Transactioneering Mastery Academy  
Week 6 Homework

1. Download all of the documents for this week’s class from the website and save them on your computer so that you don’t have to call our office in 6 months and ask for them
2. Use the worksheet that you just downloaded to work out an offer on these 2 deals:

Deal 1:

A 2 bedroom condo in a good school system

Exit strategy is to rent or lease/option

Seller has moved out of the state, bought another property

ARV: $78,000

Repairs needed: $7,000

Potential rent: $850/mo.

Taxes: $72/mo.

Insurance: $28/mo .

HOA fee: $117/mo.

Mortgage balance: $72,340

Rate: 4.5%

Remaining term: 27 years

PITI Payment: $495.21

What’s potentially good about this deal?  
What do you not like about it?

Deal 2:

A 4 bedroom in a move-up area

Exit strategy is to rent or lease/option

Seller bought another house and is making 2 house payments

He got a HELOC on this house to make the down payment on the new house

ARV: $225,000

Repairs needed: $12,000

Potential rent: $1,750/mo.

Taxes: $186/mo.

Insurance: $57/mo .

FIRST Mortgage balance: $183,420

Rate: 3.875%

Remaining term: 96 months

PITI Payment: $1751.53

HELOC balance: $32,754

Rate: 6%

Remaining term: 114 months

Payment: $363.64

What’s good about this deal?

What’s really bad about it?

What are some ways you could solve the latter?

For bonus points, what was his probable original mortgage balance?

For bonus points, if you do this deal, how much equity will you gain the first year you own it?

For bonus points, if you put $12,000 in cash into repairing this property, what would your ROI be, counting mortgage paydown?

1. Call back any sellers you talked to last week that were open to a takeover payments deal, and see if you can follow through with an actual offer, or at least follow up to the point where it’s clear that there’s no deal.

Didn’t talk to any sellers last week? Shame on you. Didn’t get any yeses? Call some more.

1. Material comprehension questions:

Why do sellers agree to subject to deals? (check all that apply)

[ ] Because it’s the only way you can afford the property

[ ] Because they can’t make the payments anymore

[ ] Because they won’t get any money by selling conventionally

[ ] Because they trust that you’ll make them

Which sellers should NOT do subject to deals? (check all that apply)

[ ] Those who care about their credit

[ ] Those who have FHA loans and need to buy another house with an FHA loan

[ ] Those with VA loans who are moving into assisted care

[ ] Those who have FNMA loans of more than 85% of the value of their property

[ ] Those who have always used the property as an investment

Match the objection with the appropriate answer

\_\_\_ How do I know you’ll make my payments?

\_\_\_ How long will it be until the mortgage is paid off?

\_\_\_ How can we do this when my loan isn’t assumable?

\_\_\_ I don’t want to do this because I just want the property gone

1. I can’t make any guarantees on that, but as long as your payments are being made, does it matter?
2. You won’t own it, and you won’t have any responsibilities at all for it
3. We’ll title the property in such a way that if I don’t, you get it back with all the repairs
4. We won’t tell the bank, and my experience is that they don’t really notice and don’t really care

How are subject to deals different than other kinds of seller financed deals? (check all that apply)

[ ] The terms aren’t negotiable

[ ] The seller has limited legal recourse if you don’t pay

[ ] They are, strictly speaking, illegal

[ ] They’re not direct, voluntary investments of money by anyone

Which of these might cause you to NOT want to buy a property subject to the existing loan (check all that apply)

[ ] It’s a HELOC [ ] It’s a fixed-rate loan

[ ] The seller is an investor [ ] It’s a reverse mortgage

[ ] The seller is in foreclosure [ ] The loan has been modified

True or false:

You don’t have to believe that subject tos are good deals for sellers to do them [ ]T [ ]F

Most subject to deals require you to bring SOME money to closing [ ]T [ ]F

You should always let sellers know that there’s a due on sale clause in their

mortgage that the bank might call [ ]T [ ]F

Your biggest problems with subject to deals will come from the lenders [ ]T [ ]F

You should add your name to the seller’s property insurance policy when you buy a

property subject to [ ]T [ ]F

Giving the property back to the seller is an option if the bank calls the loan due [ ]T [ ]F

Land trust get around the due on sale clause [ ]T [ ]F

If the seller brings money to the closing to create more equity, this is just like

profit to you [ ]T [ ]F

If a seller declares bankruptcy and includes the mortgage that you’ve taken over,

it’s OK to quit making the payments [ ]T [ ]F