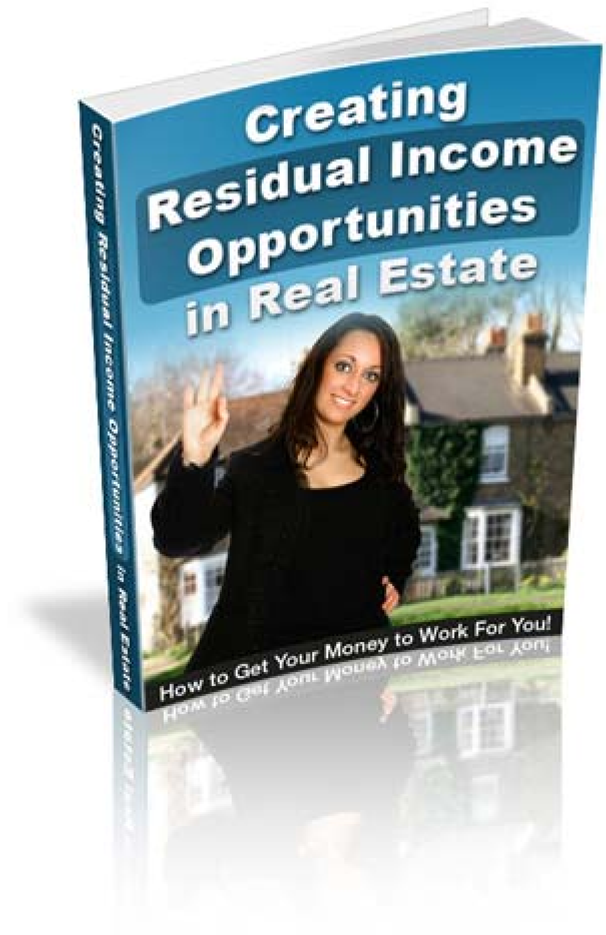
Creating Residual Income Opportunities in Real Estate

How to Get Your Money to Work For You



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Introduction

Are you interested in making money through real estate investments? It's not just for big business tycoons and multi-millionaires. Today's real estate investor could be any average, middle-class person.

The key to generating more net worth for yourself is by establishing residual income. Your net worth is the total of all of your assets, minus your liabilities. Residual income is money that comes to you monthly on an ongoing basis, from investment that you have only had to set up once. Examples of residual incomes are stocks, royalties, etc. The key to your financial prosperity is building your portfolio of residual income producers.

One of the first steps to developing a positive cash flow is to set yourself up for success. First, you will need to get rid of your debt and minimize your expenses. You will need to carefully track and account for your money. Reduce the amount of money that you spend on unnecessary items, and begin developing an asset base so you will be able to secure financing in the future. Begin actively saving cash so you can invest in real estate.

Chapter 1

Produce Income by Buying Mortgages

About Buying Discounted Mortgages

You can invest in mortgages, just like Wall Street's Mortgage Securities but on a smaller scale. Make money in the same method by buying discounted mortgages. What is it? Here is a scenario that explains how it works:

Mr. & Mrs. Smith find a house that they want to purchase. They both have excellent credit and earn decent incomes, but the Smiths are $5,000 short of their required deposit. Interest rates are at 7.5%, and they ask the sellers of the property to if they would be willing to take out an interest-only, 8 year mortgage.

What is an interest-only mortgage? It's when only the interest is paid during the life of the loan and the full amount of the actual loan is paid when the loan matures.

In our scenario, if the home's purchase price is $100,000, and they need an interest-only mortgage for the $5,000 down payment, then the Smiths would pay $500 each year for 8 years, and in the 8th year, also pay off the full $5,000. In the meantime, they would have two mortgages on their new home.

Whenever property is sold, information regarding the sale of the home is recorded at the country courthouse of the Town or City Hall. The information becomes public record. The information in these records includes:

- Purchase price
- Liens on the property
- Taxes
- Buyer's and Seller's names

- Mortgage amount
- Lender Name(s)

Given this information, how do you use it to generate income? First, go to the place where the public documents are recorded and look for properties that have a 1st and 2nd mortgage on them. The first mortgage is typically a financial institution, and the second is sometimes an individual.

