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How to Achieve 100% Financing and the Eight Tricks and Secrets of the Trade.

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How to Achieve 100% Financing

Eight Tricks and Secrets of the Trade

Welcome to another installment of the CEO Fireside Chat. Today, were going to discuss How to Achieve 100% Financing and the Eight Tricks and Secrets of the Trade.

In real estate, deal structuring refers to the process by which real estate investors arrange and rearrange the financing terms of a property purchase so that both the buyer and seller walk away satisfied. To do this, you must first know the seller's wants and wishes regarding their property and your maximum al-

What is the CEO Fireside

These monthly success-building, all content trainings help you overcome common obstacles and enhance your business acumen for further growth and development. That being the case, we only want 200 of the most serious, involved entrepreneurs on the call.

lowable offer (MAO) or the price above which you will not be able to make a profit or be able to structure an attractive deal for yourself. Also, by structuring the deal properly, you can give the sellers more than one way to sell their property to you by making option offers to them rather than just one-price offers.

But even before you structure the deal, you need to understand the seller's motivation by asking the right questions. How long have they owned the house and why are they selling (what's their motivation). As you ask these questions, understand that you are not a salesperson—you are a diagnostics person. You diagnose what is causing your potential client pain. Once you get to the root of the problem, you can then prescribe them a solution or cure.

If their ailment is a high mortgage payment that they can't afford, obviously then the cure to is going to be a short sale negotiation or a loan modification. If they are a long-distance owner or they've inherited a property that they don't want or can't manage, then the cure to their problem is either an all -cash deal or assistance in the renovation and sale of the troubled asset so that they can experience and upside on the property.

Regardless of their motivation you need to know what's causing the pain. One you've determined that, you need to know the seller's asking price. This is incredibly important because it will help you understand where they're at mentally. What do they think they're going to get? Sellers aren't idiots, they have done their due diligence by going to Zillow, Trulia, or Redfin to see where their property value falls. Or they've called a realtor to get comps or they have a BPO. Some might go as far to order an appraisal.

They're going to have a pretty good understanding of the condition and value of the property. So it's imperative that you get them to state what they believe the property is worth or at least what they want to get out of it. This is the beginning point to start all negotiations. If you come with an offer, without knowing what they want, you're going to get killed. That's what I'm seeing many of my clients doing with their yellow letters. The homeowners contact them and say, "What can you offer?" and without even thinking it through, they just say, "Well, I'll give you $__________." They don't realize that they just quoted 80 percent less than what the homeowner was hoping to get. When you do this, you've basically hung a left without signaling, they've fallen out of the car, and they don't want to ride with you ever again. Make sure you come into this with the right strategy and angle by getting them to tell you what their needs are before you give them a price.

Is the house listed? Just go to Google, type in the address of the property and if it is listed or has ever been listed, it will pull up either through Zillow or through the local MLS in that market. Most MLS's across the country are in some way, shape, or form tied to Google or other search engines, and if the property has ever been listed, you'll have record of it. If it has been listed, who is it listed with? Is it current, or is the listing over? Ask them if it's okay to keep them on your mailing list just in case the house doesn't sell. And finally, ask them if they have any other properties to sell? Never forget to ask this question. I have picked up a lot of deals simply by asking if they have anything else for sell or that they are thinking about selling.

Once you have a deeper understanding of the seller and the property, you can begin to think about financing and how you can structure the deal to achieve 100% financing.

The Eight Tricks and Secrets to Achieve 100% Financing

No. 1: The Seller Carry-Back:

This method is a form of owner financing in which the seller agrees to carry the note for your purchase. This will happen when you find a seller that owns his or her property free and clear. The property may not be wanted anymore, which means the buyer won't mind receiving a monthly payment on it just to get out from under it. It's a great way to finance a real estate investment now with the plan to refinance it later. And it's easier to qualify for a refinance loan, rather than a purchase loan from a conventional bank.

Example: If the seller owns the property free and clear, the seller can carry the note for the buyer. Perhaps the buyer wants to purchase the house but doesn't have the down to qualify, the seller may offer to hold a note in second position in the amount needed. For instance, the house is being sold for a $100,000, and the buyer only qualifies for a $65,000 loan with Cogo Capital. The owner can carry back the $35,000 in a subordinate, sec-

If the seller owns the property free and clear, the seller can carry the note for the buyer. Perhaps the buyer wants to purchase the house but doesn't have the down to qualify, the seller may offer to hold a note in second position in the amount needed. For instance, the house is being sold for a $100,000, and the buyer only qualifies for a $65,000 loan with Cogo Capital. The owner can carry back the $35,000 in a subordinate, second mortgage position. The buyer then makes payments to the seller and lender until they refinance or sell the property.

ond mortgage position. The buyer then makes payments to the seller and lender until they refinance or sell the property. That’s a pretty simple example.

No. 2: Owner Financing

This is the most common way to get a hundred percent financing. This is where the current owner agrees to finance all or some of the purchase price. If it’s just some, you can get the remaining amount from Cogo Capital or another local private lender in your market. If you have the financial or credit wherewithal, you could also go as far as getting conventional financing.

Common owner financing is where the principal will be paid at a later date, which is called a deferment. You can also defer the interest and stack all of the debt at the end where an exit strategy will occur. That exit strategy can be the sale of the asset or a refinance of the asset with either conventional financing or a new private money loan. We actually see this happen a lot in Cogo. When a loan of 12 or 24 months comes due, we often get a phone call from another lender who wants to refinance and pay off the loan. When this happens we always call that borrower back to see if we can refinance the loan instead. We always want to keep and help the client be successful within the walls of Cogo and not with another lender.

