

Real Estate Finance Using Subject To Options

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Real estate finance is one of our favorite real estate investing topics to write about.

Our students are always interested in new and interesting ways to finance their purchases of real property, so from time to time, we like to review some of our favorite strategies.

One of these is financing wholesale real estate deals with "subject to options."

Now, don't let the fancy name intimidate you, subject to options aren't as scary as they may sound, and they can really supercharge your real estate investing.

Typically the advantage to wholesale deals is that they can be turned over faster than retail deals.

If you give a low enough price that another real estate investor can come into the property, make a few upgrades or fixes and then sell it for a profit, then you have a larger market of potential buyers than if you are looking only for an end user.

When real estate investing with option contracts, all you do as a real estate investor is find a deal that you are interested in buying, negotiate a price with the seller, and then execute an option contract with the seller.

These deals can be financed in any number of ways, but one of our favorite real estate financing strategies is to negotiate a subject to option.

The subject to option gives you the right not only to purchase the property for a fixed price for a fixed period of time.

It also gives you the right to take over the property with its existing financing, meaning that as long as you're willing to make the payments on the current mortgages on the property, you won't need to go out and get new financing.

This is a powerful one-two investing strategy, because it allows you to contract a virtually limitless number of properties with very little money out of pocket (typically \$10 for an option fee) and then to close on the properties without the expense, hassle or need for financing!

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