Gather 15-20 of the second mortgage holder's names, and research to find their phone numbers. Call them, introduce yourself, and offer to buy the mortgage, at a discount.

Here is a sample script of a conversation:

You: *"Hello, Ms. Jones? My name is John Doe. I invest in real estate, and the town public records here in Anytown indicate that you hold a mortgage for $5,000 on the home at 1 Main St. Am I speaking to the right person?*

Ms. Jones: *"Who are you again, and how do you know about this mortgage?"*

You: *"I'm a real estate investor, Ms. Jones, and I wanted to buy your mortgage for cash. I purchase this kind of mortgage often, and I just wanted to see if you are interested in selling for cash?"*

Ms. Jones: *"What do you mean? How does this work?"*

You: *"I would pay you cash to purchase your mortgage at a discount. I could give you $3,000 for it. Does that interest you?"*

Ms. Jones: *"Umm, yes. I think I'd consider it."*

You: *"Okay, I can draw up a proposal, and we can meet at your lawyer's office to go over it."*

Important points to consider in this conversation are:

- The amount of your offer should ideally be 60-75% of the loan value to ensure that you make a profit.
- There are two reasons that Ms. Jones would consider selling the mortgage at a discount.
    - Managing the payments and collection process for the loan payments has become more of a headache than it's worth to Ms. Jones.
    - A large lump sum of cash is attractive to Ms. Jones.

A 30% possible profit on this situation can be factored as:

Mortgage Amount	$5,000
Your Purchase Price	$3,000
Remained of Term	5 years
Interest Rate (original)	10%
Monthly Profit	+$41.67
Annual Return	=$500/$3,000 = 16.7%
Total Interest You'll Get	$2,500
Discount	$2,000
Total Profit	$4,500
Average Return Annually	($4,500/$3,000) / 5 years = ***30%!***

Using Foreclosures to your Advantage

Another way to make money investing in real estate is through foreclosures. Foreclosure is the result of past due payments on a mortgage. If you lapse in mortgage payments to your lender, the lender will take the necessary steps to get their money – by selling the house.

Educate yourself before attempting to buy a foreclosure property. There are many classes, seminars, books, and websites that have valuable information. Research the local tenant/landlord laws regarding defaulting on payment and eviction processes. Find out if there are rent controls in your area.

Foreclosure law is created and managed at the state level. It is in your best interest to learn about your state's laws regarding foreclosures. Some states have deeds of trust, others have mortgages.

There are three phases of foreclosure:

1. The pre-foreclosure phase
2. The auction of a foreclosure
3. The post-foreclosure phase

   In the post foreclosure phase, the lender is paid – one way or another. Remember that the primary interest of the lender is for money, not property.

To make money on foreclosures, you need to be involved in the process before they public learns about them. The public usually learns about foreclosure property when it is announced in the newspaper. For the homeowner, missing two or three months of payments will start the foreclosure process moving. After another 4-6 weeks, the case is handled over to the lender's attorney, who will send additional letters, and set a cure date. The cure date is the last date that the property owner can settle payment before the property goes up for sale at a foreclosure auction.

You will have more leverage the earlier you involve yourself in the process. Leverage is the ability to take a little money and use it to do large scale things. You have the ability to create a win-win situation for the property owner, yourself, and the lender. The property owner will get out of an embarrassing situation and help protect their credit, you will make money, and the lender will get paid.

First, you will need to learn about the different security instruments, determine which is used in your situation, and then determine the method of foreclosure. There are various laws and foreclosure processes depending on the state or country where the property is located.

The two types of security instrument used in the United States are mortgages and Deeds of Trust.

Type of Security Instrument	Method of Foreclosure	Terms	Role Definition
Mortgage	Judicial, Non-Judicial, Power of Sale, Entry & Possession	Debt security is created by putting a lien on the property.	Borrower = Mortgagor Lender = Mortgagee
Deed of Trust	Power of Sale (Utah trust deeds involve Judicial)	Trustee holds title for the beneficiary as security for repayment.	Borrower = Trustor Lender = Beneficiary Intermediary = Trustee

A Closer Look at Judicial Foreclosures

Judicial foreclosures are handled within the court system. This type of foreclosure using takes the longest time to process because the court must agree with the final bid to avoid exorbitant discrepancies between the property value and the bid.