Principal can also be divided into monthly payments, or the loan can be structured into interest only payments with the principal to be paid off in five years. This is referred to as a balloon payment. You can also pay interest and principal payments if you want to pay down the loan quickly.

When I negotiate seller financing, I rarely, if ever, negotiate a principal buy-down. If you look at the 30-year amortization of a loan and the amount of principal buy-down that actually occurs in the 60-month period of time, it is so insignificant that I would much rather do an interest only loan where my monthly payments are lower. Now, in that five-year period of time, if I'm holding this property as a rental, the lower monthly payment gives me greater cash flow. I will rarely negotiate interest and principal payments unless the seller is willing to carry a 30-year amortized loan with a 10-, 15-, 20-, or even a 30-year balloon. In those cases, you absolutely want to write a principal interest payment because you've got plenty of time to pay that thing down.

Prime example: I bought a duplex almost 10 years ago. I negotiated owner financing at 8 percent with the seller, and I've been paying on it for the last 10 years. Since the initial purchase we have brought the mortgage down from $165,000 to about $138,000. So over 10 years, 120 months, we've increased our equitable spread by about $34,000 because we had the principal buy-down. There is a time and a place to use that strategy, but it really boils down to the needs of the seller.

No. 3 Lease Option:

If you can't find a way to finance a real estate investment, you can always do a lease option. A lease option allows you to get into the house for little or no money down, and it gives you the right to buy the property down the road, typically in two or three years. During this time period, you have ample opportunity to procure financing. Or you can sublet your lease option and make positive cash flow from the deal during that time period.

You may have heard me talk about a sandwich lease option before. One of the best types of property classes to pursue for this particular strategy is a homeowner that hasn't owned the property for very long, particularly less than five years. In most markets, if they've owned it less than five years, they likely paid retail for it. They are typically first-time, second-time home buyers, which means they're getting really good rates on financing, sometimes as low as 3.2, and I've even seen 2.8 in some instances. When they have these low, low payments, many homeowners will talk to their attorney after being presented with and offer and say, "Hey, I got an offer from a real estate investor who wants me to carry financing. Should I do that?" Any good attorney will advise them not to because it puts the investor on title and if anything goes wrong, the homeowner would have to foreclose." If this is the case, you would go back to the homeowner and say, "Look, forget about seller financing. Why don't I just lease the property from you, I'll make your payments for 60 months, and then I will pay off your mortgage at that time.” So now you are essentially taking over the loan, but not taking over the title.

This is also referred to as a contract for deed, however, in a contract for deed, an unrecorded deed is typically held in a vault or a safety deposit box. In a lease with an option, there's no deed. It's just a lease purchase agreement between buyer and seller.

Now, to do a sandwich lease option you structure the lease using two documents. The first one is the lease agreement, which stipulates price and number of payments, condition and care of the property, and who is responsible for paying for what (like insurance or repairs). It's a standard lease agreement. The second document you attach is a purchase and sale agreement. In the purchase contract, it will now say between now and the next five years, you, the lessee, are going to buy the property for XYZ dollars. Once these two agreements are signed, we can remarket this property and re-lease it to a new tenant as a lease with an option to buy using the same structure. We're going to use a simple lease agreement or rental contract, and add a purchase and sale agreement. To do it any other way could have implications of equitable interest in the property and you want to avoid that as often and as much as you can.

Now this is where you need to be careful. When you lease with an option to sell to the new tenant buyer, don't jack up the interest or monthly payments and run the risk of violating usury laws in that local market. Let me explain what I mean. Let's say we're selling the property for $120,000 and we're getting $10,000 down. Let's say that we're going to charge them $1,200 a month on a 30, which means the interest rate on that loan is going to be 12.8 percent. In California, you would be in violation of usury. Now, you may be thinking, "Well, wait a minute, Lee. It's not seller financing; therefore, it's not usury because there's no interest rate calculation." There is actually. You've established a purchase price, a monthly payment, and a term. When you have three, you can figure out four. This is where a lot of investors have gotten in trouble. Some investors have tried to get really cute and creative and say, "Well, I'll tell you what. I'm going to charge you $1,200 a month, but for the next 60 months every time you make your payment on time, we're going to credit you $200 towards the purchase price." This is a problem because now you've created a debt instrument by allowing them to pay down principal and you've given them equitable interest in title, and that's a big no, no.

Lease to own options can be great deals and highly profitable. I personally love this strategy. You just have to make sure that you structure it properly. If you find yourself in a situation where you want to use this structure and you'd like us to look at it, just call the office here, talk with somebody on our investment hotline, and we'll see if we can point you in the right direction. Again, in full disclosure, we're not attorneys nor are we financial advisors, we're just people who've worked in the industry a long, long time and can give you options to review and use as **you** see fit.

No. 4 Subject To:

The "subject to" method is a great way to finance real estate investments quickly. The name "subject to" comes from the phrase "subject to the existing financing." This means that you buy the property on the condition that the existing financing stay in place. The title is transferred but the loan stays in the seller's name and the buyer then makes the payments.

Please avoid using the terminology "assumption of mortgage." In the late '80s and early '90s, it was actually possible to go in and assume somebody else's loan. However, it mandated a full underwrite of the mortgage with copies of financials and credit scores. You essentially qualified to assume the loan. This doesn't happen anymore. With the S and L fallout in the '80s and what happened in the '90s, they've eliminated that. Banks don't even like it when we take over loans in a subject to. You normally have to set it up through either a contract for deed or by setting up the subject to relationship through a third-party servicing company.

