE AGENTS MAKE MORE MONEY THAN YOU DO

BY PACE MORBY

Close more deals with what real estate school didn't teach you

The New Era of Real Estate

The real estate industry is constantly evolving and what may be the best deals for your buyers and sellers now, might not be what they taught you in real estate school.

With the fluctuating economy and shifting global trends, it's essential for real estate agents to **adapt and expand their expertise**. Understanding new deals and a wide range of structures – including subject-to, seller financing, and lease options – allow agents to have a competitive edge in closing more deals and meeting the needs of their clients.

(It also gives you a chance to start building your own wealth *through* real estate without having to continually fight for the next deal in your portfolio...)

Understanding Different Deal Structures

If you can't find a buyer for the property at a price that's higher than the home is worth, your seller will end up having to come out of pocket to sell their home.

You've probably done traditional deals for the majority of your career.

Traditional methods of funding may work well in certain scenarios, but it's the non-traditional methods that can help your buyers and sellers close on properties in difficult situations. And that breeds a level of trust in your clients that keeps them coming back again and again. But, this advanced understanding of real estate opportunities also gives a myriad of chances to find and develop passive income for yourself.

For example, let's say you meet John and get his home under contract. John only bought his home a year ago, but needs to downsize and move across the country for his new job. Because interest rates are high and housing prices haven't come down, he only put down a minimum down payment at the time of purchase.

Now that he needs to move, John doesn't have a lot of equity in his home. We're not living in 2020 and bidding wars aren't like what they used to be.

And if you do find a buyer willing to pay more than the home is worth, John may still have to dig deep into his pockets just to cover the closing costs.

He's hoping to walk away with money in hand to help fund his move, but he'll more than likely end up owing someone money to sell an asset that he previously owned. It seems like a losing situation for him, and that puts you in a tough spot.

So, what are you supposed to do? You want to keep your client happy, but fees need to be paid.

If you understood how to do low or no equity deals by using creative financing, you could help more sellers and buyers, helping you close more deals.

Subject-To Deals

'Subject-to' is a type of real estate transaction where the buyer takes over the seller's existing mortgage.

NOTE: This is not the same as assuming a mortgage. AND it's completely legal. Here's how it works...

Why Real Estate Agents Should Learn Subject-To Deals

When you see a situation that can't be resolved using traditional financing, like John's, one of the creative options I turn to first is subject-to. These types of deals let real estate agents offer solutions to clients in difficult financial situations, or those with properties that have little to no equity, like we talked about above.

A subject-to transaction could be an ideal solution for John, because it gives him the unique opportunity to move without having to worry about selling his home at a loss or bringing money (that he was planning on using somewhere else) to the table at closing.

In a subject-to transaction, your buyer agrees to take over John's existing mortgage payments, while the mortgage stays in John's name. The buyer receives the deed to the property, essentially gaining control and ownership, but the original financing agreement stays intact.

This means that John can essentially "sell" his home without having to pay off the entirety of his mortgage immediately. Instead, the buyer steps in, taking over the mortgage payments. This allows John to move as required for his job without having to pay out of pocket or wait for the "right" buyer.

From the buyer's perspective, a subject-to deal can also be appealing, especially if they can't qualify for a conventional mortgage due to bad credit or the inability to save for a hefty down payment.

They can get into the home with potentially less money down, at the lower interest rate John locked in with the bank a year ago AND without the need to secure a new mortgage.

This is different from assuming a mortgage where a buyer transfers a mortgage and a title into their name because the mortgage stays in the name of the original borrower, but the title is transferred to the new buyer's name. The payment is made by the new buyer in the name of the seller.

In a slow market, where the seller might struggle to find a buyer who can meet their asking price, this can be a win-win solution for both parties.

As a real estate agent, understanding how to guide your sellers to solutions they couldn't find otherwise lets you close significantly more deals and better serve your clients.

This flexibility can help to close deals more quickly and effectively.

You've probably heard of **Seller Financing...**

Seller financing is a transaction where the seller technically provides the buyer with a loan to purchase the property. Even though your seller isn't technically getting a loan from a bank, they're acting as a "lending institution" and collecting on a loan from the buyer of their home.

Seller financing can be a game-changer for real estate professionals because it can help to close deals faster, provide more passive streams of income, and attract a broader range of potential buyers.

The Benefits of Seller Financing

Seller financing is also known as owner financing or seller carryback.

For John's situation, where he has little equity in his home and is not open to settling for a lower price, seller financing can also address his problem and help him move for his job.

Here's how it could work:
With seller financing, John agrees to sell his house by lending the purchasing funds to the buyer.
The buyer then makes regular payments to John according to an agreed-upon schedule, just like a typical mortgage, without having to qualify. This gets rid of the need for the buyer to secure a loan from a bank.