What happens in judicial foreclosure? First, a pending action, called *lis pendens* is filed with the local Clerk's Office. This is the official notice that the action of foreclosure has been started against the mortgagor. After lis pendens is filed, no other liens can be added. Before involving yourself in any way with a foreclosure, be sure that all parties involved – the owners, renters, lease holders, creditors, etc. – have been given notice properly. If the notice process is not handled correctly, existing tenant leases may still be legally binding after the foreclosure process.

The second step of a foreclosure is the appointment by the court of a referee. The referee posts the property foreclosure auction in the local newspaper, typically under the section called "Legal Notices." The referee handles the auction. He will announce the terms and conditions of the sale, and open the bidding at an "upset price." The upset price is the opening bid amount, and is determined by the court. The factors included in determining the upset price include the mortgage balance, back taxes, interest, liens, court fees, legal costs, and any judgments on the property that were in place before lis pendens went into effect.

The winning bidder will get a *Certificate of Sale* after the auction. On some properties, there is still the chance that they deal can fall through. If the deal included a *Statutory Right of Redemption* clause that remained in effect past the auction, this could be the case. Without this clause, the property deed (sometimes called the *Sheriff's Deed*) goes to the winning bidder.

An In-Depth Look at Non-Judicial Foreclosures / Power-of-Sale

Non-judicial foreclosures are the same as the power-of-sale method of foreclosure. These foreclosures do not involve the court system, and the trustee can sell the property title outside of the courts if payments have not been made on the loan. This will avoid a long, drawn out court proceeding. Non-judicial foreclosures are sometimes called a "Trustee's Sale."

How do non-judicial and power-of-sale foreclosures work? First, the Trustee files a "notice of default", and officially notifies the Trustor. The sale occurs, and it is final. In trust deed states, there are no rights of redemption or deficiency judgments.

As a protection for yourself, have your lawyer include a contingency clause that gives you the right to perform inspections following the sale. Be sure it allows for adequate time to complete the inspections.

A recommended reference for a state-by-state guide to security document and foreclosure methods is Your Fortune in Foreclosure: Today's Best, Low-Risk, High-profit Real Estate Investment, by Fredy Bush, Carl Hunter and Bruce Erb, pages 199 to 204.

What is a Deed in Lieu of Foreclosure?

We have all heard the saying, "the early bird gets the worm." This theory stands true when investing in real estate, too. How do you get the inside scoop on real estate investments?

1. Look for newspaper real estate listings that say either "For Sale by Owner" (also called FSBO), or something like, "Must sell, all offers considered."

2. Find out the owner's contact information on properties that appear to be abandoned, and call them.

3. Research probate court cases that involve divorces, deaths, and business failures to determine if there is real estate left on the table.

4. Contact relocation companies and title insurance companies to ask for real estate referrals.

5. Act on the foreclosures listed in the newspaper.

6. Watch the lis pendens or Notice of Default filings at the country courthouse or the Clerk's Office. You can either do this yourself, hire a college student to do it for you, or buy them from a list service. The first

two ways give the highest returns usually, because the list service has a large distribution list.

7. Internet real estate services. Try www.therealestatelibrary.com as a starting point.
8. If you want to buy your primary residence, look into HUD and VA. Their websites have links to government-linked sellers of repossessed homes.
9. Find out about investment clubs in your area.
10. Open accounts at area banks. Network with the bankers and lenders because they handle mortgages, loans, and are in contact with property owners in financial distress.
11. Focus on real estate agencies. When home owners know foreclosure is eminent, they usually contact an agent to try and sell the property on their own. Let area agents know you are a real estate investor.
12. Become a licensed real estate agent, and create a niche in foreclosure properties.
13. Contact law offices that specialize in real estate law, because they are the ones that distressed homeowners contact at the beginning of foreclosure proceedings. Although attorneys can't disclose information because clients are protected by a code of ethics, the attorney can keep your business cards for referrals.
14. Market yourself by posting an ad in the newspaper of the area you want to buy in. Make up flyers and post them on public boards, car windows, and canvas the neighborhood, looking for people considering selling their home.
15. Ask builders and contractors if they have any leads on prospective sellers.