Where I've seen a lot of investors get into trouble with this strategy is they start sending checks on behalf of the homeowner in their own name right to the bank and the bank looks at the check and says, "Wait a minute. Why is this person sending me a check for this loan?" They research the public record and see that there was a quitclaim deed or a notice of interest filed on the title, and they immediately call the loan due. A transfer of the title from the borrower on a mortgage to a new buyer triggers the due-on-sale clause, and now the house goes into foreclosure.

To avoid this, set it up through a third-party escrow or servicing company, like Lake City Servicing, a division here at Secured Investment Corp. Lake City Servicing can provide that service in some states as long as it is a non-owner occupied transaction. If it is an owner-occupied transaction, there are two companies you could utilize. One is called FCI, out of California and the other one is called Escrow Specialists, out of Ogden, Utah. Both companies do a great job.

Types of Subject To:

Wholesaling Subject To: Instead of closing the deal yourself and taking over the loan, you can wholesale the deal to another investor who will then take over the loan. One of the best ways to wholesale a subject to deal is to retail buyers. When I take over a deal subject to, that's exactly what I'm try to do. Using the same example of the VA loan at 3.2 percent. If I were to take that over and have a monthly payment of $550, I'm going to turn around and sell that property to a new buyer at $120,000 and have them put $10,000 down. I'm going to carry financing at $110,000 and charge him 8.99 percent interest. So between the 8.99 percent that I'm getting from them and the 3.2 that I'm paying this group, I'm going to be making about $350 a month for the next 10, 20, 30 years without the management of tenants or toilets because I'm just simply in the middle collecting money from one group and sending money to the other group and keeping the spread. I prefer this to actually owning rental property.

It's never my desire to talk you out of rental properties, but as you are looking at your real estate portfolio as a whole, I want you to start thinking about how to add in some of these ancillary revenue streams that are much more annuity centric from the standpoint of how money comes in—meaning there is very little you have to do to make money. Once the work is done, you just keep getting paid as long as your buyer continues to pay. The only way to do this is to make sure that everything is set up through servicing. That way the servicing company is sending the statement to your buyer and the buyer is sending the check to the servicing company. The servicing company will cut a check to your seller's lender and then cut you a check for the difference. If you run this through your self-directed IRA, the servicing company will cut a check directly to your self-directed IRA, and you just get a quarterly statement from your IRA showing that you got three payments from that deal that are tax free! These are really powerful strategies, but they all require the same thing—a seller who is in a situation where they are willing to be negotiable and creative because they just want to be done with the property.

Lease Optioning a Subject To: A second way to make money is buying the house subject to and selling it on a lease option to a tenant buyer. You might take over a loan for 200,000, and then give your tenant the option to buy it at $240,000, which means that you'll make a nice $40,000 spread when the house sells. Again, this is a very similar strategy to wholesaling the subject to but the difference here is that a lease with an option to buy strategy is going to attract a lesser-qualified buyer. These are people who have challenged credit but have owned real estate in the past. This is very common now, and it's one of the reasons why we're seeing a boom in the housing market currently. People who lost homes in '08, '09, '10, '11, and '12 are just now getting to a place where their credit score is rising, and they're now able to qualify again. They are who are driving the market right now because they've owned in the past and want to own again.

Holding the Subject To Deal as a Rental Property: Subject to, believe it or not, works really well on duplexes, triplexes, four-plexes, commercial buildings, and especially in that commercial no man's land of five to 11 units. While there's a whole subset of buyers for twelve units and up, in my opinion it's like the kiss of death for 5-11 units. Why? Because 5 units are considered commercial, which means it's very difficult to get financing for these types of units. You have to put at least 40 percent down, meaning they don't sell very quickly. If you ever called me and said, "Lee, I'm putting cash down on a 5-unit apartment building," I would tell you not to do it. Now, that doesn't mean I would never buy a 5-unit apartment building. It simply means, if I'm going to buy it, I'm going to buy it through some type of a creative strategy, like taking over the underlying subject to or have the seller carry back a subordinate second so that I can come in with literally no money down. If I've got to get financing or plunk cash down on any building that's 5 to 11 units, I'm not going to buy it.

No 5. Seller Second

The "seller second" means that the seller provides a second mortgage. Typically, the second will be just large enough to cover most, or all, of a required down payment.

Seller Second Example: If you know you're prequalified for a loan that will require a 35 percent down payment, you should make an offer contingent on the seller carrying a note for 35 percent. This way you will get the property without using any of your money, and the seller will get the bulk of his equity. An important note here is to make sure the loan you are qualified for will allow a second mortgage to be attached to it. In conventional financing, if they are requiring a down payment, they will most likely want to see that those monies have been sourced and seasoned, that you didn't go get them from the seller from his trunk in the parking lot. They want to see you walk in with cash and some skin in the game. In the private money sector, however, most people don't care. I can tell you that we, at Cogo Capital, don't care because our risk exposure is not greater than 65 percent of the as-is value. It's really the seller that's taking on the bulk of the risk. Just understand that when you're dealing with different types of lenders, the rules change and you must adjust accordingly.

Again, we can walk you through the process as you find these deals. So, instead of worrying about all of this stuff and scratching your head regarding how you’re going to do it, just go out and find a good deal. Write an offer on it, and before you close, call and talk to someone in our company to make sure that you're structuring the deal properly.

No. 6: Equity Share with Another Investor/Owner

You will share equity with the investor or owner who gives you cash to secure the deal.

Example: An investor gives you 35 percent for the down payment. Cogo Capital gives you 65 percent. In exchange for the down, you agree to give the investor/owner part of the monthly cash flow and/or profits from the deal. This is an equity share with another investor/owner. You can offer, what is called an “equity kicker” to the seller. So rather than them just getting a 35 percent second loan at 0 percent interest for five years, no payments for 21 months, you can say, if you agree to those terms, I'll give you 10 percent of whatever profit I get at the end. Many investors are not offering that type of strategy to the seller, but it’s very attractive and could get the no-money down deal done.