The buyer gets possession of the house, and John gets a promissory note stipulating the repayment schedule, interest rate, and consequences of default. The buyer is more likely to agree upon a higher price for the home because you're not asking them to qualify for it or pay such a large amount up front payment.

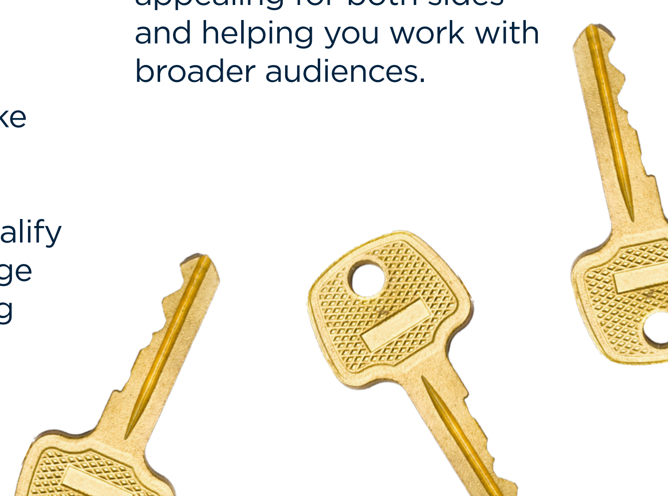
Seller financing can make the property more attractive to potential buyers who may not qualify for a traditional mortgage because of strict lending criteria or high interest rates.

It could also attract investors looking for income-generating opportunities, as the payments they make to John will likely be less than the rental income they can receive.

From John's perspective, seller financing is beneficial because he can sell his house at the asking price. He'll also receive regular payments (comprising both principal and interest) from the buyer, providing him with a steady income stream. This can be especially useful if he's downsizing or moving to a place with a lower cost of living.

In a slower market, where bidding wars are not driving up prices, seller financing can provide a win-win situation for both buyers and sellers.

For the real estate professional, understanding this creative financing solution can help close more deals by giving additional options for sellers and buyers alike, making deals more appealing for both sides and helping you work with broader audiences.



Lease Options

Lease options are also called 'rent to own' agreements where a tenant leases a property with the option to buy it in the future. Lease options can provide solutions for clients who are unable to secure a traditional mortgage or who are uncertain about a purchase.

Why Lease Options are a Winning Strategy

A lease option could be a good strategy for selling John's property, too! (It's almost like there are a bunch of different options besides the traditional way that help make sellers happy.)

Also known as a "rent-to-own agreement," a lease option allows a tenant to lease a property with the option to buy it later.

Here's how it might help in John's case...

In a lease option agreement, John would agree to lease his home to a tenant for around one to three years.

The lease agreement would include an option that allows the tenant to purchase the property at a price agreed upon by John and the buyer at any point during the lease term or at the end of it.

From the buyer/tenant's perspective, this strategy lets them move into the house right away, with the intention to buy it when they are financially capable. They also have the opportunity to test out the home and the neighborhood before committing to a purchase so they don't have buyer's remorse.

For John, a lease option lets him potentially sell his property at the desired price. He also has the advantage of generating income through the rental payments during the lease period, which can help offset his mortgage payments. This also helps protect his property because he is giving his tenants the option to buy, so they are more inclined to take good care of the property.

In a market where home prices are high, and buyers are having a hard time securing traditional financing, lease options can make properties more accessible to buyers.

Applying Your New Knowledge

As a real estate professional, being able to navigate these types of unique situations can certainly lead to more closed deals and more satisfied clients. With an understanding of these non-traditional deal structures, it's time to put your knowledge into practice.

Staying up-to-date with new deal structures is critical in today's competitive market and may be the difference between returning clients, and an empty pipeline.

By mastering subject-to deals, seller financing, and lease options, you can provide better service to your clients, close more deals, and differentiate yourself from your competition.

You can even stop putting money into the pockets of banks and start investing in your own property so you can work less and enjoy more.

So, whether you're trying to help more clients or want a portfolio of your own to generate passive income, you need a good place to start.

To better understand these transactions, you can refer to the flowchart below.

And, if you don't know how to structure deals, what contracts to use in these scenarios, or need a partner to bring deals to you, you can join the **SubTo community** and make your life 10x easier (all while padding your wallet and helping clients).

PROPERTY UNDER CONTRACT

Does the seller have equity?

- **YES**
  - **Seller finance for more money to the seller**
  - **Traditional financing**
- **NO**
  - **Creative financing: subject-to**
  - **How soon do they move?**
    - **Right now: lease option**
    - **Future: subject-to**