Foreclosure Process & Property Selection Tools

To make the decision process easier, use these tools as a template to develop your own system. The subsequent forms will be used to help sort out the many factors that go into determining the best investment opportunity.

Step 1: Find a property that is within the first 3-4 months of the foreclosure process. Go look at the property and talk to the owner. Figure out the market value by researching comparables in the neighborhood. Find the most up-to-date appraisal at the Clerk's Office. Keep a detailed folder on each of your potential properties.

Step 2: Use the forms attached at the end of this chapter to ensure that your records are consistent. (see Form A, Form B). Call the trustee, or whomever is responsible for the property, and go visit the property to examine it inside and out.

Step 3: Find out the financial status of the property. Contact the lender to get the amount of the balance on the loan. Also ask about any additional charges and legal documents that will be required to sign. Inquire about any liens, mortgages or second mortgages on the property.

Step 4: Do a comprehensive title search on the property, looking for any liens or judgments. If there is a shadow of a doubt of problems with the title, don't do it. There could be problems with the sales process involving the conveyance of the title that would cause delays and cost you money. Have an attorney review all documents and get title insurance as protection.

Step 5: Have your lawyer draw up a deed and get the owner sign it in the presence of your lawyer. Have it notarized. The owner of the property must sign the deed because you cannot buy property without the owner's signature. Be sure to have full coverage insurance on your new property (fire, theft, vandalism, etc.)

Step 6: Have all papers and a cashier's check brought to the trustee. This will cure the situation. Lastly, record the deed with the appropriate city or town offices.

Tips for Buying Foreclosure Property at Auction

If you decide to buy foreclosure property by going to an auction, consider these tips:

- Attend a few auctions to just watch the process before you actually plan to bid.
- Do your homework about what you should bid before you go to auction. The lender will start the bidding with the amount that includes the foreclosed mortgage balance, taxes, liens, fees, etc. You bid needs to be at least this much, but less than the market value so you can make a profit.
- Know the rights that you, and the original property owners, have under your state's laws.
- Find in out in advance if bidding is through sealed written offers, or if it is verbal.
- Find out how much money is needed up front and what the schedule of payments will be for the remainder.
- Inquire whether it is a regular deed or a Torrens title. A deed is required to sell a piece of property, and if it's lost, a regular deed is easy to replace, but a Torrens title is not.
- Your bidding strategy should be to bid based on the mortgage balance. Don't fall into the trap of bidding based on market value or you might over bid.

The World of REOs

REOs, otherwise known as Real Estate Owned property, are real estate that goes back to the lender or government after the foreclosure auction takes place. There are two main reasons why this happens: either the property was bid on by the bank and they won it back, or it did not sell at auction.

To get the insider information on REOs available in your target market you will need to network with bankers, lenders and real estate agents in your area. When REOs fall back into the hands of the lender, they sell them in a variety of ways. They are sometimes sold directly from the lender themselves, or through auctioneers, real estate brokers, private mailing lists, or on the internet.

The follow chart details the pros and cons of investing in REOs:

Pros

- You might get a better interest rate
- It might be offered at a discounted price
- You're able to inspect the inside of property
- They've handled any necessary eviction process
- You have more time to set up financing
- They can be more flexible with terms and financing options

Cons

- The sale price will be closer to market value than if sold at auction
- A real estate broker or agent can prevent the deal from going through
- The lender may not give you financing
- There might not be flexibility with the lender's terms
- There may be many repairs necessary

Return on your Investment

The following figures detail what you can expect for a return on your investment when investing in real estate.