No. 7: Line of Credit

You can take out a line of credit for 35 percent of the down on the property secured by you, another property, another property you own, or your business and then get the remaining amount from Cogo Capital.

No. 8: Substitution of Collateral

If you're purchasing a property that has great equity and it's priced below value and you own a property that is free and clear, you can use the second property as collateral for your down, and then get the remaining amount from Cogo Capital. Now, this is called either a substitution of collateral, or cross-collateralization. If the property you're buying requires a down payment, which you don't have in the form of cash, but you have equity in another property or apartment building, you can pledge that as collateral towards the loan. Cogo Capital does not take non-fixed assets as collateral. However, I have done it personally. I actually funded a loan where the collateral was a Harley Davidson motorcycle title. That was a loan that I didn't want them to pay off because I really wanted the Harley. I've also seen people pledge boat or motor home titles as collateral. Again, Cogo doesn't do those things, but private individuals will. All they're looking for is something that says you're in this and you'll work your tail off to get your baby--motorcycle, RV, boat—back. Lenders like to see skin in the game because it shows a real willingness and desire to do this right.

The Three-Tiered Offer

Make sure that you're getting down to business in any transaction by asking these questions. "If I pay you all cash and close quickly, what's the least you would accept?" And that's always followed by, "Is that the best you can do?" Now, if you're not using these words to get to the bottom line quickly, you're wasting valuable time.

Recently, my contractor was working at one of our houses. The next-door neighbor said, "Hey, can you come give me a hand." They were remodeling their house and ripping out the bathrooms. So my contractor went over to help her haul a tub out to the dumpster and he inquired about selling the property. She exclaimed, "Oh, man, I'd love to sell this place." So my contractor let me know.

When I called her, the first question I asked was, "What's the situation?" She said, "Well, my sister passed away and my kids and I inherited the house. We're trying to fix it up so we can sell it." I said, "Okay. Well, what are you looking to get out of it?" She said, "Well, we were hoping to get $140,000-$150,000 out of it, but if you were to come in and buy it as it sits, I'd probably sell it at 110."

At this point, I didn't say anything becuause I had done not research on the deal. I had no idea of the value. All I knew is that my contractor said it was gutted, so I said, "Give me 30 minutes to do some research and I'll call you back."

I then went to www.cogocapital.com and ordered a Collateral DNA, which gave me all of the information about the property. It showed me what the after-repaired value was going to be and the recent title history of the property. So, I called her back, and I said, "Hi, Mary. This is Lee Arnold again. I've done some research and I've rehabbed 2 other houses on this street. I just finished a house up the road that was a thousand square feet larger than your house and I paid $110,000 for it. The house directly next door to you is 1700 square feet, which is a hundred square feet larger than yours, and I bought that one for $83,000. So I can't do the $110,000. Are you solid at $110,000 or is there some wiggle room there?"

She said, "Well, there's probably some room there. What can you do?" I said, "Based on what I'm seeing here, Mary, the most I'd feel comfortable doing is $90,000 all-cash. We can close in three days, or we can close by next Friday."

She said, "Well, let me talk to the kids, and I'll call you back."

Now, some of you are thinking, "Wait a minute, Lee. Why didn't you do a three-tiered offer with her? Why didn't you offer seller financing? Why didn't you ask her if she would carry back paper?" This is where a lot of you are losing deals. Your first inclination is, “I've got a motivated seller so I need to put a purchase and sale agreement together immediately which includes three creative strategies. I need to get my calculator out and run all the numbers and cross the T's and dot the I's and sign it and fax it and e-mail it and hard mail it. No, we don’t even know if $90,000 will work for her.

This goes back to what we were talking about before. We need to start by anchoring the offer and getting her to state a price, which she did. She said $110,000 and I said $90,000. Only when she calls back and accepts the offer will the next step be to structure the offer in writing.

I know she'll take 90, and I know she'll take all cash. So I could literally go out to the property Thursday at 4:30 with a purchase and sale agreements, with one addendum that says purchase price to be 90,000, close by Friday the 15th, and be done, but that's not what I'm going to do. I'm going to go to the property at 4:30, and I'm going to say, "You know, Mary, after we spoke on Monday, I had some extra time to do some research. From what I could find, it looks like the underlying mortgage that your sister had at the time she passed away was about $42,000. So what I'd like to do is take over the underlying loan of $42,000 and make payments to the lender for as long as it takes me to get the house fixed up. I would then like for you to carry back a second mortgage. If you're willing to do that, I will give you $100,000 for the house.”

Now I'm giving her a $10,000 increase on the option if she'll carry. If she'll just let me take over the underlying loan subject to, that's $42,000 that I don't have to borrow. That's a $42,000 loan with an interest rate of 4.5 percent. You're not going to find private money cheaper than that anywhere. That's a good loan. Now, if you’re wondering, "Well, Lee, where are we going to come up with the rehab money?" That's where we get creative and I don't want to you worry about that right now. I want you to focus on is finding these types of deals, having these conversations, and then structuring these types of offers. And before you run out into the market, call my office, talk with one of my business development consultants, and tell them what you're trying to accomplish. Let us walk you through this. One of the advantages of working with Cogo both as an education company as well as a lender is that we know what you're trying to accomplish because we teach it and we do it all day, every day. We know how the loan needs to be structured so that you can get financing and if we can be involved with you on the front-end structure of the deal, your financing is going to be much simpler because we'll write the offer in the way we need it written to get it financed. Make sense?