Purchase Price = $200,000

Total Rental Income = $2,000

Taxes & Insurance = $500

Leftover per Month = $1,500 or $18,000 per year

$18,000/$200,000 = 9% return

Form A: Sales Lead Worksheet

Date & Time Shown		Shown by	
Owner's Name		Address	
City		State	Zip
Daytime Phone		Alternate Phone	
Trustee (Who is handling the sale?)		Trustee Phone	
Reason for Selling			
Availability or Urgency of Sale			
Vacant? ☐ Yes ☐ No	If yes, do we know where the owner is? ☐ Yes ☐ No Comment:		
Proposed Date of Foreclosure	Cure Date	☐ Deed or ☐ Torrens title Location:	
☐ Transferable or ☐ Assumable Mortgage			
Financial Picture			
Estimated Market Value	Loan Balance	Other Loans or Liens	Total of Loans
Estimated Repair Costs	Total Cost of Loans + Repairs	Estimated Net Gain	

Form B: Property Assessment Checklist

Overview of the Property	
Style	Stories or Levels
Age of Structure	Builder
# of Bedrooms	# of Bathrooms
Lot Acreage	Size & Shape of Lot
Layout of the Interior	
Parking	View
About the Area	
Traffic	Zoning
Flood Plain	Environmental Hazards
School District	Fire & Police
Medical Facilities	Neighborhood
☐ Public Transportation ☐ Waste Removal ☐ Shopping	☐ Recreational Activities ☐ Registered Sex Offenders Living in the Area ☐ Poor Crime Statistics for the Area
Home Interior Details *(Check those that apply and make notes about condition)*	
☐ Attic ☐ Insulation ☐ # of Closets ☐ Living Room ☐ Family Room ☐ Laundry Facilities ☐ Floor Coverings ☐ Window Treatments ☐ Windows/Storm Windows ☐ Weather Stripping	☐ Built-in Cabinets ☐ Paint Condition ☐ Wallpaper ☐ # Fireplaces ☐ Finished or Unfinished Basement ☐ Furnace & Water Heater ☐ Air Conditioning ☐ Wiring ☐ Plumbing ☐ Cable

☐ Doors/Storm Doors	☐ Appliances
About the Exterior of the Property *Check those that apply and provide a statement of condition*	
☐ Roof ☐ Façade ☐ Windows ☐ Drainage ☐ Paint ☐ Siding ☐ Garage (attached?) ☐ Storage	☐ Shrubs ☐ Trees ☐ Lawn ☐ Sprinklers ☐ Swimming Pool ☐ Patio ☐ Driveway
About the Situation	
Can it be rented?	Certificate of Occupancy on file at Town Hall?
Updated survey on file?	Are your observations in agreement with CO & Survey?
Building Code Violations?	
Estimated costs to fix violations	
Status of current occupants?	Rental permits on file?
Unpaid utilities?	Any illegal work?
Any services incomplete? (sewer, electric)	

Chapter 2

Other Methods of Real Estate Investing: Tax Liens & Rental Property

Understanding Tax Lien Investment

What is a tax lien? Tax liens occur when a property owner has not paid local taxes on a property. The local government will issue a lien against the property that states that it can't be sold and ownership cannot be transferred until the owed amount has been paid in full.

How do you make money on someone else's tax lien? It's called a tax lien sale. An auction is held by the public authority who sells the property in order to settle the tax lien. The winning bidder is purchasing the right to own the property if the original property owner doesn't repay the tax debt to the winning bidder.

There are 3 kinds of liens that may be placed on property:

1. Judicial liens (also called "judgments"): Come from lawsuits by a creditor.
2. Statutory liens: Typically tax liens, either from the IRS, state taxes, and property tax.
3. Consensual lien: Missed mortgage payments.

What is the Tax Lien Process?

First, the home owner does not pay their local property taxes. So the local government makes a lien against the property, which prohibits the sale or transfer of the property until the tax debt is paid in full. After that the local government offers a tax lien at auction to cover the unpaid taxes. You attend the auction and bid. Be sure to research before bidding; thoroughly inspect the property and do a lien and title search. The lowest interest bid or most favorable fixed interest goes to the highest bidder. Next, you'll have to wait and see. If the property owners don't pay the lien, action is taken. In some states, the owner of the tax lien certificate needs to apply for, and then gets, the property deed. In others, there is an auction for the property. You bid on the unpaid lien plus the interest due to you as the certificate owner.

States with Tax Lien Certificates

Alabama 12%	Montana 10%
Arizona 16%	Nebraska 14%
Colorado 9% above Fed Res Rate	New York 14%
Connecticut 18%	New Hampshire 18%
District of Columbia varies	New Jersey 18%
Florida 18%	North Carolina 12%
Illinois 18%	North Dakota 12%
Indiana 10-25%	Puerto Rico varies
Iowa 24%	Rhode Island 12%
Kentucky 12%	South Carolina 8%
Louisiana 5% and up	South Dakota 12%
Maryland 12-24%	Tennessee 10%
Massachusetts 18%	Vermont 12%
Michigan 15-50%	West Virginia 12%
Mississippi 17%	Wyoming 18%
Missouri 10%	

To illustrate two successful lien certificate investments, review the following scenarios:

Example 1:

A real estate investor purchased a tax lien certificate on a commercial property for $12,000. The property owners were unknown, and all of the required notices were sent out but there was no redemption. The certificate holder acquired the property which was appraised at over $365,000. The return on investment for this real estate investor was over 30 times his initial investment!

Example 2:

Mississippi pays lien certificate holders 17% interest. After 20 years, a $2,000 certificate would have grown to more than $30,000 with earnings that are tax-deferred.

Making Residual Income through Rental

The two attractive features of rental investment are: the ability to make money off the rental income, and the likelihood that the property value will increase over time.

First, you will need to find income-generating property. Income-generating means that it has a positive cash flow. You cannot determine if a property has a positive cash flow simply by asking the seller, because you might not get the whole truth. The best way to garner this information is by requesting the past 5 years worth of bank records and expenses from the seller. If they can’t pull them together or aren’t willing to share them with you, get out of the deal.

If you do get the financial records, add up the income per year to get the net income. Add together the expenses per year to get the property’s net operating expenses. Subtract the expenses from the income and you have the property’s net operating income. Find the debt service fees, and subtract them from the net operating income to get the property’s cash flow.

Here is an example:

Susan finds a great property in a prime urban location in the District of Columbia. It's a condo that is 300 square feet and selling for $100,000. A steal by city standards!

Susan had a 20% deposit, and got a mortgage for the remaining $79,200. She did not get Personal Mortgage Insurance (PMI) because she had more than 20% down. The debt service costs her an annual amount of $6,403. During the first year of her rental, she earned $1,107 (a 4.5% profit). During the second year, she didn't have to pay the closing costs, so she brought in $5,683 (a 22.9% profit). As time went by, Susan increased the rent and she went for 25.3% profit in the third year to a 30.6% profit in the fifth year. Her five year average, pre-tax, was an impressive 22.2%.

If you multiply this example by, say ten different situations, you would have a positive cash flow of over $75,000 per year. If you prefer to not take care of the ten properties yourself, you can hire a maitainence man for $30,000 and still take in $45,000 without the headaches!

Finding the rental properties before they become public knowledge is important for getting a good deal that will make you rental income. Network with area CPAs, lawyers, real estate agents, financing companies, etc. to get the insider information on properties that might be coming onto the market.

Insurance for Rental Property

It's important that you are properly insured for complete coverage on your rental property. As a landlord, you need to make sure your policy covers more than just the building. You will need to have protection against:

- Purposeful damages caused by tenants
- Accidental damages
- Personal and property liability

- Loss of income

Also, if you reside on the property you should consider mortgage disability insurance.

Taking Advantage of the Tax Breaks

One of the main reasons people invest in real estate is for the beneficial tax breaks it provides. The tax breaks are most substantial for middle-income investors who are their own property managers. The value of tax relief depends on your annual income and what type of job you have. Even though the breaks are most significant for the middle class, there are also tax shelters for income produced by passive investors and high-income earners.

An example of the tax benefit for real estate investors is that the maintenance costs and marketing costs associated with a rental property can deducted from the income on a property, no matter what tax bracket the owner is in. Other expenses that can be deducted are interest on the mortgage, property insurance, utilities, general maintenance and repairs, management fees, marketing costs for renting the property, and depreciation.

Depreciation is the fact that tangible assets diminish in their value over time. For example, if you buy an oven for a rental house, it's assumed that it will wear out over the upcoming years. The value of the oven can be claimed over a five year period as a deductible expense on your taxes.

Depreciation is used by some people to shelter taxable income so that it is not taxed. Here's what they do: The rental property owner depreciates the value of the rental house's structure. Land does not depreciate because it doesn't wear out. So if the owner claims that the value of his rental is going to go from its purchase price down to $0 over 27.5 years, the annual amount is sheltered as depreciation, which can be deducted from property income before paying taxes.