Now, the three-tiered offer in its simplest form:

First: The lowball offer: You have the full seven-page purchase and sale agreement and the three-tiered offer should land on the addendum page, which will essentially become Page 8 of the agreement. We don't reveal the purchase price on any of the lines until Page 8 on the addendum, which should be 40 percent of the current value or 40 percent of whatever they're asking. This offer will be all cash and it will be the lowest of the three offers. If done correctly, this amount will offend the seller. Now, I'm not telling you to purposely offend the seller. I'm simply telling you that this offer will be so low that there is rarely an instance where the seller won't be absolutely appalled. This offer is admittedly a lowball offer and sets the subsequent two offers up as being better and more worthy of consideration.

Second: Some cash with the rest being a seller carry: Because you will include terms that are advantageous to the seller, you are able to offer more cash. This offer should be constructed to appeal to the seller who expressed the need for some cash up front, but does not need to sell for all cash at once.

Third: Requires the least out of your pocket: In many cases I write this as either no money down, or I will put in enough cash down to cover the closing costs on behalf of the seller. See, sellers don't want to bring cash to the closing table if they can avoid it, especially if you're asking them to carry the full load of the risk and you're offering zero percent financing, zero monthly payments for a long period of time. So in Option 3, I will often offer to cover all closing costs related to the transaction just so the seller doesn't have to bring any money. This coupled with advantageous terms will allow you to make the highest offer. This offer will typically be written between 75 and, in some cases, 90 percent of whatever they're asking. So, although we are paying a premium here, we're also buying real estate for very, very little money down, and that's obviously always the goal. This is the ultimate win-win option. The investor controls a new property with no money out of pocket and the seller gets his or her house sold and is able to maintain a monthly income (if we offer monthly payments as part of the transaction).

Why would they structure the deal your way? Well, by holding paper for you (or a seller carry-back), they:

Avoid Taxes from Uncle Sam

- Get paid like the bank
- Receive interest on the mortgage which means they'll get paid more in the long run
- Get it sold for your price
- Mortgage is collateralized by the property for maximum protection
- No real estate commissions

By lease optioning to you:

- The property is taken care of because the tenant buyer sees it as “his/her home“
- No management required
- Monthly rent is guaranteed whether or not the property goes vacant (even though it won’t because you’re taking a down payment)
- Property improvements
- No real estate commissions
- Long term rental, no transient tenants

Benefits You Should Emphasize When Negotiating With the Seller

Speed: This problem can be solved now. They don’t have to wait for an agent to bring (or not bring) in offers.

Peace of Mind: The property is sold, and you can move on with your lives. This is how you phrase it: “Look, Mr. and Mrs. Homeowner, you could probably get more money if you were to go through the listing process, fill out all the seller's disclosures, clean up the property, and get a fresh coat of paint in there. Absolutely, you could get the maximum top dollar if you want to invest the time, money, energy, and effort.” Most sellers don't have a lot of liquid cash laying around, nor do they want to stick it into a property that they want to offload. And often lease options and subject to deals are most attractive when a landlord or a real estate investor has a property that has been trashed or recently vacated by troubled tenants who did so much damage that the owner wants out of the real estate business. This is a great opportunity for you to come in and say, "How about I take over the property and help you get out of this business?"

Credit: A timely record of payments always looks good on a mortgage. Again, the use of escrow companies gives the seller an increased state of comfort because they're not sending checks to you and you're not cutting checks to them. It has been 18 years since I have done a deal where I didn't run it through an escrow provider, like FCI or Escrow Specialists.

Capital Gains: This is especially true for older sellers. They only pay the gain as they receive it. This is a reason to sell the property in installments as opposed to taking an all-cash offer where they will be hit for the capital gains all at once. We just recently closed on a house this last December and the sellers would be getting a windfall of cash. So I called them and said, "I'm more than happy to close December 17th if that's your preference, but I would encourage you to contact your tax advisor or your CPA and see if it makes sense for you to move the closing of this property out to January 4th. That way you're going to get your gain at the top of the year and you're not going to have to pay taxes on it until April 15th of the following year and your gain is essentially tax deferred for 16 months."

Ultimately they decided to close in December. If it were me, I would have delayed the closing three weeks and taken my gain the first week of January. But, I don't know their situation. Maybe they really needed the money or maybe they were buying each other new cars for Christmas. Regardless, these are great things to offer sellers because it really shows them that you have their best interest at heart. Think about those things as you go into these deals.

Helping you achieve your financial goals

Interest: They get additional interest instead of getting 2 percent at the bank.

A Better Price: Terms will usually net the sellers more than an all-cash offer.

Typically There's No Agents to Pay Because it's Not Listed Yet.

No Landlord Headaches.

No Holding Costs: They're transferring all of the management responsibilities of the property over to you, the investor buyer.

No Holding Costs. If they hold the property for six months for a better offer, what will they net? How far will the mortgage balance come down and how much in monthly payments, insurance, and taxes will they pay?

If you communicate effectively with the seller and really go through all of the options and benefits of creative finance strategies with them, they're going to be very hard-pressed to have a good solid argument where an all-cash offer makes more sense than a creative finance strategy.