Consider the following example of depreciation:

You invest in a four-family house for $500,000, finance $400,000 and put down a $100,000. The $400,000 mortgage is at a 7% interest rate, which costs about $2,662 in interest per month. Add in the additional costs which are $500 per month and include management fees, repairs, insurance, and advertising costs. Monthly rent income is $1,000 per unit, for a total of $4,000 for the property. The positive cash flow (income minus expenses) in this situation is $838 per month. This totals $10,056 annually. Usually this would be taxable income, and at a 30% tax rate, that would cost you about $3,000.

The money saving tip here is that you can depreciate the building over time, thus reducing the amount of taxable income that you will need to pay taxes on. First subtract out the appraised cost of the land - in this example it's $75,000. This means the cost of the structure is $425,000. Divide that out over 27.5 years, and you'll have an annual depreciation expense of $15,454. This eliminates your tax obligation on the $10,056 in rental income.

The next logical question would be, "What happens to the remaining depreciation expenses totaling $5,398?" This is where it is important to consider your occupation and income level. Most people who are not real estate professionals cannot claim a passive loss on rental real estate investments. Passive losses by real estate professionals can sometimes be used to offset money earned on other rental properties. Most often they cannot be considered to offset your wages from other income or investments.

The following are two exceptions to this rule:

- Real estate professionals that spend more than 750 hours involved in real estate can write off passive losses.
- If you are not a real estate professional, and your annual income (modified, adjusted gross) is less than $100,000, you can use up to $25,000 as a write-off on any other income (non-rental) per year. To do this you must be actively involved in the rental business, for example you decide the rents, accept tenant applications, etc.

Chapter 3

Narrowing Down Your Choices & Taking the Plunge

The Benefits of Using the Internet

Over three percent of all online web shoppers buy real estate on the internet. It's amazingly popular to buy property online thanks to the accessibility and ease in which information is available via computer.

Industry experts are anticipating the current 3% of internet real estate buyers to increase drastically over the next 5 years. They are also expecting financing that's arranged online to increase substantially in the near future.

In this age of abundant information, you can take an online video home tour, narrow your property search by factors that are important to you, and find a real estate agent that specializes in your niche market. You can even use the internet to calculate out mortgage payments, and ask the mortgage broker questions online.

Finding Your Investment Online

There are thousands of websites that list properties for sale. Much like the classifieds and the Real Estate section of every city's newspaper, these sites provide photographs, descriptions, and pricing information. There are companies that focus all of their marketing efforts online, as well as tradition real estate agencies who also maintain websites for their property listings.

Here is a listing of a few of the many online companies that offer real estate listings:

www.realtor.com

www.realestate.com

www.homestore.com

www.housebid.com

Use a search engine to find websites that offer foreclosures if you are interested in investing in that type of property.

After you find properties online that look interesting to you, you will need to go visit the property in person. Always personally inspect a property inside and out before deciding on a price!

Getting Your Financing the Smart Way

As you enter the search for a new property, it's best to have your financial cards in place. By pre-qualifying for a loan, the lender is telling you the most money they would give you if you were to go through with the mortgage process. The pre-qualification process will help keep you on track and ensure that you are looking for homes within your price range. Use online mortgage calculators to help visualize what your monthly payments will be, as well as many other valuable calculations.

Use the internet to educate yourself on current interest rates and to research lenders to find one that has a good reputation and desirable financing package.

It's important to shop around for the best interest rate. The difference of a half point on your interest rate can get you approved, or rejected, for a loan. Loans are granted in part on your income ratios, and a measly half point can push you outside of the acceptable margins for qualification.

When investigating various financing packages, ask about fees and any other charges that might be added on at the end. It's expected that you will need to pay for an appraisal, copies of credit reports, flood certificates, points on your mortgage, and other fees.

If you are denied credit based on your credit history, you have the right to request a copy of your credit report from the reporting agencies. Review it closely to be sure there are not any errors on your report.