Rehab For Riches

So, how do you find the funding necessary to get 100% financing? What if you could get 100% financing and fix and flip cash for these types of deals? We can show you how to fix and flip your no-money-down deal for the ultimate payday, meaning these kinds of pay days:

31,000 in profit
40,900 in profit
45,500 in profit
79,900 in profit

These are just recent profits that we've seen from clients on loans done with Cogo Capital. That's right, we'll help you with your purchase and rehab money for your flips and give you ongoing guidance, encouragement, education, accountability steps and reminders, construction oversight, line item breakdowns, contractor/subcontractor agreements, contracts, information on how to get contractors to bid low but finish fast, and ways to manage the time for each project. We actually give you the exact amount of time each repair should take. We also give you an insider's view of rehab costs using the nation's gold-standard valuation tools, so you can pinpoint with precision exactly what each replacement or rehab costs will be for the area, along with tricks to sell post-rehab. Here's an example: This is a deal we did with an investor over in Connecticut. He bought these properties for $750,000. He needed rehab cash of $92,000. We had him go to the seller and ask if the seller would carry back a subordinate second for $600,000, which he did. We then gave him a loan for $265,000, which was enough to get the seller what they needed to the in the form of cash down, and we also gave them $92,000 for rehab.

What's cool about this particular project is that it's three duplexes on one parcel. It can be subdivided, and each one of these duplexes can actually sit on its own parcel, which makes each duplex worth $400,000 in the same area. He's going to rehab it, subdivide the lots, and then sell the individual duplexes for $400,000 each, giving him a sales price of $1.2 million. So what's his profitability if he pays $750,000 for the properties and sells them for $1.2 million? After costs, fees and everything else, he's going to end up netting about a quarter of a million dollars on this deal. Not too shabby. If he decides to keep them, the rental income is about $4,000 a month. So it's a good deal no matter how you slice it.

Christopher Bayes just posted this on our Certified Broker's Facebook page. He says "Florida rehab finished and sold with the help of Cogo Capital. Purchase price was $86,500, rehab costs were $27,000. Estimated ARV is $186,000. Sold it for $210,000." Cogo gave him the acquisition funds and the rehab funds. He then sold it and net, net, net, he's going to settle in around $60,000. These are the kinds of deals that we want to be doing with you too. And we teach you how at our Rehabbing for Riches Training.

Day One:

FINDING (MORNING)

- My Best Kept Secrets for locating the most profitable deals in every market
- The direct mail campaign that keeps your phone ringing off the hook
- How to spy on and S & D your competition
- How to estimate the renovation costs accurately in 20

minutes or less

- The mathematical equation behind the offer and how to structure the 3-tiered offer
- Why you should look for older homes rather than newer homes
- The Frappuccino Factor

FUNDING (AFTERNOON)

- How to eliminate banks altogether and attract Millions of dollars of private capital to fund your deals, even if you have bad credit.
- What is this REALLY going to cost
- How to Achieve 100% Financing and Rehab Money
- How to make sure you stretch your dollar to increase your end profit

This training can help you do deals like this one. This is a five bedroom, two bath that one of our clients bought for $26,621. After repaired value on this was $108,551. We lent them $55,250 which gave them $28,629 for rehab.

In this deal, notice that they are not partnering with me. There's some gurus out there right now that are running these partnership programs where you find the deal, you take on all the liability of the financing, you do all of the work, and then you give them half of it. I don't particularly buy into that philosophy. I think you should get it all. Do we have costs for our private money? Of course we do. But that's where we make our money. You keep a hundred percent of your profits.

Day Two

Fixing (MORNING)

- The least expensive way to get the most return on your investment
- The 5 deadly sins of rehabbing that eat away at your profit and why every rookie makes them (we teach you how to avoid them)
- 9 types of home improvements that will make or break profitability (function vs. fashion)
- The law of diminishing returns
- What’s a do-it-yourself job and what’s a “I wouldn’t touch that with a 10-foot pole” job (TIME IS MONEY)
- How to plan for the flip by scheduling correctly. We’ll show you how to

avoid cost overruns

Field Training: Get on the bus and tour flip or fold homes. (AFTERNOON)

- I'll show you what I would do, what I would leave alone, and when I would throw up my hands and walk away
- See, first hand, the highest ROI jobs and what most people do and why they shouldn't
- What I would give you money for and what I absolutely **WON'T** GIVE YOU MONEY

At our first Rehab for Riches training I told the attendees, regarding the first house we visited in the field, that I wouldn't rehab it, I would wholesale it instead. The investor showing us the house had thought the same thing, in fact he had picked it up for $5,000 and he was selling it for $24,000, which means he was going to make $19,000 on a wholesale. So show you which ones to focus in on and which ones to walk from, but we don't walk from any deal without first attempting to make money on it as a wholesale and we teach you how to see that and how to work that angle.

Here's another successful rehab one of our clients just recently did in St. Louis, Missouri. They picked up this a four bedroom, three bath, 2371 square foot home for $44,000. We lent them $143,000, which means they had $99,000 to rehab this house, and they sold it for $222,000, which means they made a $79,000 profit on this property using none of their own money and having none of the profit come to us. We made our money on the loan certainly. But look at how they remodeled this house—the bathrooms and kitchen looks great. We teach people how to rehab their properties to look like this so they can make the same kinds of profits.