Picking the Home That's Right For You

You've found the handful of properties that you'd like to investigate further. The next step is to carefully research each one to get a complete picture of the properties. Many towns have public listings online of property, assessed values, past sale prices, etc. With this information, you can see what the current owner paid for the house. If you cannot find this information, you should be able to see what comparable properties have sold for in the area. Many states and municipalities have their own websites. One good example is the state of Maryland. Their website is www.dat.state.md.us/sdatweb/charter.html.

Before the internet, to get this comparable information you would have to go through a real estate agent or sift through complicated paper land records in your town's records. Now, arming yourself with this essential information is just a few mouse clicks away.

If you are unsure about which town you should live in, simply go online to see what the tax rates are in the various localities within your region. Also check out if your state or town has any tax credits, like first time home buyers, senior citizens, or veterans.

Another great tool on the internet is a Cost of Living Calculator. This is useful if you are thinking about relocating to another state. Finding out what it will cost you to live in Marietta, Georgia vs. Oakland, California is certainly helpful in the decision making process. Try www.homefair.com/calc/salcalc.html for starters.

If you have kids and you are moving to a different school district, you'll want to research your new town's schools before buying property. Check out the many different online tools to gauge a district's graduation rates, SAT scores, college attendance rates, and more.

Almost every aspect of moving can be handled online. You might be able to use the internet to set up your utilities, or transfer your existing ones.

If you are moving your primary residence, you will need to change your address with the postal service. You used to have to fill in a form and mail it. Now you can finish this task in minutes online. Go to www.usps.gov .

Finding the Best Real Estate Attorney or Settlement Agent

For a smooth real estate transaction, it is essential to have a seasoned real estate attorney or settlement agent that knows the ins and outs of the business. Look for an attorney that has experience specifically in real estate. Find someone who is comfortable online and will be able to communicate with you via email and fax. Most of the paperwork and documentation process can be handled this way, minimizing the number of time consuming face-to-face visits.

A real estate attorney's role is relatively small until the end of the transaction, unless there is a problem. Your lawyer MUST fully understand the local process for real estate transactions as well as the local, state, and federal laws. It is very important that they are on top of the latest changes in the law to be able to properly represent you.

The real estate attorney can help you complete the lender's paperwork, and can anticipate problems before they occur to handle them efficiently. This includes liens, title problems, etc. Their purpose is to create a stress-free transaction. To find out more information about the closing/settlement process, go to: www.stressfreesettlements.com.

Selling Your Property Online

There are two ways to sell your home: by listing it with a real estate broker or by selling it yourself. There are pros and cons to each method. When using a broker, your home will be listed in the popular industry database called the MLS (Multiple Listing Service). They will represent your interests throughout the process, and they will do all of the legwork needed to show and sell your home. In exchange for their professional help, you will pay them a percentage of the home’s sale price, which is typically about 6%. Choose wisely when hiring your agent to be sure you have the best person representing you. Find out about their marketing plans for your home, and where they list properties online. Will you get the exposure you need to sell your property for the most money possible?

By selling For Sale by Owner (FSBO), you’ll be representing yourself and serving as your own agent. You will be the one who arranges the advertising, marketing, placement, and open houses. Recent studies have shown that 13% of all homes sold are sold FSBO. The national average per transaction is $9,000 saved on commission costs. With careful research, patience, and common sense, you can successfully sell your own home for a hefty profit!

If selling FSBO, you will quickly find the internet to be an invaluable resource in your sales process. There are many recommended websites that you should review prior to deciding to sell your property on your own. Try www.owners.com, or www.4salebyowner.com. Make sure you compare the different online FSBO services before signing up, because they can be expensive. Check to see what the packages include, and the length of each level of subscription.

Whether you use an agent or not, use the internet to determine the best asking price for your house.

Conclusion

Investing in the real estate market - either through buying foreclosure property, tax lien certificates, income generating rental property, or properties found online - can be a profitable business ventures.

Before getting started investing, get your financial house in order. Reduce your personal expenses, and decrease your liabilities wherever possible. Save your money in high yield deposit accounts until you’re able to jump into the real estate investing. You will need assets in order to get a lender to give you a loan.

Get your money to start working for you. By having several different residual money makers in place, you can break out of the linear-income cycle and start receiving money on a monthly basis, with only working once to set it up. It's your ticket to financial freedom!

References

Consider the following list of recommended references to help you learn more about real estate:

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