Day Three

Flipping (MORNING)

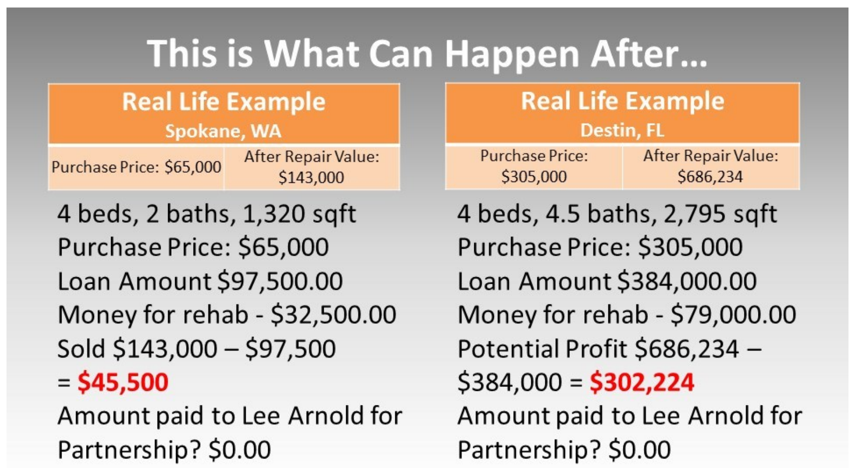
- Staging the property (Creating buyer incentives vs buyer discounts)
- The psychology of curb appeal
  How to appeal to the buyer (or the person who really wears the pants in the family (She knows who she is!))
- Marketing the property for sale (Best months to maximize your profit: Learn which selling months will cost you 25% and which months will make you 25%) **TIMING IS**

MONEY & IF YOU LIST AT THE WRONG TIME IT COULD COST YOU

- Stacking your inventory to maximize selling cycles

Tying it All Together (AFTERNOON)

- Understanding zoning, codes, permits, insurance and risks (never be surprised again)
- How to pinpoint the best time to list
- What is the maximum number of words in your listing copy to achieve top dollar
- 12 words that will earn you significant increase over your sale's price



Finally, here are two more deals I want to show you. On the left-hand side, you'll see a four bedroom, two bath, 1320 square foot property that was acquired for $65,000. We lent $97,500 on it. Money for rehab was $32,500 and they sold it and made $143,000. Again, they didn't pay me a dime. Here's another house in Florida that a client bought it for $305,000. We lent them $384,000 which gave them money for rehab of $79,000. They are now listing it for $686,000, which means they could potentially make $302,000 on this deal.

I'm showing you these deals, because it's really imperative that you understand that there's a lot of money to be made in rehabbing. I'm somewhat disappointed in many of my peers because they are pushing an agenda that you can make millions of dollars doing nothing and never rehabbing. Here's the reality of it all. Those deals are out there. I've done them and I continue to do them. My strategy is to take a property through the four tiers, the first option is always wholesale. If we can't wholesale it within seven days, our next option is to rehab it and flip it for a profit. If we've done the rehab and we can't flip it (I don't believe this will be a problem unless you pay too much for the property or you over-renovated it so your asking price is too high), the next option is to sell it on a lease-option. We don't want to be a landlord if we can absolutely avoid it. The fourth option is to rent it out.

Because of this, it is imperative that you guys understand the intricacies of rehabbing so that you do it right, stay on budget, and on time. When you come to the Rehab for Riches training, I can assure you that we will be more likely to lend you money aggressively because you're investing time in learning how to rehab properly. Just call 800-341-9918 and let our staff know that you want to be at the next Rehab for Riches three-day tour, personally taught by me. You'll work directly with me and my expert real estate and loan staff where you'll receive funding and support, ongoing guidance, encouragement and education.

Everything else would just be awesome bonuses.

Bonus Number 1: Verifiable proof of fund letters. You'll be preapproved for $500,000, plus fix and flip funding. It's all the backing you need to make all the offers you want and the ability to buy, rehab, and profit with little or none of your own money down.

Bonus Number 2: Scratch Paper Chronicles. Every month watch as I dissect a deal or a concept in real time. I'll even scan and send you copies of the scratch paper after each session. You'll get your questions answered and even some of your own deals structured. These sessions alone could save you and even make you hundreds of thousands of dollars.

Bonus Number 3: Contractor and subcontractor agreements and contracts. Always put these in writing. We give you tips and techniques to get them to bid low and still get the work done quickly. We will also show you when to use positive incentives or negative reinforcements to get a job done right and on time.

Bonus Number 4: Access to the nation's gold standard in valuation tools. This will help you pinpoint with precision exactly what each replacement rehab cost will be for the area. Get the most current building costs for basic single-family homes, low-rise apartment buildings, manufactured homes, old residences, townhomes, duplexes, and urban row houses.

Bonus number 5: Biweekly calls with my experts. Get on a call with other real estate investors, top loan officers, consultants, and industry experts. Bring your current deals to the table and find out how to structure offers. Rehab only the essentials and forget the rest, and learn how to exit the deal with the highest profit margin in your pocket.

Bonus Number 6: Bolster your buyer and seller lists with our Marketing Tool Box of Trainings. Topics include negotiation, presentation and positioning, e-mail marketing, direct e-mail marketing, LinkedIn and Facebook marketing, SEO and much, much more.

Bonus Number 7: Scope of work as well as rehab budget examples. Find out how to manage the expectation of the contractors and the bids on both the exterior and the interior.

Bonus Number 8: The ARV Construction Handbook (hard delivery at the live course). This handbook contains ARV program introduction, the owner's duties for a construction project, contractor vetting procedures, contractor's questionnaires, suggested items for inclusion, and GC contracts. It also has preconstruction discussion items, lists of subs, lists of subcontractors and their insurance coverage, typical progress schedule for ARV projects, contractor's payments, submittal package requirements, ARV construction work scope, a budget sample, a budget spreadsheet for draw requests, invoice receipts, logs for draw requests, mechanic's lien waiver instructions, subcontractor materials, and the supplier progress payment release form.

Bonus Number 9: The Top 10 Most Important Clauses in the Construction Contract (hard delivery at the course). This talks about payment, the clauses, project delivery systems, differing site conditions, the chief clauses, liquidated damages, delayed extensions of time, indemnification insurance, and termination clause.

Why are we doing all of this?

It's simple. As a company, we are finding a gaping hole in the money lending space related, specifically, to money for rehab. Most companies do not lend rehab money to investors simply because it's an incredibly arduous process to manage the distributions. However, we believe, as a company, if we can train enough of you to know how to rehab efficiently and effectively it’s to our benefit. We can greatly mitigate our risk and run a couple million dollars through each and every one of you, every year, on your rehab projects because we trained you to manage them correctly. We've put this training together specifically so that as I meet with investors, private equity funds, and family law offices, I can show them testimonials and proof of the deals that you have successfully done to put money in your pocket. This helps me raise more capital so that we can deploy more money to you for your rehab projects. And we're also going to lend it to you because you're investing time and energy into training to do it the right way. So, if you haven’t signed up for this training, make sure you call 800-341-9918 and then go out there and make things happen. Get deals under contract and let's start making some money together.

Until then, happy investing. God bless you and we'll talk to you soon.

The Circle of Wealth

After years of teaching and mentoring around the nation, I found that education doesn’t mean a lick, if the person being taught doesn’t have the capital to put their knowledge into genuine action.

So, I took the challenge and created a place, Private Money Exchange, where real estate investors could go for unlimited funds for their non-owner occupied investments.

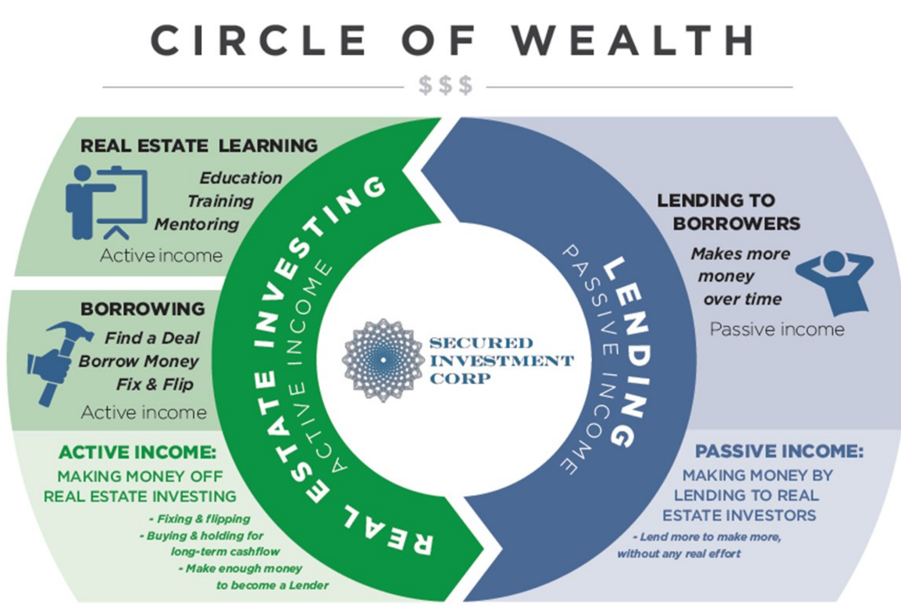
While the progression seemed natural, we were missing one, very large and essential piece of the pie. The marketplace was teeming with people who had the funds, who aspired to make higher returns on their invested dollar, but lacked the desire to get involved in real estate at the ground level.

In light of this opportunity, we created Secured Investment Corp, which gave people a medium to lend on first trust deeds (real estate), and make higher returns than they were currently seeing in their stock market, bank CDs, or bond investments.

As we combined all these facets—training, funding, and the means to lend on real property—we began to notice a progressing trend of growth and success with the clients involved.

Through this model, what we call “The Circle of Wealth,” we also noticed that people who entered in at the training level and borrowed funds for their real estate investments, eventually became lenders in their own right. They then helped others obtain the capital needed to grow their real estate portfolios.

This allowed everyone, on every side, to win!



It is our goal that everyone can enjoy some level of success in The Circle of Wealth, and inevitably lap it several times over!

We hope you’re one of them!

Who Is Lee Arnold?

Like most self-made millionaires, I began at the bottom of the financial food-chain. My humble beginnings started as a bag boy at a local grocery chain in Spokane, Washington working for $3.90 per hour. My first "aha moment" happened while I was aspiring to a management role at the store and was reading the life-changing book, "Rich Dad, Poor Dad" by Robert Kiyosaki. Suddenly my management aspirations looked very small, but my future possibilities became extremely big.

My second "aha moment" happened while I was sitting in a philosophy 101 course in college. My attention span was divided between the slow ticking of the clock and my professor's long winded discussion on the economy. While the minutes ticked by, he let it slip that he was making only $45k a year. That information and the knowledge I gained from Kiyosaki's book, made me realize I was on the wrong path to success and needed to make some very important changes fast. So, from those experiences and an influential nudge from an incredibly persuasive late-night infomercial, I went into real estate.

I began the way many people do—in the educational and training space. Like many, I went to real estate seminar after seminar and bought course after course. Through long years of trial and error, I built up a very profitable, million-dollar real estate business from the ground up. I'm proof-positive that the training system can and does work! Because of this, I decided to help others by teaching them how to translate workbook education and real estate theory into the real

SMARTER INVESTING: Experience & Discipline

It is because of investors like you, that we are able to promote ***The Circle of Wealth*** and help individuals, of any background, familial, or income status to receive the training, the funding, and the return on their invested capital that they need to be truly successful. It is our goal to make those who aren't, "Millionaires," and for those who are, "Philanthropists." We are grateful to provide a platform where investors not only earn the returns they seek, but also finish each day with the intense satisfaction that their investment allows someone else's dream to be manifested.

THE Lee Arnold SYSTEM OF REAL ESTATE INVESTING

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